



The Worker Co-operative Movements in Italy, Mondragon and France: Context, Success Factors and Lessons

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Canadian Worker Co-operative Federation

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Abstract

The objective of this paper is to analyze the public policy environment, capitalization environment, availability of federation support, and the context for the worker co-op movements in each of Italy, Mondragon (Spain) and France. These three countries or regions have the largest, most dynamic worker co-op movements in the world. To grow a large worker co-op movement, a system of supports is required to enable the transfer of appropriate knowledge to many people, in addition to having access to worker coop-friendly sources of capital. Although there were some success factors in each region which could not be easily replicated in other places and although there were significant differences among regions, there were many common elements contributing to the success of the worker co-op movement in all three places. These were: (1) sufficient capital accessible to worker co-ops; (2) technical assistance provided to worker co-ops in the start-up phase; (3) a mandatory indivisible reserve, at least for those “mostly mutual” worker co-ops which were able to receive government support; (4) significant federation and consortia structures which support, guide, direct, and help educate the worker co-operatives; (5) significant concentrations by industry; (6) a strong sense of solidarity and inter-cooperation; and (7) scale: having achieved a size and strength to enable the worker co-op movements to be taken seriously by governments, the broader co-operative sector, etc.

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About CSERP

The Canadian Social Economy Research Partnerships (CSERP) is a collaborative effort of six regional research centres across Canada, their community partners, and the national facilitating research hub.

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1) Introduction

The purpose of this research project is to review what has worked to help create large, dynamic worker co-op sectors in other countries, so that the Canadian Worker Co-op Federation (CWCF) can apply the lessons learned to Canada. This would include an analysis of the public policy initiatives and social / cultural context that contributed to the growth.

Growing the worker co-op movement is especially important at a time when the global economy continues to experience significant challenges. As has historically happened in other economic downturns, working people need an alternative, a way to create jobs for themselves. Worker co-ops are an excellent alternative for doing this. Beyond the usefulness of the model in times of recession, a strong worker co-op sector in a region or a country has many advantages. These include increased worker empowerment, lower unemployment, increased job stability, increased social capital; in general workers are on a more equal footing with each other and are more in control of their destiny.

All over the world, one can find isolated examples of successful worker co-ops. However there are only a few places in the world where worker co-op sector as a whole is large and dynamic.

The reasons for the relative paucity of worker co-ops include the fact that in most parts of the world, the model is relatively unknown even among co-operators, and it is challenging to start and successfully run a worker co-op. However, co-ops generally, especially when supported by federations and other support structures, have a higher success rate than small business generally.¹

There are many elements which are required for a group of people to develop a worker co-op:

- (1) legislation appropriate for worker co-ops;
- (2) a sound business idea which will be able to generate surpluses for the co-op within a reasonable time frame;
- (3) technical assistance:
 - a. for organizational development,
 - b. for business development, and
 - c. to implement a financial management system;
- (4) access to adequate capital;
- (5) access to training in all required aspects of running a worker co-op, including its business and its governance.

When one considers that in Canada the worker co-op model is generally not taught in elementary schools, high schools, or universities and that most working people do not have experience in running a business or understanding of worker co-op principles, it is

¹ Labelle, Luc. (1999). Development of Cooperatives and Employee Ownership, Quebec Style. Retrieved from: <http://cog.kent.edu/lib/Labelle.htm>

not surprising that the number of worker co-ops in Canada is low. To grow a large worker co-op movement, a system of supports is required to enable the transfer of appropriate knowledge to many people, in addition to having access to worker coop-friendly sources of capital.

In consultation with the international worker co-op confederation (CICOPA), we have chosen to study the Emilia Romagna region of Italy; Mondragon, Spain; and France as the best examples of regions with strong, growing worker co-op sectors. These three places have the largest number of worker co-ops, as well as the fastest growth in the sector, of anywhere in the world.

