1.2 Mondragon

One of the world’s leading co-op networks is called Mondragon, a global organization with headquarters in Spain. Mondragon is a mutually supportive network of individual co-ops that follow 10 basic principles. Mondragon is an example of how co-ops can transform a local economy and meet the needs of the people.
1.2 MONDRAGON

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**Our Inspiration: The Mondragon Model**

Over the past 60 years the Mondragon Cooperative network has transformed a war-torn, devastated region of Spain rife with poverty and unemployment into thriving, vibrant prosperous communities. Mondragon is one of the world’s most successful networks of worker-owned industrial cooperatives.

**FORCES THAT SHAPED MONDRAGON**

At the end of the Spanish civil war, the Basque country in the northern part of Spain was left in ruins. Its citizens faced widespread hunger, persecution, illness, extreme poverty, and deplorable living conditions. It was under these conditions that Father Jose Maria Arizmendiarieta, a visionary Catholic priest, developed the Mondragon cooperative concept.

In 1941, Fr. Jose Maria Arizmendiarieta (Arizmendi) was assigned to a parish in Mondragon, a town of 8,500 inhabitants in the Basque Country. He found the town still suffering from the aftermath of the Civil War and struggling with severe unemployment.

Father Arizmendi was determined to find a way to assist his community. He realized that economic development—namely, the creation of jobs—was the key to tackling the town’s problems. After a period of time of meeting and reflecting on the challenges and the society they wanted to see, Fr. Arizmendi and community members decided that cooperatives were the best tools for the type of economic development to meet their goals. Both consumer and worker cooperatives and self-help organizations had a long tradition in the Basque Country but had collapsed as a result of war. Arizmendi believed that participatory humanism, developing technical skills, and building knowledge were crucial to transformative change in the region.

**FATHER JOSE MARIA ARIZMENDIARIETA**

Arizmendiarieta, whose name is often shortened to “Arizmendi,” was the oldest son of a middle class family. He lost an eye in a childhood accident, so he could not join the Basque Army in the fight against...
1.2 MONDRAGON

Francisco Franco’s troops. Instead, he became a journalist for Basque language newspapers. His views and actions led him to be arrested. Once released, he went on to become a priest.

To learn more about Father Arizmendiarríeta, you can read the “Arizmendiarríeta” issue of TUlankide, the magazine of Mondragon, available on CUCI’s resource page. (cincinnatiunioncoop.org/resources)

THE EARLY YEARS
Before the first cooperative was launched, Fr. Arizmendi set up a soccer team to rebuild personal relationships among people in the Basque region. He organized a medical clinic to aid the sick and encouraged cooperative community living.

During these early years, the focus was on training, education, and literacy. Arizmendi recognized that socializing knowledge led to democratized power. In other words, distributing knowledge equally would facilitate democratic decision-making.

Arizmendi opened the Escuela Profesional (technical college) in 1943. Its goal was to expand educational opportunities for anyone in the community. The school would prepare future technicians and a skilled workforce. Arizmendi would engage students in conversations about cooperative values and concern for others.

Eventually the Escuela Profesional became the engineering college of the present-day Mondragon University.

Today, over 70 years since Fr. Arizmendi set out to better the lives of his congregation and community, Mondragon continues to highly value training and education.

THE FIRST MONDRAGON COOPERATIVE
Fr. Arizmendi encouraged five young men to continue their higher education while they worked. He provided space at the Escuela Profesional while the students continued their university studies.

In 1956 these five young men formed Talleres Ulgor. Recognized as the first Mondragon cooperative, the business manufactured...
kerosene stoves. Eventually, the cooperative expanded and began manufacturing other household appliances.

In 1959, the cooperative was registered and branded as Fagor. In the following years, many more cooperatives emerged. This was also the year Mondragon’s bank, Caja Laboral (now called Laboral Kutxa) was formed.1

