



The Mondragón Experience to the Preston Model

by Julian Y Manley

Illustration by Phil Wrigglesworth

The success of Mondragón's co-operatives in the Gipuzkoa region of the Basque Country remains an enigma for many and a source of inspiration for others. At the same time, the UK's current political and social climate is forcing society to search for new ways of thinking and working, with new public debates on alternative economic models. The Preston Model, now supported by the Labour Party's Community Wealth Building Unit, has captured the imagination of politicians, academics, and the media, and owes much of its ideas for transformative systems of employment and community wealth building to the Mondragón experience.



In the beginning

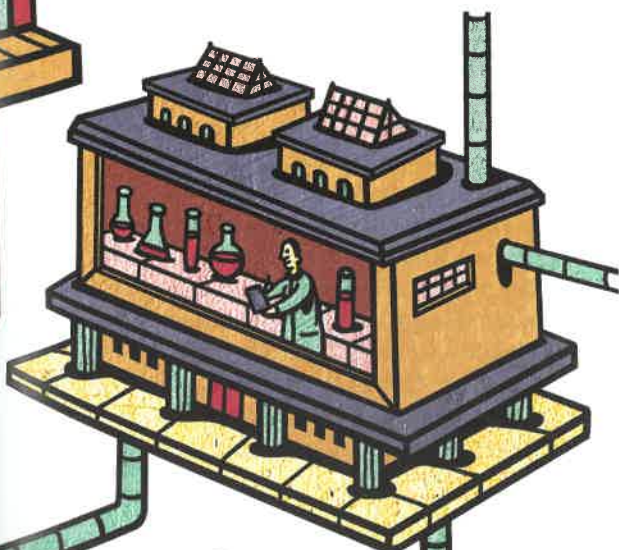
While people marvel at the economic success of Mondragón worker co-ops, which continues today despite the demise of Fagor Electrodomeísticos, it's easy to forget that the beginnings of the Mondragón experience were firmly rooted in the principles of Catholic Social Teaching. This Catholic doctrine addressed the role of the state, subsidiarity, social organisation, and saw co-operation as a means to achieve social cohesion and freedom from the drudgery of work. It was this religious, social, and common framework that provided the basis for their future efforts to develop worker-owned co-operatives in the region.

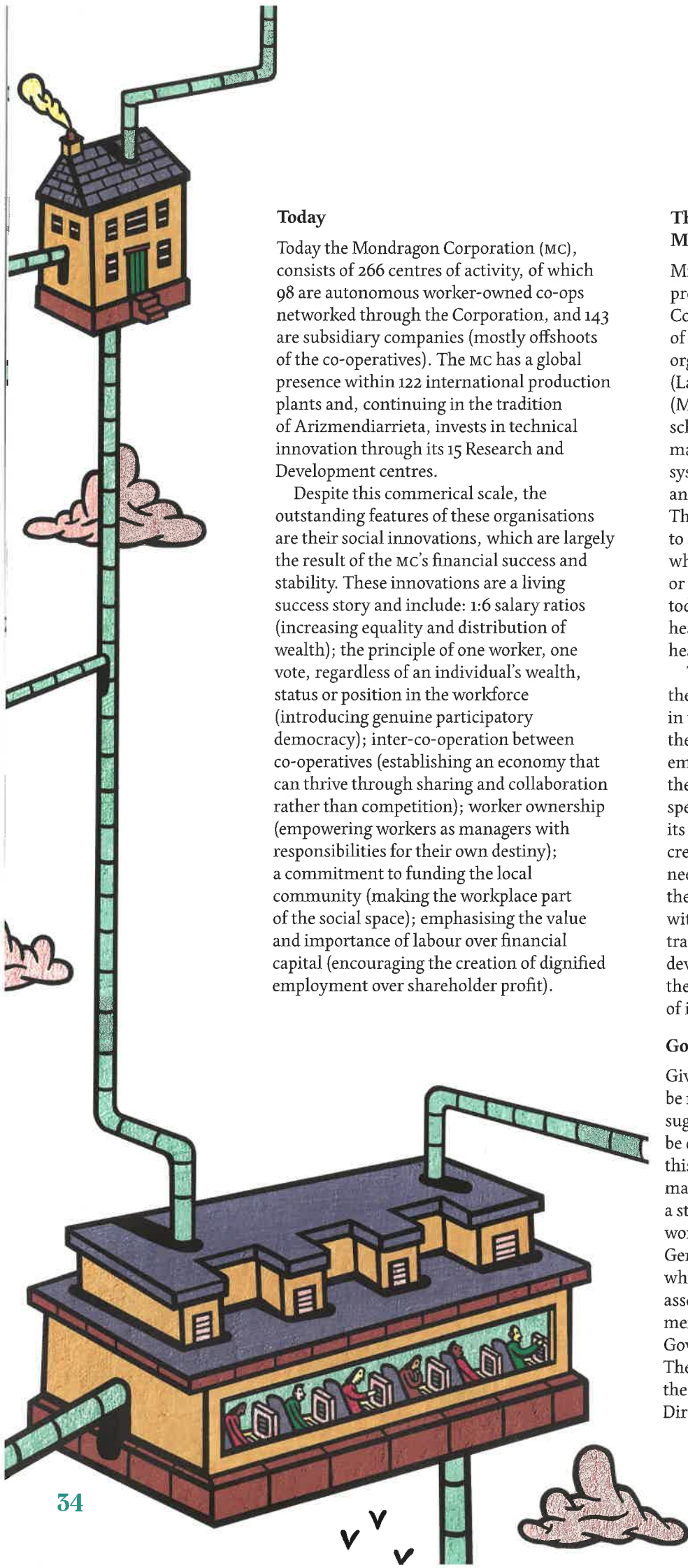
These founding values, later to be formalised into a list of co-operative principles, were the most important aspect of co-operative development in Mondragón. Today, when the original adhesion to these Catholic principles has weakened, Mondragón's co-operative leaders are searching for different ways to reignite and sustain what they call 'co-operative culture'. But back in the 1940s when the young priest and de facto leader of Mondragón's co-operative movement José María Arizmendiarieta was actively promoting a new way to individual dignity and the common good, there was no need to invent this culture – it was close enough to people's existing beliefs that it was enthusiastically embraced. In this sense, Mondragón was not primarily a political movement, neither Marxist nor capitalist, and may well be one of the reasons it developed during the Fascist regime of General Franco.