It should be mentioned that some other countries do have fast growth in the worker co-op sector, e.g. China, Brazil, Argentina, Uruguay, Colombia, South Africa and India. Although the worker co-ops movements in the South American countries have developed more recently than in Europe, they are very dynamic. The Gung Ho worker co-op movement in Shanghai was started in the 1930's with support from New Zealander Rewi Alley and others; after a period of stagnation and government interference, it has been revived starting in the late 1980's. In 2006, for the first time China enacted a Co-op Law, which has enabled a new wave of worker co-op development especially in rural areas.² Millions of people are worker-owners in the Gung Ho co-ops. However, none of these places can rival the three European regions selected for scale of the movement relative to their broader economy, or for rate of growth.

² Interview on January 25, 2010 with Bruno Roelants, General Secretary, CICOPA.

2) Italy, with focus on the Emilia Romagna region

a. Size, industry sectors and general description of the WC movement

Italy leads the world with over 800,000 people working in the co-operative sector, about half of which are in worker or social co-ops.³ As of 2005, there were 7,363 social co-operatives employing over 244,000 people.⁴ In Emilia Romagna, there are more than 7,500 co-ops, two-thirds of which are worker-owned. Ten percent of the workforce is employed by co-operatives in a region with some of the lowest unemployment rates in Europe.⁵ Over 80,000 members here are employed in worker co-operatives⁶, equalling about 6% of the workforce.⁷

Although it was one of the most devastated and poorest regions in Europe at the end of World War II, Emilia Romagna is now among the most prosperous regions in the world. Its per capita GDP is 25% higher than the average for Italy, and 36% higher than the average for the European Union (EU). It has an enviable recent annual growth rate of 2.2%. The unemployment rate, in 2006, was 3% compared to 8.4% for all of Italy, and an average of 9.1% for the EU. In addition, it has one of the lowest rates of inequality in Europe, with a Gini coefficient of .25, or about half the European average. According to Robert Putnam⁸, the Emilia Romagna region has one of the highest indexes of social cohesion and social capital in the world, as evidenced by high rates of volunteerism.⁹

In Emilia Romagna, firms tend to be very small scale. The region has 420,000 firms – one for every nine men, women and children. More than half the population are co-op members. Worker co-operatives generate, according to University of Bologna economist Stefano Zamagni, about 30% of the GDP in the region and up to 60% of the GDP in some cities like Imola. In Bologna itself, 15 of the 50 largest businesses are co-ops, and co-ops employ 25,000, or 10% of the labour force.

Of note: providing social services, social co-operatives are the most prevalent type of worker co-operative. With the dissatisfaction of government-delivered health care services and the wariness of having these services in private hands, the solution has been to create social co-operatives. They are seen as more cost effective, innovative, and

³ Interview on January 25, 2010 with Bruno Roelants, General Secretary, CICOPA.

⁴ Confcooperative, The Social Economy in Italy. Retrieved from <http://www.euclidnetwork.eu/data/files/resources/762/en/The-social-Economy-in-Italy.pdf>

⁵ Crowell, E. Cooperating Like We Mean It: The Co-operative Movement in Northern Italy. *GEO Newsletter*. Retrieved from: www.geonewsletter.org/node/357

⁶ Lappe, F.M. (2006). The Sweet Taste of Success. *Democracy's Edge*. Retrieved from: <http://www.democracysedge.org/action-success.php>

⁷ Logue, J. (2006). Economics, Cooperation, and Employee Ownership: The Emilia Romagna model – in more detail. Retrieved from: <http://dept.kent.edu/oeoc/oeoclibrary/emiliaromagnalong.htm>

⁸ Putnam, R. (2000). *Bowling Alone: the Collapse and Revival of American Community*. New York: Simon & Schuster.