02 The start

1956 Father José María Arizmendiartea was blessing the foundation stone of ULGOR.
1957 Ministry Education and Science official recognition of “Escuela Profesional”.
1958 At the end of the year, by order of the Ministry of Labour, members of cooperatives were excluded from the General Social Security System. It was decisive in setting in motion the actions to create what is today Lagun Aro, a Voluntary Mutual Benefit Organisation.
1959 Father José María Arizmendiartea initiated Caja Laboral Popular. What makes Caja Laboral different from the grassroots co-operatives is the mixed composition of its social bodies, based on both worker-members and representatives from the associate co-operatives.
1960 Fagor Arrasate
1963 In 1963 the following theory was put forward regarding Democracy: “Democracy is one of the rules of the game for the co-operative movement. Democracy has to be conceived as the method and procedure for combining the interests of the individual with those of the group... You have to socialise knowledge to be able to democratise power effectively”.
1985- On 1st March the co-operatives Group Council was set up, which was the historical embryo of Mondragon Corporación Cooperativa, what is now MONDRAGON.
1987- At the 1st Congress of the Mondragon Co-operative Group the Basic Principles of the Co-operative Experience were approved together with the bases for setting up the Inter-co-operative Solidarity Funds.

“Those who have faith and hope in the possibilities of humankind are those who will push it forward.”

– Fr. Arizmendi,
from Reflections of Don Jose Maria Arizmendiartea (Pensamientos)
Mondragon Today

As of 2016, Mondragon has over 100 cooperatives on five continents that own 140 subsidiary companies. It is the largest industrial cooperative group in the world and the tenth largest business group in Spain, with over 70,000 employees and 12 billion euros in total revenue. Mondragon has nine corporate offices, 15 research and development centers, and over 450 patents. The keys to their success include:

1. Democratic workplace ownership
2. Commitment to the ten Mondragon Principles
3. Development of a network of economically integrated cooperatives, schools, support organizations, research institutions, and financial institutions (a co-op of co-ops)?
4. Redundant structures that help the co-ops grow and scale while maintaining their values

1.2 MONDRAGON

IMPORTANCE OF INDUSTRIAL SECTOR
Mondragon is considered/known as the world’s biggest workers co-operative. The industrial sector is the driver of raising the standard of living for all employees:

» Industry creates values and jobs.

» Industry (helps) provide above-average wages (have inherently higher profit margins), especially for skilled positions

» plays a critical role in generating economic growth and employment opportunities

» manufacturing usually is the sector with higher investment capacity, usually for long-term investment, for the creation of quality employment and innovation.

07 On the global stage

NATIONAL AND INTERNATIONAL PRESENCE

“Mondragon & the UN Millennium Project” presented by Ibon Zugasti, UKS, Mondragon’s cooperative consultancy, to the Social Innovation Summer University (SUMSIC) in Bologna, July 2017.

Note: The workers outside of Spain are not co-op members.
1.2 MONDRAGON

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### 10 Mondragon Principles

The basic principles of the Mondragon Cooperative Experience are below:

<table>
<thead>
<tr>
<th><strong>10 MONDRAGON PRINCIPLES</strong></th>
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<tbody>
<tr>
<td><strong>Open Admission</strong></td>
</tr>
<tr>
<td>Anyone who can do the work and supports these 10 principles can become a worker-owner. There will be no discrimination.</td>
</tr>
<tr>
<td><strong>Democratic Organization</strong></td>
</tr>
<tr>
<td>Our co-ops are democratically organized companies governed by a General Assembly through one-worker one-vote. The General Assembly has the highest power in the company, elects the Board of Directors, and collaborates with managerial personnel.</td>
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<tr>
<td><strong>Sovereignty of Labor</strong></td>
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<td>Labor has been the driving force behind every major change to society and the natural world throughout human history. The co-op is centered around labor, the people doing the work. The wealth created is distributed in terms of the labor provided and there is a firm commitment to the creation of new jobs. Worker-owners receive competitive and just salaries and dividends based on the profitability of the cooperative.</td>
</tr>
<tr>
<td><strong>Instrumental and Subordinate Nature of Capital</strong></td>
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<tr>
<td>Capital, money invested, is a necessary tool for creating businesses that provide jobs. External investors are to be compensated fairly for their investment, but not in a manner that drains the business of value or prioritizes investors over workers. Profits are to be invested to ensure the long term survival and success of the co-op, with a focus on creating more jobs.</td>
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<tr>
<td><strong>Participation in Management</strong></td>
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<td>“Ownership” must become more than just the value of a share. Workers have a meaningful role in decision-making based on full access to information about the business. Systems for participation, including training, internal promotion and transparent sharing of information, must be created. Workers take full responsibility for the health of the co-op.</td>
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<tr>
<td><strong>Wage Solidarity</strong></td>
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<tr>
<td>Wage solidarity means there is less disparity among workers and the communities in which they live, reinforcing the equality and quality of ownership. In most cases, the highest paid worker in the Mondragon cooperative network makes no more than 6 times the lowest paid worker. The Mondragon Cooperative Experience declares sufficient payment based on solidarity to be a basic principle of its management. Solidarity is manifested both internally and externally, as well as at the corporate level.</td>
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<tr>
<td><strong>Intercooperation</strong></td>
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<td>An interdependent network of co-ops promotes solidarity and business efficiency by facilitating the sharing of common resources (finances, research and development, training, etc…) and enables co-ops to succeed by supporting each other during downturns and upturns in local and global markets. Our co-ops will engage and share resources with other businesses in the cooperative movement nationally and internationally.</td>
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Adapted from “Sustainable Jobs, Sustainable Communities: The Union Co-op Model” by: Rob Witherell, Chris Cooper, & Michael Peck.
1.2 MONDRAGON

