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JOB MARKET MELTDOWN IN WATSONVILLE

Frozen-vegetable firms pack up and leave;
unemployment soars to a depressing 20%

Unemployment



PATRICK TEHAN — MERCURY NEWS

Workers load trucks with boxes of frozen vegetables last week at a Watsonville plant that is closing in February and laying off 700.

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For many residents of Watsonville, once known as the world capital of frozen vegetables, 1996 will be a time to shudder — a year expected to bring more layoffs, poverty and uncertainty to a place where 20 percent of the adults are already out of work.

The flight of most of the local frozen-vegetable industry to foreign shores in the past 10 years and its abandonment of some 5,000 local workers has devastated the area's economy. Families have been left without incomes, shop owners without business and leaders without their city's historic tax base.

The misery is expected to worsen in this once-prosperous city of 33,000 when one of the area's biggest employers, Norcal Crosetti Foods Inc., closes in February, adding about 700 people to the unemployment rolls.

Margarita Martinez, a company employee for 27 years, wipes away tears when asked what she will do when the plant closes and she loses her job.

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Job market meltdown depresses Watsonville

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WATSONVILLE

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"It's something that's too painful to think about," she said, standing in the employee parking lot recently. "Finding a job in this town is like trying to find something that's invisible."

Civic leaders say they are working diligently to overcome the economic trends that unexpectedly gutted the city's top source of employment. Once a mecca for frozen-vegetable packers, Watsonville offered cheap, abundant labor and an ample supply of broccoli, cauliflower and other produce from the fertile lands surrounding the city.

But in the late 1980s, the globalization of the frozen-food industry and the growing year-round availability of fresh vegetables made much of Watsonville's industry almost obsolete.

Watsonville Canning went bankrupt, and Norcal merged its operations with Crosetti — both accompanied by considerable job losses. And to stay competitive, companies such as Green Giant closed their local facilities and moved their operations to Mexico, where, on average, workers are paid daily what U.S. workers make in an hour.

So many jobs left for Mexico, Guatemala and other parts of Latin America that last January Watsonville was designated a Rural Enterprise Community by the U.S. Department of Agriculture. Only 30 cities nationwide and two in California have received such grants, which are aimed at reinvigorating economically depressed agricultural towns.

NAFTA loan program

The city is using the \$300,000 it will receive each year for the next decade to provide job training for youths and create school recreation programs. The town also expects to benefit from a lending program that may soon be set up under the North American Free Trade Agreement, to spur job growth in cities that

have lost employment to Mexico.

"We're at a struggle, but we're not slipping away," said Assistant City Manager Gary Smith, who is also the town's fire chief. "We're fighting this every step of the way."

Still, some laid-off workers blame the city for failing to recognize earlier the downsizing trend in the frozen-vegetable industry. Gilroy, for example, compensated for the loss of part of its agricultural economy by encouraging construction of the retail outlet malls that now generate millions of dollars in sales tax for the city.

And Salinas, which also lost several frozen-vegetable plants, was able to create hundreds of new jobs for laid-off workers by offering incentives for companies that pack fresh salads and fruit to open facilities in that city, said David Runsten, an economist at UCLA.

Runsten, who has studied the frozen-vegetable industry for a decade, said the unions that represented the frozen-vegetable workers in Watsonville were aware of the looming cuts as early as 1986. But neither the city nor the unions did anything to stimulate the creation of new jobs, he said.

"There was this feeling among a lot of people that somehow this was not going to happen," Runsten said. The city is now suffering from the failure of labor and civic officials to face up to reality, he said.

But city officials say they knew they couldn't stop the changes in the frozen-vegetable industry. So instead, their strategy has been to encourage other companies to bring jobs to Watsonville.

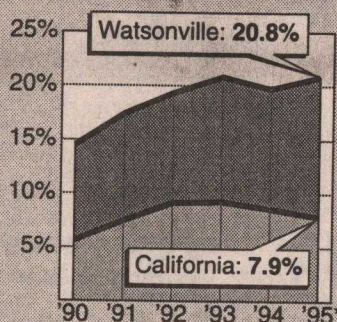
From Ford's to Gottschalks

They point to a \$500,000 loan made recently to Gottschalks department store to reopen a downtown Watsonville retail space once occupied by the Charles Ford Co.