⁹ Webb, T. (2009). The Co-operative Movement in Italy. Workshop at CWCF Conference.

flexible than government or private services.¹⁰ Social co-operatives do not distribute profits to members, but instead re-invest all of it back into the co-operative. Worker co-operatives outside the social co-operatives, on the other hand, provide more jobs.¹¹ According to Tom Webb, the Italian worker co-operatives are predominant in “catering, construction, food service, manufacturing, transportation, maintenance, and processing.”¹²

b. Growth trends and rates

In Italy the co-op sector is growing very rapidly. In the largest federation of social co-ops, between 2003 and 2008, there was an increase of 30% both in the number of co-ops and the number of workers.¹³

c. General legislative and policy environment

Public policy in Italy is very enabling of co-op development and maintenance. In Italian public policy, support for co-operatives starts at the highest level; it is enshrined in the Constitution. Article 45 of the Constitution states that “the Republic recognises the social function of co-operation with mutual character and without private speculation purposes. The law promotes and favours its growth with the most appropriate means, and ensures, with appropriate controls, its character and purposes.”¹⁴

i. Taxation

Profits in Italian co-ops are exempt from tax as long as they are re-invested in the co-operative. The requirement under the current Italian law is that at least 30% of the annual net profit must be allocated to an indivisible reserve.¹⁵ John Logue noted that the Basevi Law of 1947 gives this 40% tax advantage because co-operatives are seen as a public good that is available to future workers.

¹⁰ Restakis, J. & Filip, O. (2008). Enabling Policy for Health and Social Co-ops in BC. Retrieved from: <http://auspace.athabasca.ca:8080/dspace/bitstream/2149/1960/1/BALTA%20A2%20-%20Enabling%20Health%20Co-ops%20Report%20-%20Final.pdf>

¹¹ Logue, J. (2006). Economics, Cooperation, and Employee Ownership: The Emilia Romagna model – in more detail. Retrieved from: <http://dept.kent.edu/oec/oeclibrary/emiliaromagnalong.htm>

¹² Webb, T. (2009). The Co-operative Movement in Italy. Workshop at CWCF Conference.

¹³ Interview on January 25, 2010 with Bruno Roelants, General Secretary, CICOPA.

¹⁴ Fici, A. (2009). The New Italian Co-operative Law and Co-operative Principles, pp.6-7. Co-operative Legislation and Public Policy Symposium at St. Mary’s University. Retrieved from: www.smu.ca/academic/sobey/mm/policysymposium.html

¹⁵ Fici, A. (2009). The New Italian Co-operative Law and Co-operative Principles, pp.25. Co-operative Legislation and Public Policy Symposium at St. Mary’s University. Retrieved from: www.smu.ca/academic/sobey/mm/policysymposium.html

ii. Indivisible Reserve

These profits only receive this tax-free treatment when they are placed into a co-op's indivisible reserve. If the co-op is sold, money in the indivisible reserve cannot be accessed by members or investors in the case of the privatization of the co-op. In the event a co-op ceases to be a going concern, the indivisible reserve is donated to a federation or another co-operative.

It must be noted, however that under a new law passed in 2004, in order to receive the tax benefits, cooperatives must qualify as “mainly mutual co-ops,” or co-ops with a “mutual purpose,” as opposed to other co-ops which are more focused on profit-making. According to Antonio Fici, in order to meet the definition of a mutual co-operative, member labour costs must exceed 50% of the total labour costs. Those co-operatives not meeting this definition are unable to take advantage of tax savings.¹⁶

Indivisible reserves help worker co-operatives overcome undercapitalization difficulties, in the long-term. In profitable co-operatives this reserve over the years can become quite substantial, even dwarfing membership fees. These indivisible reserves can provide liquidity, in addition to being a much-needed source of capitalization for the co-operative's development and growth. For example, Bilanciai Co-op, which started in 1963, has membership fee accounts of \$1 million (US\$) and indivisible reserves of \$12 million. The indivisible reserves are universally seen as an advantage, guaranteeing employment for multiple generations, rather than property to be “privatized” by the current group of members. Here's how Bolognesi from Cooperativa Ceramiche d'Imola, and a third generation co-op member, summed it up: “Part of our mission is intergenerational mutuality. What we see here is the fruit of generations of work. We receive wealth from past generations, and we create it for future generations of members. Our objective isn't just to generate jobs for this generation but also for future generations.”¹⁷

iii. Regional Economic Development Agencies

Co-operatives receive assistance from the Italian government's regional economic development agencies in the areas of “research and development, education and training, workplace safety, technology transfer, marketing and distribution, and exporting,” among others.¹⁸ “One example of the regional government's role is its support of the service needs of small and very small businesses and the growing links between firms. The regional economic development agency established a network of retail service centres.