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<th>Social Transformation</th>
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<td>Co-op members stand in solidarity with those who work for economic democracy, justice, and peace. Solidarity means recognizing that whatever happens to one directly, happens to all indirectly.</td>
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<td>To promote the establishment of these 10 principles it is essential to set aside sufficient human and financial resources for cooperative, professional, and youth education. Education and lifelong learning provide the tools for worker-owners to adapt and improve the cooperative so that it endures and inspires.</td>
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**SUMMARY TABLE OF PRINCIPLES**

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<td>Providing and creating jobs is prioritized over increasing the marginal return on investments</td>
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<td><strong>Wage Solidarity</strong></td>
<td>Highest paid workers earn no more than 5-7 times more than lowest paid workers</td>
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Worksheet: Ten Principles in Action

The union co-op model builds upon these 10 basic principles of the Mondragon cooperatives. This table provides a brief description of each of the basic principles. While you review these principles, think about how your union co-op demonstrates each principle.

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Organizational Structure
First, a review of the organizational structure of an individual co-op within Mondragon. Each cooperative maintains its own organizational structure and legal status. Similar cooperatives are grouped into associations to create an efficient inter-cooperative network. All cooperatives are part of Mondragon Cooperative Corporation, a co-op of co-ops.

Individual Co-op Structure

GENERAL ASSEMBLY
» Highest authority in the cooperative
» Composed of all worker-owners, also known as members.
» Each member has one vote.
» Members are bound to decisions carried by majority vote.

Main Functions:
» Approval of general policies, strategies and budgetary decisions. Votes for Board of Directors
» Agreements related to internal legislation (Statutes, Internal Legislation, other rules).

MONITORING COMMISSION
» Organization responsible for accounting policies and financial controls.
» Consists of three members.
» Four-year terms, can be re-elected.

Main Functions:
» Auditory/Accounting Oversight.
» Review of financials, year-end closing, profit and loss accounts.
» Review of accounting/legal documents when necessary.
» Oversight of all matters related to the General Assembly: votes, calling of meetings, counting of votes, meeting minutes, etc.
1.2 MONDRAGON

BOARD OF DIRECTORS

» Organization responsible for governance and management
» Consists of three to twelve members. Four-year terms. Half of the members are elected every two years, and are eligible for re-election.
» Not eligible to be part of the Council if currently: General Manager, Accounting Auditor, Inactive Member, a Contributing Member and/or a Member disqualified for disciplinary reasons.

Main Functions:

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<td>Functions related to membership: becoming members, member removal, professional qualifications, leave of absence, ...</td>
<td>Proposal Review and Decision-making offered by Managers for: credits, investments, participations, expenses, etc., that exceed the Managers’ level of autonomy/decision.</td>
<td>Call and manage the General Assembly, and the execution of agreements.</td>
</tr>
<tr>
<td>Designation and dismissal of Managers and Directors, granting positions, functions and obligations, ...</td>
<td>Monthly follow-up of economic activity.</td>
<td>Proposal of changes of bylaws or rules to the General Assembly.</td>
</tr>
<tr>
<td>Implementation of labor and disciplinary rules.</td>
<td>Annual Account presentation to the General Assembly and proposals for the distribution of net surplus or losses.</td>
<td>Definition of management, procedure or regulation rules.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Act as representative of the cooperative.</td>
</tr>
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SOCIAL COUNCIL
Advisor and Information/Communication organization

Main Functions:

» To inform and advise Administrators, Management and Directors on all aspects related to the business, including:
  » Work organization, work hours, holidays, festivals, leaves, professional classification, functional and geographical mobility, leaves of absence, suspension or obligatory dismissal for economic or force majeure (unforeseeable circumstances, extraordinary events) reasons, and any other issue directly related to the rights and obligations derived from social security benefits.