The Mondragón experience, unintuitively, began not with co-operative businesses but with education. In 1943 Arizmendiarieta set up the Escuela Profesional for study and work with two primary principles: to support a spiritual transformation of work in accordance with Social Catholic Teaching; and offer a technical education that would make the workforce closer in skills to the owners and managers. He understood that although the spiritual lives of communities could be guided through the church, their technical development would require a school, which he established with the backing of local companies. Arizmendiarieta's ultimate aim, to create a highly skilled and socially and religiously committed workforce, was to lead to the idea that labour is more valuable than financial capital. This is how the Mondragón experience started and is still the basis of Mondragón's vision today: 'Humanity at Work'.

It was only 13 years later, in 1956, that the fruit of this education was converted into its first co-op: Ulgor. The co-operative's name was based on the initials of the first five founders who began manufacturing household appliances that used butane gas, a new and exciting source of energy at the time. This manufacturing business also demonstrated Arizmendiarieta's founding principles: it was co-operatively managed by its employees, who were also its owners, it was inspired by Catholic Social Teaching, and it was also at the forefront of technological development. Even then the co-operative principles were not fully developed and it took another three years for Arizmendiarieta to develop the statutes that still guide Mondragón's co-operatives. Ulgor later became the hugely successful appliance manufacturer Fagor Electrodomeísticos, which, ironically, has also recently become the largest and most iconic of Mondragón's co-operatives to be declared bankrupt.

As other co-ops followed the example of Ulgor, the connection between their businesses and the local communities became stronger. Instead of competing against each other, these new co-operatives established relationships that would later become a federation.





Today

Today the Mondragon Corporation (MC), consists of 266 centres of activity, of which 98 are autonomous worker-owned co-ops networked through the Corporation, and 143 are subsidiary companies (mostly offshoots of the co-operatives). The MC has a global presence within 122 international production plants and, continuing in the tradition of Arizmendiarieta, invests in technical innovation through its 15 Research and Development centres.

Despite this commercial scale, the outstanding features of these organisations are their social innovations, which are largely the result of the MC's financial success and stability. These innovations are a living success story and include: 1:6 salary ratios (increasing equality and distribution of wealth); the principle of one worker, one vote, regardless of an individual's wealth, status or position in the workforce (introducing genuine participatory democracy); inter-co-operation between co-operatives (establishing an economy that can thrive through sharing and collaboration rather than competition); worker ownership (empowering workers as managers with responsibilities for their own destiny); a commitment to funding the local community (making the workplace part of the social space); emphasising the value and importance of labour over financial capital (encouraging the creation of dignified employment over shareholder profit).