¹⁶ Fici, A. (2009). The New Italian Co-operative Law and Co-operative Principles. Co-operative Legislation and Public Policy Symposium at St. Mary's University. Retrieved from: www.smu.ca/academic/sobey/mm/policysymposium.html

¹⁷ Logue, J. (2006). Economics, Cooperation, and Employee Ownership: The Emilia Romagna model – in more detail. Retrieved from: <http://dept.kent.edu/oeoc/oeoclibrary/emiliaromagnalong.htm>

¹⁸ Fici, A. (2009). The New Italian Co-operative Law and Co-operative Principles, pp.6-7. Co-operative Legislation and Public Policy Symposium at St. Mary's University. Retrieved from: www.smu.ca/academic/sobey/mm/policysymposium.html

Business services that are typically difficult for small businesses to afford are provided at the service centres, including sales and marketing expertise, research and analysis, advanced research and testing, quality certification and under/post-graduate and vocation education programs. The services are provided to groups of related businesses rather than single firms to create economies of scale and keep the services affordable. All relevant stakeholders participated in establishing the centres, including business associations, chambers of commerce, local administrations, trade unions and universities.”¹⁹ These regional economic development agencies create and develop business clusters, which help create synergies and economies of scale.²⁰ In these clusters, co-operatives, along with small businesses, partner to bid on larger contracts.²¹ This is most apparent in the Emilia Romagna region.

d. Capitalization

In addition to the tax benefits available to the vast majority of co-ops in Italy, there are several other ways that the state supports capitalization of co-operatives in Italy. The Italian government in 1985 established a co-operative fund through the Marcora Act to help create worker co-operatives. As a way of protecting jobs, this fund could be used to convert private firms, who were going through bankruptcy, moving overseas, or who were being sold by retiring owners, into worker co-operatives.²² The Italian government provides a subsidy up to three times the amount of workers’ investment in converting an existing business into a worker co-operative.²³

Perhaps most significantly, since 1992, three percent of a co-op’s profits have been placed into co-operative development funds. These funds are used to help create new co-operatives, develop existing ones, and to convert private firms into worker co-operatives. The three largest co-operative federations in Italy each have their own fund. The largest of these is Legacoop’s Coopfond which has a capitalization of \$340 million (US\$). From 1994 to 2001 alone, Coopfond invested \$101 million to help create 7,300 jobs.²⁴ In addition, Daniel Côté and Martine Vézina note that co-operative development

¹⁹ Marshal, M. et al. (2009). Co-operative Opportunities in British Columbia. Vancity, p. 6.

²⁰ Logue, J. (2006). Economics, Cooperation, and Employee Ownership: The Emilia Romagna model – in more detail. Retrieved from: <http://dept.kent.edu/oeoc/oeoclibrary/emiliaromagnalong.htm>

²¹ Mazzonis, D. 1996. “The Changing Role of ERVET in Emilia-Romagna.” Chapter 7 in *Local and Regional Response to Global Pressure: The Case of Italy and Its Industrial Districts*, ed.

F. Cossentino, F. Pyke, and W. Sengenberger. Geneva: International Institute for Labor Studies as cited in Adeler, M.A. (2009) *Enabling Policy Environments for Co-operative Development: A Comparative Experience*.

²² Adeler, M.A. (2009) *Enabling Policy Environments for Co-operative Development: A Comparative Experience*, p. 15.

²³ Cote, D. & Vezina, M. (2001). The Co-operative Movement: European Experiences. In Restakis, J. & Lindquist, A (Eds.), *The Co-op Alternative: Civil Society and the Future of Public Services* (pp.52-76). Toronto: The Institute of Public Administration Canada, p. 63.

