

How to bring in billions? Just co-operate



Mary Boland

in Mondragon, Basque Country

A co-operative is creating an alternative route to job creation

In a sleek, modern building nestled between green mountains in Spain's northern Basque region, 21-year-old student Xabi Igoa and his business faculty classmates lounge on comfy chairs in a circle and chat.

These students appear to be taking time out, but this is how many university sessions are held in the pretty town of Oñati in Gipuzkoa province. There are no formal lectures, no fixed course structure – and no exams. But by the end of the academic year, Igoa and the others will graduate from Mondragon Unibertsitatea as established businessmen and women who at 21 have not only set up and managed successful tax-paying companies, but will have done so following a model that challenges traditional capitalism and is being examined as a potential solution to the global crisis.

Mondragon Unibertsitatea is the education arm of Mondragon Corporation, the world's biggest workers' co-operative. Igoa's student group is involved in several profit-making ventures, including an app for booking restaurants and an events firm that set up a "green products" showroom. ("We made €30,000 in profits on that two-day event," he says.)

To "pass" each academic year, the companies must be successful in business and they must be run as co-operatives, where each worker is part-owner. "If you don't like teamwork and motivating each other, then this is really not for you," says Igoa.

In a country wracked by economic crisis, the seemingly re-

cession-proof Mondragon Corporation is setting an example as an alternative route to job creation and growth.

Since Catholic priest José María Arizmendiarieta set up a polytechnic school in 1943 in the then impoverished town of Mondragón and five of his students established the area's first co-operative in 1956, the eponymous corporation has grown into an industrial, financial, research and retail giant employing more than 80,000 and with global sales last year of €13 billion. It is regarded as at least partly responsible for the region's economic resilience: while the jobless rate for Spain is 27 per cent, in the Basque Country it is 15 per cent.

Bicycles to banks

Mondragon's 120 co-operatives include the Eroski supermarket chain, high-end bicycle firm Orbea, electrical household goods, car-parts manufacturing, high-tech assembly machines and banking. It is the Basque Country's biggest industrial group and is ranked 10th in Spain in terms of sales. It has plants in 18 countries outside Spain, including 15 in China and five in Brazil.

"We are showing the world that it is possible, as a co-operative, to compete with everyone else – and to win," says Mikel Lezamiz, Mondragon's director of co-operative dissemination. He cites iconic construction projects in which Mondragon was involved as proof of a viable alternative to a broken capitalist system that creates vast inequalities. It built the metal

structures for the flamboyant Frank Gehry-designed Guggenheim museum in Bilbao and Marqués de Riscal winery building in the Rioja region; for the futuristic Kursaal conference centre in San Sebastián and the World Cup stadium in Brasilia. It also provided the steel support structure for the Ground Zero project in New York.

"There's this image out there that co-operatives are for the poor, that they function as a subsistence operation – small and suffering – but with no vision of the model as being capable of creating jobs, of being a resilient creator of jobs."

Lezamiz stresses the corporation's humanist vision, fostered by Arizmendiarieta – its stated commitment to democracy and respect for workers, and its support for NGOs and local education and welfare projects – all while striving for financial success. Innovation is crucial, he says: last year 19 per cent of its industrial sales were in products and services that didn't exist five years ago.

Unlike other companies, Mondragon workers – each pays €15,000 to become a member – are not at the mercy of shareholders who may demand layoffs or closures. Sixty per cent of its 66,417 workers in Spain are members and 40 per cent worldwide. With Eroski workers planning to join up, the number is likely to rise significantly.

All major decisions are taken following votes by worker-owners at their general assembly. Wages are on average 10-15 per cent higher than those at equiv-

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■ On an assembly line at the Mondragon group's Fagor electrical appliances' plant in Mondragon. PHOTOGRAPH: AFP PHOTO

alent companies, while directors' salaries are capped at six times that of the lowest-paid worker. There are no bonuses, and all profits are put back into the co-operatives.

