

MONDRAGON COOPERATIVES
(A Philosophy of Improving the Life of the Poor)

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A cooperative is a voluntary contractual organization of persons having a mutual ownership interest in providing themselves a needed service(s) on a nonprofit basis. In a cooperative the investment and operational risks, benefits gained, or losses are shared equitably by its members in proportion to their use of the cooperative's services. A cooperative is democratically controlled by its members on the basis of their status as member-users and not as investors in the capital structure of the cooperative.

What is the secret to the Mondragon Experience Success?

It is not easy to explain the reason for the success of our co-operative and business movement in just a few words. However the following key points are highlighted:

- The vital role played by Arizmendiarieta, the driving force behind the Experience, with his grand vision of the future and his influence over both students and disciples when putting his ideas into practice.
- The personal nature of the co-operatives, in which people are given priority over capital, an attitude which results in a high level of worker involvement in the company, through direct participation in both the capital and the management.
- A business-like approach to the co-operative phenomenon where company profitability and planned, rigorous and demanding management efficiency are basic principles.
- Re-investment of practically all resources generated.
- Ongoing adaptation to the changes taking place in the environment.
- Creation of efficient inter-cooperation instruments: both in the financial field and as regards social welfare, innovation and R&D, and coordinated job management.
- The importance attached to training, both as regards formal education, such as that provided by our University Faculties and Professional Schools, and as regards Lifelong Training linked to professional refresher courses and advanced courses.

The Mondragón Cooperative Corporation (MCC) is a group of manufacturing and retail companies based in the Basque Country of Spain, whose concepts have spread throughout the world becoming one of the world's largest worker cooperatives.

Foundation

The company was founded in Arrasate, a town in Gipuzkoa known as "Mondragón" in Spanish. The town had suffered badly in the Spanish Civil War and there was mass unemployment. A young Catholic priest, Father José María Arizmendiarieta (commonly called Arizmendi), arrived in 1941 and decided to focus on the economic development of the town, settling upon co-operative methods to achieve his goals.

In 1943, Arizmendi set up a democratically-managed Polytechnic School that played a key role in the emergence and development of the cooperative movement. In 1956, five young graduates of the school set up the first co-operative enterprise, named ULGOR (now Fagor Electrodomésticos) after their surnames, that during its early years focused on the manufacture of petrol-based heaters and cookers. In 1959, they set up the Caja Laboral Popular "People's Worker Bank", a credit union that both allowed the cooperative members access to financial services and subsequently provided start-up funds for new cooperative ventures. New cooperative companies started up in the following years, including Fagor Electrónica, Fagor Ederlan and Danobat.

Co-operative workers manage their finances through Caja Laboral, hold health insurances and pension funds at Lagun Aro and have discounts at Eroski markets and on Fagor appliances. Eroski stores are furnished by co-operative trucks.

When a cooperative has got in economical trouble, workers have preferred to take pay cuts instead of layoffs. If the situation deteriorates seriously, redundant workers are provided with positions in other group co-operatives.

Current developments

In the 1980s, the various companies responded to pressures of globalization by joining together as the Mondragón Cooperative Corporation . The MCC is now the Basque Country's largest corporation, the seventh largest in Spain. It is considered the world's largest worker co-operative. In 2002 the MCC contributed 3.7% towards the total GDP of the Basque Country.

Education has always been key to MCC and its development, hence the conversion of the old school into the University of Mondragón in the 1990s, a private university to promote further

development. Some 4,000 students attend the university campuses in Oñati, Eskoriatza and Mondragón.

MCC now constitutes over 150 companies, with important manufacturing and engineering interests, as well as retail, financial and educational arms. Its supermarket arm, Eroski, is the largest Spanish-owned retail food chain and the third largest retail group in Spain.

Organization

The sovereign body is the 650-member Co-operative Congress, its delegates elected from across the individual co-operatives. The annual general assembly elects a governing council that has day-to-day management responsibility and appoints senior staff. For each individual business, there is also a workplace council, the elected President of which assists the manager with the running of the business on behalf of the workers.

Backlash

The huge size of MCC has caused tensions between the needs of an international corporation and adherence to traditional co-operative principles. There have been accusations that factories have been relocated abroad, mainly in Latin America, where workers are not given the same membership rights. In 2004, it was estimated that just less than half of the then 70,000-strong workforce were full members of the co-operative, most of which will become full members after completion of a probationary period. Since members cannot be separated from the cooperative except for misconduct, new potential members must undergo a probationary period to determine whether they are an appropriate fit for the cooperative. Potential members must also provide a buy-in capital contribution to the cooperative equal to about one year's base salary at the lowest level of employment before becoming a full member, which is usually financed by a loan from the cooperative bank.