²⁴ Logue, J. (2006). Economics, Cooperation, and Employee Ownership: The Emilia Romagna model – in more detail. Retrieved from: <http://dept.kent.edu/oeoc/oeoclibrary/emiliaromagnalong.htm>

funds are also used to create training programs, as well as being used to further research into co-operatives.²⁵

To further raise capital, there are no limits as to the amount that investors can be remunerated. Since 1992, worker co-operatives have been able to issue equity instruments, bonds, and hybrids of the two to further raise capital. Investors are unable though to control more than one-third of the votes in a member assembly.²⁶

e. Mutual support; support by Worker Co-op Federations, other co-op associations

The Basevi Law mandated that co-operatives had to join a federation. These federations are now well endowed (membership fees are 0.4% of a co-operative's annual sales) and have members throughout all of Italy. The result is undeniable political influence.²⁷ They are also able to offer an array of valuable member services in the areas of tax, accounting, legal, financial, and training to meet their members' needs.²⁸

At a workshop at the 2009 Eastern Conference for Workplace Democracy, Erbin Crowell described what he learned on a study tour to Emilia Romagna. He observed a remarkable solidarity among co-ops of all different sectors. He stated, "What drives co-op development in Italy is: as soon as a new co-op starts, ALL of the co-ops start buying from that co-op." This cross-sector co-operative solidarity (worker, consumer, producer, financial) was also noted by Bruno Roelants, General Secretary of CICOPA, in an interview with him in January 2010. Roelants believes that the cross-sectoral co-op solidarity is what has driven the favourable policy environment and the great strength of the movement in Italy. The strong ethic of mutual aid can only be nurtured in a strong system of informal networks and formal federations such as one finds in Italy.

f. Social / economic / cultural context

Each of the three co-operative federations is affiliated with different political parties. The Association of Cooperatives, the smallest federation in Italy, is linked with the Social Democrats.²⁹ In the Emilia Romagna region there are two federations which support different political parties. The League of Cooperatives (The Lega), the largest federation in Italy, is linked with the "Red" leftist party, while the Confederation of

²⁵ Cote, D. & Vezina, M. (2001). The Co-operative Movement: European Experiences. In Restakis, J. & Lindquist, A (Eds.), *The Co-op Alternative: Civil Society and the Future of Public Services* (pp.52-76). Toronto: The Institute of Public Administration Canada, p. 64.

²⁶ Fici, A. (2009). The New Italian Co-operative Law and Co-operative Principles. Co-operative Legislation and Public Policy Symposium at St. Mary's University. Retrieved from: www.smu.ca/academic/sobey/mmm/policysymposium.html

²⁷ Forte, F. & Mantovani, M. (2009). Cooperatives' Tax Regimes, Political Orientation of Governments and Rent Seeking. *Journal of Politics and Law*, Vol 2(4), p. 2. Retrieved from: <http://ccsenet.org/journal/index.php/jpl/article/viewFile/4505/3856>

²⁸ Logue, J. (2006). Economics, Cooperation, and Employee Ownership: The Emilia Romagna model – in more detail. Retrieved from: <http://dept.kent.edu/oeoc/oeoclibrary/emiliaromagnalong.htm>

²⁹ Thompson, D. (2005). Building the Future: Change, challenge, capital, and clusters at Italy's market leader. Retrieved from: www.cooperativegrocer.coop/articles/index.php?id=623

Cooperatives is linked with the Catholic “White” centre right party.³⁰ The political affiliation is so strong that these political parties actually appoint officials in these co-operative federations. With this, despite being politically divided, the federations have full access to the government.³¹

g. Analysis

In Italy, the most striking success factors for the worker co-op movement are: first, the many different types of support notably the 3% co-op development funds, the technical assistance, the special help for private firms converting to worker co-ops, and the mandated federation structures. Secondly, there is the mandatory indivisible reserve including tax breaks in “mostly mutual” co-ops. Lastly, the principle of co-operation among co-operatives is truly lived out in Italy. With all of these foundations in place, it is not surprising to see the large size and rapid growth in the movement in Italy.

³⁰ The Story of Emilia Romagna, Italy. The Small Planet Insititute. Retrieved from: www.scribd.com/doc/8311289/emiliaromagna.

