

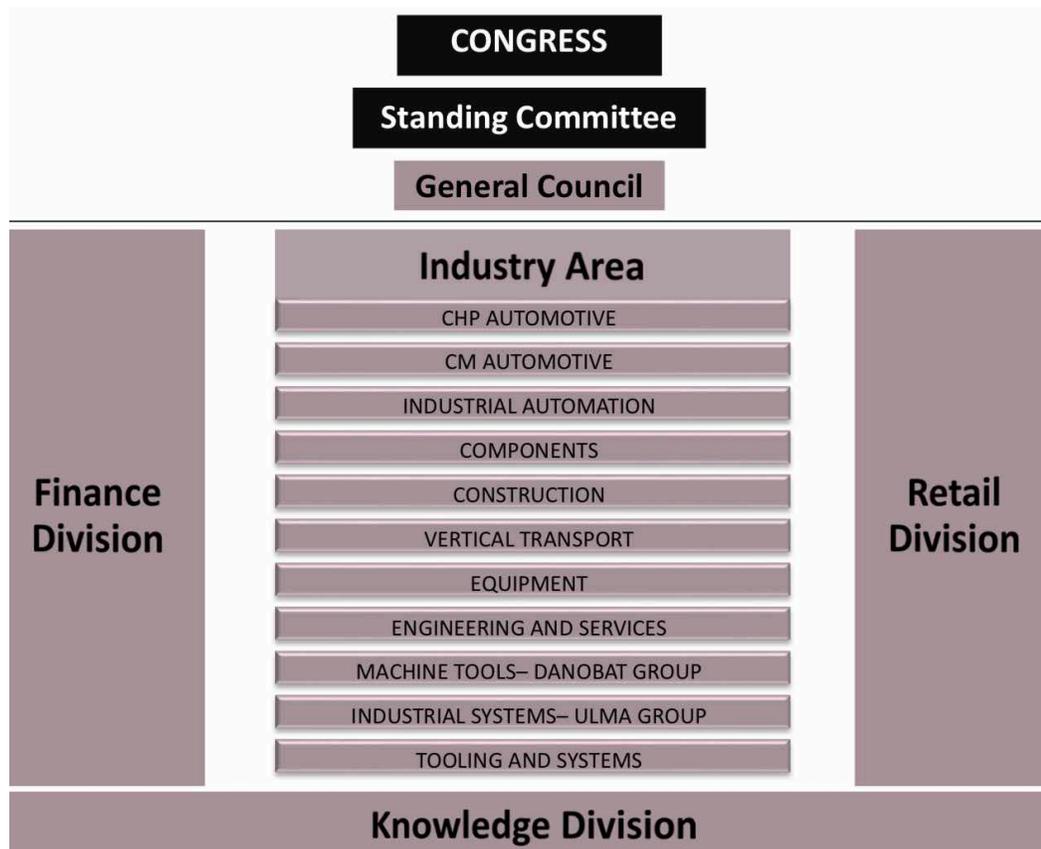
Mondragon Seminar of the Praxis Peace Institute.  
By Hazel Corcoran

The Mondragon Co-operative Corporation (MCC) is a group of 102 co-operatives in the Basque region of Spain with 74,000 workers. It is sometimes called the Mondragon Group (“the Group”). The co-operatives are primarily worker co-operatives, but some are multi-stakeholder co-ops with both worker and consumer members. The primary founder and driving force behind Mondragon was a Catholic priest named José María Arizmendiarieta, also called “Arizmendi”. Recognizing the importance, and inaccessibility, of education for the region’s impoverished people, Arizmendi first started a professional school in the 1940’s, and under his guidance, 5 engineers who had graduated from the school started the first co-op, Ulgor.

MCC’s four divisions are: Finance, Industry, Retail and Knowledge. Most of the co-ops are industrial, and they operate in a wide variety of sectors with a high level of sophistication: consumer goods, automotive parts, bicycles, iron casting, rail, aeronautics, engineering, machinery, etc. The financial co-op is called Laboral Kutxa (formerly called Caja Laboral); the retail co-op is called Eroski and includes nearly 1,000 stores across Spain under various names. Mondragon University has a significant focus on engineering and information technology, a training centre (Otalora), and R&D centres (e.g., Ikerlan).