The four pillars of the Mondragón experience

Mikel Lezamiz and Ander Etxeberria, previous and present Directors of Communications, both see the strength of the MC in their commitment to four organisational pillars: a welfare system (Lagun Aro); an educational system (Mondragon University, a co-operative school and Otalora, a co-operative management training centre); a financial system (Laboral Kutxa, a credit union); and an innovation system (15 R&D centres). The welfare system was historically devised to support co-operative workers at a time when the national health service was difficult or impossible to access. This system continues today despite common access to the national health system, giving MC's workers enhanced health cover.

Their educational system also boasts the only truly co-operative university in the world, which develops courses in the Arizmendiarieta tradition, with an emphasis on the necessary skills to support their co-operatives. It also offers co-operative-specific management leadership training to its own members. Its mutual bank was created to support the co-op's financial needs, and the R&D centres ensure that their industrial co-operatives can compete with outside companies. These pillars have traditionally been important for the network's development and sustainability, and today there's also a renewed emphasis on the concept of inter-co-operation within the federation.

Governance structures

Given the size of the MC – estimated to be more than 70,000 employees – it's often suggested that participative democracy must be difficult if not impossible to practice at this scale. However, the federation ensures maximum participation and fairness through a strict system of governance. How does it work? Each co-operative is governed by a General Assembly of its worker-members, which is usually called every year. This assembly is also responsible for voting in members of two representative bodies, the Governing Council and the Social Council. The Governing Council takes decisions about the business, including appointing a Managing Director, and the Social Council takes decisions

that look after and protect the wellbeing of the workforce. The Managing Director, once appointed by the worker-members through the Governing Council, is then empowered to pick her management team to be responsible for the day to day running of the business. Should the worker-members be dissatisfied with the progress of the business they can make this known through both the Governing Council and the General Assembly. This General Assembly is the final authority, and includes the option of replacing the Managing Director. Although this is a remote possibility, this option expresses the genuine empowerment of the worker-members and acts as a guarantee of workplace democracy.

The fall of Fagor Electrdomesticos: end of the co-operative utopia?

When Fagor Electrodomésticos closed in October 2013, it was seen in some quarters as dramatic proof of the weaknesses of the co-operative model and its inability to survive in a capitalist economy. This was especially true of this particular co-operative, the biggest and the oldest of them all. It also was seen and felt as a disaster by most in Mondragón – an impossible event that actually happened.

Two years later, during my research interviews with members of one of the Fagor-affiliated co-operatives, the sense of deep grief, sadness, and disbelief was palpable:

“I feel sad about everything that happened with Fagor Electrodomésticos, pain for those people who were suddenly left with nothing from one day to the next ... and thinking that it might well happen to you, too...”

However, a detailed analysis of the demise of Fagor, Arando Lasagabaster’s and Arenaza Bengoa’s *Inter-cooperation Mechanisms in Mondragón: Managing the Crisis of Fagor Electrdomesticos*, argues that its debt and eventual bankruptcy were the result of market forces and not the inability of the co-operative system. It also claims that the social consequences of the collapse of Fagor were significantly mitigated by its system of inter-co-operation. The recovery actions of the MC resulted in the total Fagor workforce – 1,895 workers – being either relocated to other positions, offered early retirement,

or retrained for future employment. In 2018 only a remarkably small percentage of Fagor’s original workforce is unemployed – an impossible outcome for a conventionally owned business. While it’s true that a significant number of Fagor workers have protested – after losing their savings deposited in the co-operative – it’s also true that the coordinated action of the MC has been almost miraculous to the outside observer.

The Preston Model and the Mondragón experience

The Preston Model’s support of co-operatives is still in its infancy, but is inspired by the historical and current Mondragón experience. With Preston’s local anchor institutions joining in solidarity with communities by significantly increasing local spending, gaps in the local economy have been identified. A broad range of community stakeholders, led by the Preston Cooperative Development Network, supported by Preston City Council and the University of Central Lancashire (UCLan), are working towards a model of inter-co-operation as defined by the essence and spirit of Mondragón. A recent symposium at UCLan, *Preston Meets Mondragón*, brought Preston and Mondragón closer together with the potential for increasing global inter-co-operation between the aspirations of Preston and the experience of Mondragón. Embracing the broader definition of inter-co-operation will enable the Mondragón experience to expand on a global scale.

Julian Manley is Manager of Social Innovation at the University of Central Lancashire and Chair of the Preston Co-operative Development Network. His report *Co-operative Activity in Preston* provides the basis for co-op development in Preston.