³¹ Cote, D. & Vezina, M. (2001). The Co-operative Movement: European Experiences. In Restakis, J. & Lindquist, A (Eds.), *The Co-op Alternative: Civil Society and the Future of Public Services* (pp.52-76). Toronto: The Institute of Public Administration Canada.

3) Mondragon

a. Size, industry sectors and general description of the WC movement

Like Italy, Spain has promotion of the co-operative model in its constitution.³² There are an estimated 18,000 worker co-operatives that employ 300,000 in Spain.³³ This sector has grown 30% over the last five years.³⁴

b. Growth trends and rates

The Mondragon Cooperative Corporation has grown from its initial 25 workers in 1956.³⁵ From the mid-1960s to the mid 1970s, Mondragon grew by about 1,000 workers per year.³⁶ From 1986 to 1996, Mondragon grew from 19,669 workers to 30,634³⁷. Sales in 1997 were \$5 billion euros.³⁸ There are 256 businesses under the umbrella of the Mondragon conglomerate.³⁹ As of 2009 Mondragon employed 92,773 workers with sales of \$33 billion euros.⁴⁰ This accounts for 25% of the total sales and 15% of all workers in the worker co-operative sector in Spain.⁴¹ Mondragon is the largest business group in the Basque region and is the seventh largest business in Spain in terms of both sales and the number of workers.⁴² Unlike corporations, Mondragon's strategic plan includes job creation goals.⁴³ In 2003 Mondragon was ranked by Fortune magazine as

³² Fici, A. (2009). The New Italian Co-operative Law and Co-operative Principles. Co-operative Legislation and Public Policy Symposium at St. Mary's University. Retrieved from: www.smu.ca/academic/sobey/mm/policysymposium.html p. 7

³³ https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_108416.pdf

³⁴ *Work Together*, newsletter of CICOPA, April, 2009, p. 9.

³⁵ <http://www.ownershipassociates.com/mcc-intro.shtm>

³⁶ Bradley, K. & Gelb, A. (1981). The Mondragon Experiment. *British Journal of Industrial Relations*, 19(2), 211-31.

³⁷ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Chance at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

³⁸ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

³⁹ <http://www.mondragon-corporation.com/language/en-US/ENG/Frequently-asked-questions/Corporation.aspx>

⁴⁰ <http://www.mondragon-corporation.com/language/en-US/ENG/Economic-Data/Most-relevant-data.aspx>

⁴¹ Cote, D. & Vezina, M. (2001). The Co-operative Movement: European Experiences. In Restakis, J. & Lindquist, A (Eds.), *The Co-op Alternative: Civil Society and the Future of Public Services* (pp.52-76). Toronto: The Institute of Public Administration Canada.

⁴² <http://www.mondragon-corporation.com/ENG/Co-operativism/Co-operative-Experience/Jose-M%C2%AA-Arizmendiarieta.aspx>

⁴³ MacLeod, Greg. The Mondragon Experiment: The Public Purpose Organization. Retrieved from: <http://hir.harvard.edu/index.php?page=article&id=1855>

one of the top ten places to work in Europe.⁴⁴ Overall Mondragon has outperformed most private business firms in Spain in almost all respects.⁴⁵

Mondragon has four main business components: finance, industry, retail, and knowledge. In 2009, Mondragon's own bank, the Caja Laboral Popular, had 16.8 billion euros in loans outstanding. (Note that the Caja is explained in detail in next section d, below: Capitalization.) The default rate on these loans was 2.9%, almost 50% lower than the rest of the banking sector in Spain. In 2009, the Caja was voted as providing the best customer service among financial institutions in Spain.⁴⁶

The industry component of Mondragon's business in 2008 had sales of 6.5 billion euros and employed 40,822 workers. Out of this, 1.8 billion euros were from consumer good sales, such as household appliances and furniture, leisure and sporting equipment. Another 2.0 billion euros was from industrial components (automotive, domestic appliance components, and pipe fittings), 1.3 billion euros from construction, and 1.2 billion euros came from capital goods (automation, machinery, and refrigeration equipment). As of 2008 there were 73 production plants outside Spain, 13 of which were in China.⁴⁷