Within the Mondragon region, two elements of the co-ops which stand out are the centrality of innovation, and the focus on fairness. Having studied the Mondragon system for many years, I was very privileged to be able to finally go and learn about it in person – to get a better grasp of what they’ve accomplished including its sheer scale. I thank The Co-operators for enabling me to go on my Board training budget. (I am also preparing a report on the seminar with a focus on the social safety net and insurance of Mondragon, called LagonAro.)

## Structure of MONDRAGON



There is a significant focus on solidarity and co-operative values; the main purpose of the Group is to create quality jobs, as well as personal and professional development of their workers. They have a set of 10 principles, going beyond the 7 ICA co-operative principles, and among the most important is social transformation.

### Basic principles

1. Open admission & neutrality
2. Democratic organization
3. Sovereignty of labor
4. Instrumental and subordinate nature of capital
5. Participatory management
6. Wage solidarity

7. Intercooperation
8. Social transformation
9. Universality
10. Education

Their total revenues in 2015 were 12 billion Euro; assets were nearly 25 billion Euro. Their region has both the lowest unemployment, and the least inequality, in Spain.

In order to be accepted as a co-op member in the MCC, co-ops must commit to the following rules.

**Membership Rules for a coop to enter MCC, the Mondragon Cooperative Corporation:**

1. Workers have the right to relocate among co-ops, when possible
2. **Restructuring of results (from the gross profits)**
  - a. Within each sectoral group (15 to 40% profit):  
**shared among all co-ops.** This flattens out the profits & losses.
  - b. Of those co-ops which make profits:  
**14% goes to MCC.**  
(of which 10% to create new jobs/ subsidiaries; 2% to help non-profits;  
2% to help co-ops that are in trouble).
  - c. Pay government taxes,  
if a co-op ~14% (for roads, etc.), plus 10% General Council decides  
where;  
if not a co-op – 26%
  - d. After these, out of net profits: 10% to community, 30% to members/workers, &  
60% to the co-op's capital reserve, which is indivisible.
3. Interest less than 7.5% in cash
4. Initial member contribution (15,000 Euros is typical in industrial co-ops).
5. Solidarity in compensation (maximum ratio of 6 to 1, highest paid to lowest paid)
6. Reporting of data to MCC headquarters.
7. No internal competition.

The MCC itself has only 60 employees, because the 102 co-operatives are primarily autonomous. 650 delegates meet in the Annual General Assembly, called the Congress, in order to (among other things) elect their Standing Committee, basically the board of

directors, which has 21 members. The focus of MCC's Governing Council is the development of overarching strategies.

A practice which MCC has engaged in, for which it has been justifiably criticized, is to start subsidiary businesses which are not co-operatives in other countries including China, India, etc. MCC leadership contends that there is not a culture of worker co-operation in the regions where they've established these businesses and that workers are treated well, but the practice remains controversial.

With the exception of this, most of us hope to find elements in the Mondragon system which we could apply to help to build the worker co-op movement in other places.

There are a variety of elements that have contributed to Mondragon's success that cannot be replicated - a lot of which were the particular circumstances that existed at the time their co-ops started, yet we can still learn from what they have achieved. Several factors tend to be absent elsewhere, including the concentration in sophisticated industrial sectors, the presence of tariffs in Spain at the time of the Mondragon co-ops' development, and the strong culture of solidarity within the community. However, learnings which are more transferrable and could inform the worker co-op movement in other places, such as in Canada, include the following.

Access to worker coop-friendly capital and technical assistance are critical. Concentrations by industry sector help to build expertise – and this has been well applied with the Arizmendi co-op model in the San Francisco Bay Area; this replication model may be among the strongest indirect lessons learned. Given that MCC decides which co-ops should get support when needed, a relatively centralized approach to organizing the movement can also increase the strength of the co-operatives. A focus on education is important to keep up the sophisticated knowledge base and to remain innovative. The fact that there is provision for indivisible reserves helps to make the co-ops long-lasting and viewed as an inter-generational heritage. Strong solidarity and inter-cooperation within the community, applied practically, are the basis of the Mondragon Group.

A few of these elements are in place in some way in Canada, such as access to capital through the Canadian Co-operative Investment Fund and the Tenacity Works Fund. Beyond this, if we can apply more of these learnings in the Canadian context, including as a result of our current strategic planning process, we increase the potential to get the Canadian worker co-op movement to greater scale.