Lezamiz enthusiastically runs through a European Parliament resolution adopted in July in which Mondragon is cited as an example of co-operative success. It calls on member states to review their laws with a view to adopting legislation supporting the co-operative business model. And it recommends that funding mechanisms be set up to help co-operatives, particularly small and medium-sized enterprises, to get started. "This is recognition by Brussels that this idea works – and that financial help should be given to help set it up," says Lezamiz.

Pilot scheme

In the nearby Basque town of Aretxabaleta, Iñaki Legarda-Ereño (50) moves like a dynamo across the factory floor.

Mondragon Assembly's solar business director has been a co-operative member all his working life. He oversees the production of machines that assemble solar panels, and supervises other projects including a pilot scheme, for the Mondragon Health division and in co-operation with San Sebastián Hospital, to build a robot that will mix ingredients for a cancer drug.

Legarda-Ereño is the first in his family to have joined Mondragon, but now his son is studying at its university. "He's in the sect," jokes Legarda-Ereño, re-

ferring to how co-operatives are often viewed from the outside.

"Some people say it's like a communist system. I don't think it is. It's like any other company. You have directors – the governing council – but the governing council is elected by us, the workers. The big decisions are always made in a general assembly. In my 27 years, the big decisions have always been made in a clever way."

Paycuts

The corporation has not been immune to the crisis, however, and the assembly has had to make difficult decisions.

A 50 per cent drop in sales at electrical domestic appliance firm Fagor after the construction bubble burst led to an agreed 8 per cent pay cut for Fagor staff, while co-op members voted unanimously to take cuts of 1-2 per cent to bolster the Fagor company.

An advantage of the system is that members can retrain and move to a nearby company. About 300 workers have done just that. "In 57 years we haven't fired a single member," says Lezamiz, although non-member workers are more vulnerable to cutbacks.

The concept of workers sharing in business ownership has its attractions across the political spectrum, says Frederick Freundlich, professor and research associate at the university's business faculty. Freundlich, an American, cites a right-wing US congressman who is a big supporter of employee ownership. "And, from the left point of view, it's [seen as] democratising the economic sphere, making it structurally, socially responsible and accountable."

Last year Mondragon won a "Boldness in Business Award" organised annually by the *Financial Times* and Indian corporation Arcelor Mittal. Is there a contradiction between talking up co-operatives while behaving like a capitalist?

"The phrase we use is that we co-operate to compete better. We have to compete. We would be thrilled to work with our competitors, that it would be less cut-throat. But you can't base a business plan on that. I feel a contradiction at some level, but it's a contradiction I can live with."

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Getting on: Let's learn from Basque experience, say Irish co-operatives

They call it Mondragon tourism. About 6,000 people from around the world visit the corporation each year, eager to know the secrets of its success. On a typical day at its headquarters outside Mondragon town, groups of businesspeople from countries as far apart as the US and South Korea can be seen listening intently as the history and workings of the system are explained.

One such group last year included Limerick-based Bill Kelly of Meitheal Mid West and 17 other co-operative

enthusiasts from across Ireland. Kelly is one of 20 people behind the recently opened Limerick Community Grocery, modelled in part on the Mondragon system. A telecoms engineer, he is convinced co-operatives are a viable business alternative that could help get Ireland back on its feet. But he concedes that this would require a huge change in attitudes.

"The challenge is in educating people on what co-operatives are all about," says Kelly. "We are a tax haven and over-dependent on foreign

direct investment. We have a dependency culture, waiting for the Yanks to give us our next job. That is our philosophy here. And unlike in Mondragon, where the profits stay local, the [multinational] profits here don't stay local – and you don't get much tax off of them."

The Workers' Co-operative Network, which promotes the business model in the North and the Republic, is pressing for legislation to facilitate the setting up of co-ops in Ireland.

The Limerick group began its venture on a small scale in the retail area. It sells

Irish-grown fruit and vegetables, with a turnover of about €3,500 per week, operated by some 50 volunteers. The co-operative has 20 paid-up members (it costs €20 to join) and about 120 non-members, who have paid €1 to shop at its Mulgrave Street base in Limerick.

The idea, however, is eventually to take on paid worker-owners. "We are working on the basis of retailing today, engineering tomorrow, and banking thereafter," says Kelly. See limerickcommunitygrocery.com