» To suggest policies in the following areas:
  » Human Resources
  » Working Relations
  » Working Conditions
  » Compensation
  » Reorganization – Reconversion
  » Security & Safety
  » Social Provisions
  » Development of Social Statutes and Regulations

What does this function mean? … Capacity for …

MANAGEMENT

» Management, as well as its responsibilities and powers, is appointed by the Board of Directors.

» Critical role – Management has a strong influence on the healthy functioning of the cooperatives.

Main Functions:

» Manage the cooperatives according to guidelines given by the Board of Directors.

» Suggest and preside over the Advisory Board.

ADVISORY BOARD

» Body that oversees the coordination of the Management Team.

» Composed of the General Manager and Directors.

» The President of the Board of Directors is, ex officio, member of Advisory Board. Has no voting power.

Main Functions:

» Provide support and advice to Management regarding development and growth of their businesses.³
**Structure of the Co-op Network**

Individual co-ops are in sectoral groups within Mondragon. All co-ops are part of the Mondragon Cooperative Corporation. Education is at the foundation of all the co-op efforts. The industrial area has been at the center of Mondragon’s development and the engine of economic growth and employment opportunities. The industrial sector has been the driver of raising the standard of living of all employees. The financial area, Mondragon’s bank, came into existence to serve the needs of the co-ops and their members. The retailing area has been growing substantially in recent years. The Cooperative Congress, made up of representatives of the co-ops, meets every five years to set direction for the integrated network. They elect a standing committee who helps move the work along in between cooperative congresses.

**INTERCOOPERATION BETWEEN COOPERATIVES**

In Mondragon, one of the key principles is the intercooperation between cooperatives. This is embodied in the cooperative network multiple ways including when one co-op needs to lay off staff the other co-ops do what they can to absorb these workers into their workforce. Additionally, there is no internal competition between the various co-ops within Mondragon. In other words, if one co-op makes rail road ties, no other co-op within the network can make the same product. Co-ops also share profits. For example, within Mondragon between 15-40% of the gross profits is typically paid into a joint fund that supports co-ops who are struggling within their sector and to the overarching co-op of co-ops,

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Mondragon Cooperative Corporation. Additionally, 10% of the net profit is contributed to a joint fund that supports education, a loss reserve fund and more. Lastly, the co-ops also practice solidarity in pay by using the same pay scale within the network and they share important data from operations with one another.
Case Study: Fagor Electrodomesticos

THE FAILURE OF FAGOR ELECTRODOMESTICOS AND THE SOLIDARITY SHOWN BY MONDRAGON – A U.S. PERSPECTIVE
by Phil Amadon and Kristen Barker

The failure of Fagor Electrodomesticos and the beginning successes of the union co-op movement inspired by the Mondragon–United Steelworkers agreement in 2009 are two sides of the same coin. The majority of the working class around the world seems to know more clearly than any other social group that economic disaster is not only possible, but also probable in our modern day global economy. The failure of Fagor may frighten some, but workers who know the facts take strong comfort in the solidarity that the Fagor worker owners have been shown by their compatriots in the rest of Mondragon.

Founded in 1956, Fagor grew to 6,000 employees and was the largest European appliance maker. Heavy losses during the European financial crisis and the associated restriction of capital markets forced Fagor into bankruptcy. The business was acquired by competitors and its products are still marketed under the Fagor label.

The failure of Fagor is not surprising to many working class activists. What is remarkable is the success of Mondragon’s network of interconnected co-ops and their efforts to relocate, find early retirement, or give support to the Fagor worker owners. The level of aid and support in real money, job offers, and retirement benefits far outweighs the usual response to a plant shutdown in the United States or in many other places in the world. We know that businesses will fail and that cooperatives will go under. The international cooperative movement must learn from Mondragon how to give real aid, comfort, and solidarity support to our brothers and sisters who will be the victims of these inevitable business failures.

