

The **New York Times**

View Related Topics

June 26, 1997, Thursday, Late Edition - Final

SECTION: Section D; Page 1; Column 2; Business/Financial Desk

LENGTH: 1911 words

HEADLINE: Harvest of Shares;
One Farm's **Stock** Plan Gives Its **Migrant** Workers a Stake

BYLINE: By BARNABY J. FEDER

DATELINE: WATERLOO, Wis.

BODY:
Like most farms reliant on seasonal field workers, the McKay Nursery Company long ago gave up the notion that it could afford wages high enough to make such dirty, wearying labor attractive to unemployed Americans.

"We haven't had a local market for entry-level farm labor since the 1960's," said Griff Mason, McKay's president, recalling how the company turned to **migrant** Mexican workers to sustain its nursery here in southeastern Wisconsin. "People here just didn't see it as a place to start a career."

Since then, though, McKay has veered far from the norm in agriculture. It has quietly evolved into an employee-owned enterprise where many migrant workers not only play an increasingly influential role, but annually receive chunks of stock in the company. Mr. Mason projects that the stock distributions and related bonuses will compound into a nest egg of at least $100,000 in 30 years for even the most lowly paid.

"I don't feel like an owner," said Guillermo Castillo, a 28-year-old native of Zacatecas, Mexico, who freely admits he is confused about the details of the company's ownership structure and his accumulating holdings. "But I do feel like a partner," he added, noting that some peers had kidded him in his early days about the amount of unpaid work he performed caring for young plants.

Such attitudes -- and the opportunities that created them -- are so rare in the world of migrant labor that McKay caught the attention of the Business Enterprise Trust, a California foundation created by the television producer Norman Lear to honor businesses that combine financial success with social vision.

In February, Mr. Mason, along with Richard Knoke, the company's nursery superintendent, and Reuben Almanza, a migrant worker who has been coming north annually from Texas to work McKay's fields for 35 years, were lauded by business leaders and President Clinton at the foundation's annual awards ceremony in New York.

McKay's award was a public reminder that many Americans are angered or embarrassed every time they are confronted with agribusiness's reliance on impoverished migrants -- and with the way many companies treat them.

Conditions have improved for the nation's one million farm workers since Edward R. Murrow's shocking 1960 CBS documentary "Harvest of Shame." Most now get unemployment insurance, Social Security, and workers' compensation coverage, clean water and access to toilets.

After adjusting for inflation, though, wages have been declining for 20 years, as illegal immigrants continue to flood the labor market. The most recent Department of Labor surveys estimate that the number of illegal aliens working on farms jumped from less than 10 percent in the 1988-89 crop year to 37 percent in 1994-95. Labor leaders say the actual figures are higher.

Meanwhile, many seasonal workers have seen their cost of living soar. Employers have avoided charges that they provide substandard housing by simply shifting to the workers the burden of finding housing and transportation to work.

Nor have the most flagrant abuses entirely disappeared. Just last month, three men pleaded guilty in South Carolina to enslaving migrant workers who had illegally entered the country from Mexico.

"There's rampant violations of the minimum wage laws," Bruce Goldstein, director of the Farmworker Justice Fund in Washington, said.

Debate about migrants is an annual event in Congress. This year, growers support a Senate bill to make it easier to import more "guest workers" -- foreign nationals who are allowed to enter the United States temporarily for specific employers. Farm employers say there are not enough natives and legal immigrants to meet their needs.

But critics say that the growers are simply trying to avoid paying higher wages and that unemployment remains high among farm workers. The Labor Department estimated in its most recent study that 190,000, or 12 percent, were unemployed in 1994. Hearings have not yet been scheduled on the Senate bill.

At McKay, wages are legal but meager by any measure. New migrants start at $6 an hour, far less than the $7.50-an-hour average for farm workers in the Great Lakes region. Just 30 hours a week of work is guaranteed, though migrants can count on the typical spring workload being almost double that. After 35 years, Mr. Almanza's base wage has risen to just $9.50 an hour.

In California, which has half the nation's farm workers, the union wages paid at Dole Fresh Foods, start at almost $7.50 an hour plus piecework bonuses that lift the average to more than $9. And migrant workers can easily find jobs paying $12 an hour or more in meatpacking operations here in the upper Midwest.

But McKay's other benefits and advancement opportunities keep far more than 90 percent of its migrant workers returning year after year. Ten of McKay's 60 year-round employees, including several key managers, are former migrants whose early stints on its payroll lasted only through the 10 weeks of spring when the company is busiest shipping trees and shrubs. About 60 migrants have moved into jobs that keep them on the payroll eight months annually, long enough to work the minimum 1,000 hours needed to receive bonus payments in company stock along with the year-round staff.

Eligible migrant workers receive bonuses equal to 20 percent to 25 percent of their wages in stock or cash; the mix depends on how much stock is available to distribute in a given year. It comes to at least $2,000 worth of stock or cash each year for even the lowest-paid worker, Mr. Mason said.

The stock, which is not traded publicly, is revalued each August by an outside accounting firm. Mr. Mason said it had been steadily appreciating but declined to disclose the most recent price. McKay does not release financial performance data, but filings with industry associations and statements about the breakdown of sales suggest that annual revenue is about $15 million.

