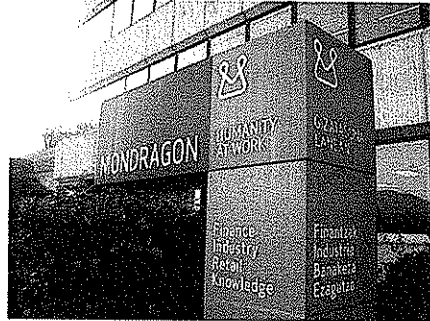


We Build the Road We Travel... The Mondragon Cooperatives

The Mondragon cooperatives of the Basque region of northern Spain encompass 100+ worker-owned businesses, employing more than 100,000 worker-owners with production plants on four continents. The Mondragon cooperatives are the leading industrial area in the Basque county, ranking 7th in all of Spain, and is one of Spain's major financial institutions. The Eroski grocery co-op is the largest Spanish-owned retail food chain and third largest retail group in Spain.

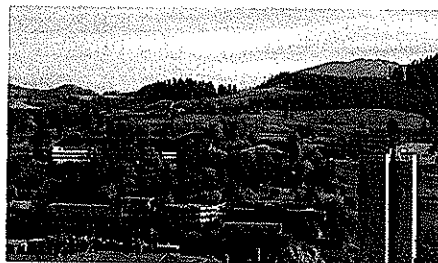


The Mondragon cooperatives were founded in 1956 by a young Catholic priest, Jose Maria Arizmendi, in the Basque town of Mondragon, Spain. In the aftermath of the Spanish civil-war, the worker-owners transformed a humble factory which manufactured oil stoves and paraffin heaters into a model of economic democracy and innovation.

Since its inception, the Mondragon experience has promoted the principles of “democratic organization, participatory management, inter-cooperation, education, the instrumental and subordinate character of capital, and social transformation.” Their focus is on job creation, respect for the environment, and social responsibility. Profit is not the primary motive. The goal of the Mondragon cooperatives is to constantly improve the quality of life and to strengthen community.

Despite economic upheaval and entry into the European Union, Mondragon has never had any member lay-offs in its 53 years of existence. By its very structure, Mondragon invests heavily in ongoing research and development, business incubation, management and member training, and extensive financing to create new cooperative businesses. Young people in the Basque region view the Mondragon cooperatives as the place for cutting edge technologies, upward mobility, and a future rooted in place.

Mondragon describes their organizational ethic as “an environment in constant economic, social, and political evolution.”



Mondragón Worker-Cooperatives Decide How to Ride Out a Downturn

by Georgia Kelly, Shaula Massena
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The Mondragón Cooperative Corporation (MCC), the largest consortium of worker-owned companies, has developed a different way of doing business—a way that puts workers, not shareholders, first.

Here's how it played out when one of the Mondragón cooperatives fell on hard times. The worker/owners and the managers met to review their options. After three days of meetings, the worker/owners agreed that 20 percent of the workforce would leave their jobs for a year, during which they would continue to receive 80 percent of their pay and, if they wished, free training for other work. This group would be chosen by lottery, and if the company was still in trouble a year later, the first group would return to work and a second would take a year off.



Spain's Eroski grocery stores are Mondragón's largest cooperative. Photo courtesy of www.eroski.es

The result? The solution worked and the company thrives to this day.

The central importance of workers permeates every aspect of the Mondragón Cooperatives. Even though the MCC businesses are affected by the global financial crisis, there is no unemployment within the MCC businesses. People are moved around to other jobs, or hours are cut without cutting pay. The wages for unworked hours are to be repaid through extra hours worked later in the year.

Contrary to what some advocates of top-down management say, this worker-centered focus hasn't been an obstacle to growth. Founded in 1956 by Father Don Jose Arizmendi, a Basque Catholic priest, the Mondragón cooperatives today comprise more than 100 cooperatives, as well as more than 100 subsidiaries that MCC has purchased and hopes to convert. Altogether, MCC companies employ more than 100,000 worker/owners and in 2007 generated revenues of more than \$24 billion.

This empire of egalitarianism grew from humble roots. Father Arizmendi brought together the residents of this Basque community through study circles and workshops. His aim was to confront high levels of unemployment that kept the region in poverty and isolation. The philosophy that emerged from those meetings put the rights and well-being of workers first, with growth mainly aimed at providing additional jobs and job security to employees.