We understand that some people in Mondragon are afraid that their cooperative system no longer works properly. We, in the heart of the most powerful capitalistic country on earth, respectfully disagree. In the United States, working people have witnessed plant closings and economic displacement over and over again without any solidarity or real help for the workers who suffer. We are impressed when we see a real effort to help people get back on their feet after an inevitable failure. Because of the uneven development of modern capitalism, a multi-sector association of co-ops is the only form of cooperative organization that can take advantage of opportunities in certain sectors and buffer periodic crisis in other sectors, thereby protecting workers.
who are suffering from crisis in any one sector of the economy.

Without the Mondragon model of a cooperative of many cooperatives tied together by organization, monetary relations, and common rules and practices, we are left with individual co-ops that will flounder on their own, sinking in a sea of economic hardship with no one to help them except for people throwing platitudes rather than actual life preservers. Many people in the U.S. cooperative movement cry out for autonomy, individuality and independence when the seas are smooth, but when a ship starts sinking in heavy seas, the watchwords are unity, solidarity, and survival.

Finally, a word on capital. Many in the international worker cooperative movement have learned that worker-owned cooperatives will always have a rough time raising capital and have for over 150 years. We argue that the search for growth and the search for expanding opportunities for the international cooperative movement cannot be based solely on the search for money but must be based on the search for more allies integrated in a broader co-op movement, based on Mondragon principles, across many countries.4
COOPERATIVE IDENTITY AND COMMITMENT

In Mondragon, one of the key principles is the intercooperation between cooperatives. This is embodied in the cooperative network multiple ways including when one co-op needs to lay off staff the other co-ops do what they can to absorb these workers into their workforce. Additionally, there is no internal competition between the various co-ops within Mondragon. In other words, if one co-op makes rail road ties, no other co-op within the network can make the same product. Co-ops also share profits. For example, within Mondragon between 15-40% of the gross profits is typically paid into a joint fund that supports co-ops who are struggling within their sector and to the overarching co-op of co-ops, Mondragon Cooperative Corporation. Additionally, 10% of the net profit is contributed to a joint fund that supports education, a loss reserve fund and more. Lastly, the co-ops also practice solidarity in pay by using the same pay scale within the network and they share important data from operations with one another.
PEOPLE IN COOPERATION

People are the main protagonists of the Cooperative Management Model, yet they are not looked upon as a passive element that needs to be satisfied, but rather as working as a team, cooperating with each other, with a Team Spirit of belonging, acting as enterprising business men and women. In other words, they are Dedicated Co-owners, not only with cooperative ideas, but also with the Cooperative Conduct that upholds them, who exercise Leadership in their milieu, and who aspire to Integral Development through personal and professional growth.  

### Values into practice – Wealth Sharing

“We don’t exist only to accumulate capital…we want to leave future generations something better than what we found.”

In Mondragon, one of the most important values is the Sovereignty of Labor and the Subordinate Nature of Capital. In other words, while capital and profits are important to running a successful business the capital exists to serve the people the people who work in the co-op. The principle reason the Mondragon co-ops were founded was to create good family sustaining jobs, not to maximize profit for individual workers. The goal is intergenerational wealth creation.

Mondragon offers an example for how capital can be a tool for equality. Once wealth is created through successful businesses the cooperative structure enables a more equitable distribution of this wealth to the workers and their community. Evidence of this is through the GINI index, a tool researchers use to measure inequality, the higher the value between 0 and 1, the more unequal the society. The USA’s Gini is .41 and Norway, the most equal society by the Gini Index, is at 0.22. In an interview in 2015, former Mondragon International President, Josu Ugarte proudly stated how effective the Mondragon system has been in achieving positive social outcomes staying “here in the Basque country, the base of Mondragon, we are at 0.24. So we are near the best society in terms of equality, and for us that is really important.”

The way this value is lived out is through the cooperative structure and the working practices that are a part of a worker cooperative. For example, the foundation of the democratic governance structure of a worker cooperative is one worker one vote. Therefore, as profits are generated, all of the worker owners share in the profit they have created proportionally to the work they have put into the co-op. This practice creates powerful impacts including a better quality of life for the workers, who then spend and invest in the local economy, which creates more jobs and intergenerational community wealth. Other values that that Mondragon holds dear and have created broad community impacts include solidarity/universality with other social movements and education. As such the Mondragon co-ops have had an enormous impact on stabilizing and preserving the Basque culture in where they live.
ENDNOTES


5 ibid.