The beneficiaries of the McKay stock plan include Monsies Gomez, who has risen to second-in-command of daily operations, and his wife, Juanita, who became a full-time worker in 1974. Mrs. Gomez, who plans to retire this August at age 55, figured she would not have to work again, thanks to the money the couple expect to receive from selling her stock back to the company.

"I never expected to see this when I started," said Mrs. Gomez, who declined to say how much the sale should bring. McKay has set up a financial counseling program to arm its migrant employees against bad advice from investment advisers.

Employees are required to sell their stock to the company when they retire, which limits its value. Mr. Mason worries about outsiders trying to convince employees to eliminate that restriction in the stock plan, risking loss of control of the company in return for a short-term gain in the value of the shares.

McKay is uneasy about being cast as a model of progressive migrant labor policy. Indeed, in horticultural terms, the century-old company might be seen as a "sport," a freak of nature that pops up unexpectedly through a combination of heritage and circumstances that may not be easily duplicated. Senior executives stress that McKay's employment policies for migrant workers are just one part of a unique and sometimes stressful corporate culture.

By all accounts, the pivotal figure was Karl Junginger, who succeeded the founder, W. G. McKay, at the company's helm in 1959. Part autocrat, part father figure, Mr. Junginger used a combination of low base pay and substantial bonuses to create a strong team feeling.

The search for a tax-friendly way to pay off the small group of private investors who owned the company, make sure it remained independent and prepare for Mr. Junginger eventual retirement led to the sale of all of the company's stock in 1984 to an employee stock ownership plan, or ESOP.

"The ESOP is the current embodiment of the feeling Karl created," said Mr. Mason, who had been a grocery clerk and life insurance salesman before joining the company as a 20-year-old apprentice. He was 43 when he became president in 1988, three years before Mr. Junginger's death.

Migrants and former migrants make up about half the ESOP membership (though they own considerably less than half the shares) but that is not the only thing unusual about McKay's stock plan. Most such plans own less than a majority of a company. McKay's plan owns 100 percent.

Mr. Mason has always envisioned the stock plan as a tool to goad all his employees to feel more responsibility for improving operations throughout the company. "It's an excuse for changing the culture to get more bottom-up participation," Mr. Mason said.

But other managers, whom he encouraged a visitor to interview, say that process went too far in the early years and may still need reining in.

"This is the greatest company in the country to work for, but people have way too intense discussions about small things," said Jerry Draeger, the executive vice president. "The ESOP concept is beautiful, but it had gone to the extreme where you couldn't make a decision without a committee of 12."

At the same time, he and others said, some lower-level employees made costly mistakes by assuming they had the authority to do what they wanted without direction from upper management.

One positive outcome, however, is that immigrant shareholders, while generally more reticent than their American-born counterparts, have still had a remarkably open window on how the business operates and have begun to take more responsibility.

The employee stock plan is not the only peculiarity shaping McKay's award-winning employment policies; indeed, they might not be possible were it not for the economics of the nursery business. The trees and shrubs produced by the nation's 5,000 nurseries are a high-priced crop. Total receipts of $10.4 billion last year were higher than those for crops like cotton and wheat that involve many more farms and millions of acres.

Nurseries are also labor-intensive. For McKay, the value of each plant and the company's investment in labor -- 50 cents for every $1 in revenue -- create an unusually strong need compared with other farmers to reduce turnover and training costs.

Farm labor leaders also note that nurseries can attract the cream of the migrant work force because they offer jobs that last longer than picking a season's produce or fruit. McKay's location may also have figured in its evolving employment policies: The farther employers of seasonal workers are from Texas or California -- the main marketplaces for hirings of migrants -- the more benefits they must offer to recruit workers.

Could McKay's deal for migrants get sweeter still? Mr. Almanza, for one, said that the company ought to offer medical insurance. Indeed, in California, unionized farm workers with the best contracts enjoy not just medical coverage, but dental and vision benefits and paid vacations.

Matching those standards would be a challenge for McKay, because the company needs to control labor costs to stay competitive with other nurseries, especially as it expands from its primary markets in Minneapolis, lower Wisconsin and Chicago.

Still, even union members see plenty to envy in McKay's approach. "I've never heard of giving stock to migrants," said Doug Blaylock, an administrator of the United Farm Workers Union pension plan in Keene, Calif. "I think it's fantastic."

GRAPHIC: Photo: Griff Mason, McKay Nursery's president, said that including seasonal workers in a stock plan helps them feel more responsible for improving operations. (Chris Corsmeire for The New York Times)

Graph: "A Portrait of Migrant Farm Workers"
Farms throughout the United States rely heavily on migrant laborers, most of whom are foreign-born and poorly paid. Graph shows percentage of farm workers in each region of the U.S. who are migrant laborers. It also shows a breakdown of crops harvested by migrant farm workers and tracks the average hourly wages of field workers, compiled quarterly, since 1994.

There are 670,000 migrant workers in the United States; they have 410,000 dependents living here.

Of those workers and their dependents, 57 percent live below the poverty level.

85 percent of migrant workers were born abroad.

Of those workers, 36 percent have no assets other than their personal belongings.

Migrants work an average of 29 weeks a year.

(Sources: 1994 report by the Labor Department and Aguirre International; Agriculture Department)

LOAD-DATE: June 26, 1997