Ford's — the oldest department store company in California — went bankrupt in 1991 after

Watsonville unemployment

The city's unemployment rate is now more than 2½ times California's.



* 1995 rate through November.
Source: California Employment Development Department

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sustaining major damage in the Loma Prieta earthquake. About 150 people got jobs in August at the new Gottschalks and another 45 jobs will be added this summer by California Tubes Laboratory, which is expected to open in a city-funded building now under construction at Watsonville Municipal Airport.

But about 20 to 30 percent of available property in the city's Main Street remains vacant, Smith said.

Residents such as Mario Hernandez, who lives in a dilapidated trailer park on the banks of the Pajaro River, have a hard time believing politicians' promises of a better future. The pounding Watsonville got in the 1989 Loma Prieta earthquake and last spring's devastating floods have left Hernandez wondering how much more he and his family can endure.

A former Green Giant employee, Hernandez, 42, was laid off when his plant closed in 1991. He's only held temporary jobs since. His sister's heavily damaged house was red-tagged during the 1989 earthquake, and his son's apartment in nearby Pajaro

flooded during the recent storm.

Hernandez and his family are now considering moving to Fresno. But he is nagged by the thought of leaving this tranquil city so close to the ocean, whose Hispanic community is so close-knit.

Hard to say goodbye

"This is the only place I've known most of my life," said Hernandez, a Mexican immigrant who moved to the Pajaro Valley 22 years ago to work in the fields. "Leaving here is like leaving a piece of yourself behind."

Despite emotional ties to the area, many like Hernandez are opting to move, particularly young, educated Hispanics. About 61 percent of the town's residents are Hispanic and 31 percent of the population is 17 or younger.

With such an exodus of the city's young, educated work force, the people who stay behind tend to be less educated and, therefore, less attractive to prospective employers.

"You live in a community here where one out of five people is unemployed and you live in an overcrowded city," said Carlos Palacios, assistant to the city manager. "It's easy to see why young people would despair."

City council members insist that many of the problems of their compact, 5.9-square-mile city could be remedied by annexing nearby farmland. The additional property could be used to build factories offering more middle-income jobs, city officials say.

But such proposals have fallen on deaf ears in development-shy Santa Cruz County. Many residents and politicians disapprove of paving over some of the world's richest farmland, and some fear that such development would turn their sleepy town into another San Jose.

Shortage of housing

As a result, Watsonville continues to bulge at the seams. About

39 percent of its rental units are considered by the city to be overcrowded, and about a third of farmworker households contain at least one non-relative. The average size of such households is 4.6 people, according to city and county surveys.

"A lot of families double up, because affordable housing just isn't there," Palacios said.

At the same time, the number of farmworkers in Santa Cruz County — many of them Watsonville residents — has more than doubled since 1980, from 5,760 people to 12,220.

The overcrowding is so bad that fights sometimes erupt over such petty things as the use of soccer fields, Palacios said. The city also has seen a rise in gang crime, he said.

Many people aren't convinced by politicians' assertion that the city is on the upswing.

"Better, my butt!" balked Leticia Rivera, 31, a single mother of two who was delivering cans and bottles to a recycler across from the soon-to-close Norcal Crosetti plant. "It may be better for people with jobs, but to those of us who can't find work, the new year doesn't look very good."

Rivera said she could work as a farm laborer, at pay close to minimum wage. But that's what her parents did, she said, and she wants to do better.

Others express the same frustration. The frozen-food plants offered higher-paying jobs that allowed people to send their kids to college, maybe even buy a modest home. But farmworker wages don't offer a future, unemployed residents complain.

Many in the town continue to look to other cities as their way out of a bad situation, among them Rivera.

"I'm just here because I'm trying to save some money while living with my parents," she said, unloading trash bags filled with aluminum cans from her Honda Civic. "But as soon as I can get some cash, I'm out of this town. Life is too sad here."