The retail arm of Mondragon is the Eroski Group. Retail sales in 2008 for its 2,400 supermarket and 115 hypermarket (big box format) consumer co-operatives was 9.1 billion euros. In 2008 alone, Eroski opened 7 hypermarkets and almost 100 supermarkets. This a fast growing sector in Mondragon, for in 2008 there were over 46,051 workers, compared to 36,400 in just 2006.⁴⁸ About 9% of workers in Mondragon are not member-owners, many of whom work at Eroski. At Mondragon's 2009 General Assembly there was a motion passed to try to increase the number of member-owners at Eroski.⁴⁹

The Knowledge component of Mondragon includes its technology centres that had expenditures of 51 million euros and employed 748 workers in 2008. The University

⁴⁴ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Chance at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

⁴⁵ Bradley, K. & Gelb, A. (1981). The Mondragon Experiment. *British Journal of Industrial Relations*, 19(2), 211-31.

⁴⁶ <http://www.mondragon-corporation.com/ENG/Press-room/articleType/ArticleView/articleId/1411.aspx>

⁴⁷ Mondragon 2008 Annual Report. Retrieved from: <http://www.mondragon-corporation.com/LinkClick.aspx?fileticket=d7ULZaqxbMI%3d&tabid=331>

⁴⁸ Mondragon 2008 Annual Report. Retrieved from: <http://www.mondragon-corporation.com/LinkClick.aspx?fileticket=d7ULZaqxbMI%3d&tabid=331>

⁴⁹ Kelly, G. & Massena, S. (2009, June). Mondragon Co-operatives Decide How to Ride out a Downturn, *Yes! Magazine*. Retrieved from: www.yesmagazine.org/issues/the-new-economy/mondragon-worker-cooperatives-decide-how-to-ride-out-a-downturn

of Mondragon in 2008 had 3,707 students. In addition there are numerous education and training centres for Mondragon employees.⁵⁰

c. General legislative and policy environment

Mondragon has received no direct government financial support, but has over time received favourable tax rates. The Spanish government taxes co-operative profits at 10%, compared to the corporate tax rate of 28%.⁵¹ The rest of this section in this paper will focus on Mondragon's internal success factors.

d. Capitalization

From the beginning, Mondragon has re-invested its profits back into its worker co-operatives. In Mondragon, from 30% to 50% of profits each year go into the co-operative's indivisible reserve fund⁵². Ten percent of the profits are donated to education, health, and in the community.⁵³ This 10% donation is mandated by Spanish Co-operative Law.⁵⁴ The remaining profits are placed into individual members' capital accounts, based on the number of hours worked and pay grade, which cannot be accessed until retirement.⁵⁵ The reserve fund, and the member capital accounts, ensure that up to 90% of profits in Mondragon are re-invested back into the worker co-operative to help it grow and employ more people.⁵⁶

Another way Mondragon generates liquid capital is through Lagun Aro, their insurance and social security service. When worker co-ops were first started in Mondragon, the Spanish government determined that their workers were self-employed. The result of this was that Mondragon workers did not qualify for unemployment insurance, social security, or health care insurance from the Spanish government. In response, Mondragon created their own insurance and social security service, internally

⁵⁰ Mondragon 2008 Annual Report. Retrieved from: <http://www.mondragon-corporation.com/LinkClick.aspx?fileticket=d7ULZaQxbMI%3d&tabid=331>

⁵¹ Noticias Juridicas. "Law 20/1990 — The Taxation of Co-operatives in Spain." Retrieved 23 July 2008 from: http://noticias.juridicas.com/base_datos/Fiscal/120-1990.html as cited in Adeler, M.A. (2009) Enabling Policy Environments for Co-operative Development: A Comparative Experience.

⁵² Learning from the Mondragon Cooperative Experience. William Foote Whyte. Studies in Comparative International Development, Summer 1995, Vol. 30, No.2, 58-67.

⁵³ Enabling Ethical Economies: Cooperativism and Class. J.K. GIBSON-GRAHAM. *Critical Sociology, Volume 29, issue 2 (2003)*.