These principles drive everyday practice at MCC companies. For instance, while most businesses determine voting power based on how many company shares a person owns, MCC cooperatives allocate each worker one vote. They also stick to an egalitarian pay scale—top management is rarely paid more than six times the lowest-paid worker. Profits and losses are distributed among all the members equitably because their efforts together determine the success of the company.

Co-op Entrepreneurs

At the same time, the MCC has never lost sight of the fact

New Economy, New Ways to Work



Green Worker Co-Ops, NY

Cleveland's Worker-Owned Boom

that it can't generate high-quality well-paying jobs, without innovation and creativity.

To that end, MCC managers in 1981 founded SAIOLAN, an incubator program that aims to create new companies and products by bringing together would-be entrepreneurs with identified needs, and helping out with feasibility studies and prototypes.

The result has been rates of innovation that challenge those of the world's most successful corporations. A Mondragón firm manufactured Spain's first computer chips, for example. Others are producing wind, solar, and hydrogen power. New business opportunities in health and food, communications, and alternative energy are now

being researched, as well as shared housing for elders and furniture convenient for older people. The company estimates that fully a quarter of the products its cooperatives will make in 2012 are not yet in production.

SAIOLAN also offers budding entrepreneurs coaching, technical resources, funding, and help with business plans. To date, it has helped 285 entrepreneurs create their own companies and many others to develop their ideas within existing co-ops.

Capital & Globalization

Not surprisingly, running a huge cooperative involves a host of challenges. One that has been with MCC from the start is the difficulty of raising capital to start new businesses. Without capitalists to own the companies, there's no obvious source for the big money required to get a business off the ground. Worker-members do buy into their jobs, but it doesn't generate enough capital to start up a brick-and-mortar business like manufacturing.

The MCC developed a unique solution: Starting with the first affiliated cooperative 50 years ago, workers' shares of company profits have been paid into capital accounts that stay within the company until the workers retire.

The funds were originally pooled in the Caja Laboral bank, owned by MCC member businesses. These accounts are now managed by MCC, and the bank operates as another member cooperative, with 389 branches located in all parts of Spain. The bank's entrepreneurial division creates new businesses and offers microcredit to young people in the Basque region to assist them in developing businesses.

As the co-ops have spread to other parts of Spain and abroad, the percentage of workers who are also owners has fallen. Approximately 9 percent of employees are not worker/owners—most from outside of the Basque region. Many of them work in Eroski, the largest supermarket chain in Spain. These workers will soon have an opportunity to become owners, however. At the January 2009 General Assembly of the MCC, the decision was made to open membership to non-Basques in other regions of Spain, and these workers are now being invited to join as worker/owners.

To keep supplier contracts with global partners and avoid import tariffs, Mondragón has purchased local subsidiaries in countries such as China and Brazil. These relationships have strengthened local employment but created a new problem: a growing body of international non-member workers. Cooperatives with foreign subsidiaries are experimenting with ways to ensure good working conditions and extend the principles of employee participation in management, profits, and ownership. But to date, the co-ops have not found a way to offer full membership to the workers in the international subsidiaries.

A New Way of Life?

One of the first things you notice while driving from the Bilbao Airport toward the town of Mondragón is the unspoiled beauty of the countryside—rolling green hills uninterrupted by billboards, and smooth roads untarnished by potholes.

The town of Mondragón, population 23,000, is solidly middle class. There were neither mansions on the hill nor poverty in the streets. We didn't see wealth but everyone had a comfortable place to live, healthy food to eat, and the comfort of modern conveniences. Equally noticeable was their convivial, even joyful sense of community. The people we met were friendly, conversational, and trusting.

Mondragón is proof that a commitment to the common good is not an obstacle to commercial success. Instead, a dedication to innovation and training at all levels can bring forward the best of the community. That quality of life continues outside the workplace, multiplying the benefits for those who choose a cooperative path.

Georgia Kelly and Shaula Massena wrote this article as part of *The New Economy*, the Summer 2009 issue of *YES! Magazine*. Georgia is the founder and director of Praxis Peace Institute and the organizer of a tour of the Mondragón Cooperatives (Fall 2008). Shaula does research and consulting about socially responsible investing and small business finance. She joined Georgia on the tour.




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