

Rath employee ownership saves company

United Press International
WATERLOO, Iowa — When Rath Packing Co. officials pleaded for voluntary worker pay cuts in 1979, Lyle Taylor foresaw giving up his benefits only to be abandoned when the meat packing plant closed soon afterward.

But as president of the United Food and Commercial Workers Union Local 46, Taylor vowed his workers would not be exploited — even if they had to take over the company to save their jobs.

Taylor now presides over about 2,000 stockholding employees. They are happy — for the most part — with the company that once lost \$22 million in five years. Although not out of the woods yet, Rath has become a team effort from its employee owners to the Waterloo community that is helping support it.

Rath workers, including 2,000 at the Waterloo plant and 1,000 in four other states, have agreed to each take 10 shares of common stock from a pool that had never been issued in exchange for \$20 from their weekly paychecks. By the end of this year, workers will own 1.8 million shares, with the remaining

1.2 million shares held by 3,000 private stockholders.

In addition to the stock purchase, Taylor said, employees agreed to defer pay increases and other benefits such as vacation and sick pay, choosing to put the money in the special account that helps secure \$7 million in federal loans and grants that were used for badly needed renovations on the aging meat packing plant.

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"They needed matching funds to secure the federal money," he said. "No bank would loan Rath any money so we agreed to defer certain benefits into an account that would

be the matching money to renovate this plant. It isn't just giving up benefits.

"The study made when they got the federal money predicted we would lose money five years in a row. It predicted five years of losses and five years we couldn't pay the pension fund.

"But in the first year, we made the pension payment and also made some money. Last year, we lost money, but we made a partial payment — \$2.6 million — to the pension fund. As far as we're concerned, we're ahead of schedule. We're satisfied."

Black Hawk County Supervisor Lynn Cutler, whose economic development committee helped obtain a \$3 million federal grant for Rath, said the Waterloo plant is a "terrific experiment" in employee ownership.

"It's been an overall effort," she said. "It wasn't just business as usual. It was to make some substantive changes in the way things are done."

Taylor said the employee takeover provided side benefits. He said the workers now own stock, control 10 of the 16 seats on the board of directors, have two people on the executive committee, have a profit-

sharing plan and can collect dividends.

"We changed some managers' philosophies on the way of doing business. They were running from day to day instead of doing future planning. In fact, when we took this over, there was no future planning." -- Lyle Taylor, president of United Food and Commercial Workers Union Local 46.

The meat packing company appears to be doing better under its employee owners.

Although the industry is seeing tough times that dealt another deficit year to Rath in 1981, the company has increased productivity. It is grabbing a larger market share.

"Before the takeover, we were down to nine bacon lines," Taylor said. "Now we have 11 on days and five on nights. That's about a 50 percent increase in production."

In the hog slaughtering room, he said, workers are felling about 860 hogs an hour, compared with 550 before the takeover. Overall, sales have risen from \$316 million in 1979 to \$465 million in 1981.

Company president and chief executive Herbert S. Epstein has control over the daily operations. But Taylor said the workers have much more input into company decisions through an employee communications system and the worker-controlled board members. Special meetings also are held on a regular

basis to inform the workers of company decisions and outlooks.

"Because of employee ownership, the feeling they're part of the company, I think that's been the whole key to it," Taylor said.

Some major changes that have taken place since the takeover include the firing of then-President and chief executive Emmet McGuire, who was replaced by Epstein, and a turnabout in some company policies.

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Taylor is convinced the company can succeed if the meat packing industry itself doesn't collapse. With today's recession, he said the meat packing plants are squeezed by both sides. Farmers are raising fewer hogs, which means higher prices for Rath to buy the animals, and consumers are cutting back, which means Rath has to cut prices to sell its product.

"A lot of it depends on the economy," Taylor said.

Supervisor Cutler said the continuation of the business saved the government from paying out \$31 million in unemployment benefits in the first year.

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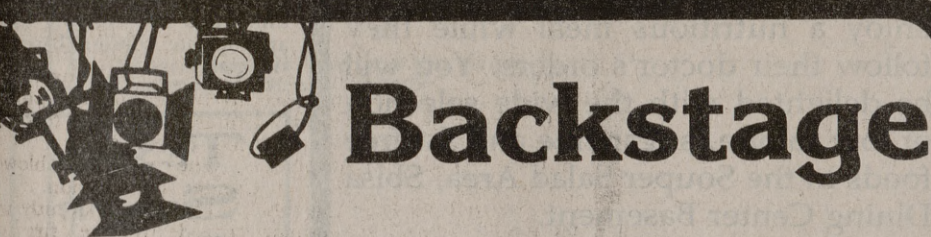
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