⁵⁴ Ellerman, D. The Mondragon Cooperative Movement. Harvard Business School Case No. 1-384-270. Boston: Harvard Business School, 1984.

⁵⁵ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development, 30(2)*, 58-67.

⁵⁶ Mungall, C. (1986). *More Than Just A Job: Worker Cooperatives in Canada*. Ottawa: Steel Rail.

paid for by its workers. Some of this money in the meantime was used as patient capital to finance co-operatives.⁵⁷

Mondragon's inventiveness did not end there. After the start-up of the Mondragon system, the primary founder, Father Jose Maria Arizmendiarieta ("Arizmendi") saw that worker co-operatives could not reach their full potential without an adequate amount of capital. His literature review showed that private banks would not sufficiently provide this capital. To get around the problem of capitalization, Arizmendi came up with the idea that Mondragon had to create its own banking system.⁵⁸

From this realization, in 1959 Mondragon created a co-operative bank named the Caja Laboral Popular. The Caja allowed Mondragon to use its profits to expand existing co-operatives and to create new ones, in addition to providing banking services to members. The Caja is able to provide much needed capital, which in general is one of the major difficulties for worker co-operatives⁵⁹. Note that "the Caja Laboral Popular (was established) as a credit cooperative with the members being worker cooperatives and other cooperatives (not individual depositors).⁶⁰

Early on, each co-operative in Mondragon submitted monthly financial statements to the Caja. In this way the Caja could identify when a co-operative was struggling and when assistance was necessary.⁶¹ Those co-operatives within Mondragon who received help from the Caja usually accepted a decrease in wages during the financial crisis and sometimes paid a percentage of future profits back to the Caja.⁶²

Eventually the Caja created an entrepreneurial division at Mondragon to provide technical support for new worker co-operatives.⁶³ About 10% of entrepreneurial ideas were further developed by the Caja and 4 or 5 each year become new worker co-operatives.⁶⁴ In deciding whether to provide funding to a start-up co-operative, Mondragon since the beginning has put as much emphasis on the ability of the members to work together as they have on the feasibility of the business.⁶⁵ Mondragon believes

⁵⁷ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

⁵⁸ Gutierrez-Johnson, A. & Whyte, W.F. (1977). The Mondragón System of Worker Production Cooperatives. *Industrial and Labor Relations Review*, 31(1).

⁵⁹ What Makes Coops Work? Institutional Viability, Firm Creation, Survival and Closure Among Workers' Cooperatives in France. Virginia A. Perotin. Cornell University. May 1997.

⁶⁰ Pérotin, V. A. (1997): What Makes Coops Work? Institutional Viability, Firm Creation, Survival and Closure Among Workers' Cooperatives in France. Ph.D. dissertation, Department of Economics, Cornell University.

⁶¹ Flessati, Dominic. (1980). The Mondragon Experiment. BBC - Television.

⁶² Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

⁶³ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

⁶⁴ Mungall, C. (1986). *More Than Just A Job: Worker Cooperatives in Canada*. Ottawa: Steel Rail.

⁶⁵ Gutierrez-Johnson, A. & Whyte, W.F. (1977). The Mondragón System of Worker Production Cooperatives. *Industrial and Labor Relations Review*, 31(1).

that the natural bond of friendship is one of the key ingredients for a worker co-operative's success.⁶⁶

The Caja and each new co-operative worked closely together until the co-op was profitable. Entrepreneurs had to put up double the amount of capital that they received from other investors. The rest was lent to the co-op by the Caja at market interest rates. If the co-op experienced difficulty, the Caja lent money at half the market rate. As a crisis progressed, the Caja lent money at zero percent interest and even resorted to donating money to the co-op.⁶⁷ The result is that Mondragon has a 90% survival rate for start-up co-operatives, which is significantly higher than the 20% rate for conventional businesses.⁶⁸ The Caja provided both patient capital and technical assistance, which are the critical ingredients that allow start-up co-operatives to survive and flourish to allow them to reach their full potential. Mondragon's Central Inter-cooperative Fund has now taken over these functions, while the Caja now focuses just on consumer and business banking.⁶⁹

e. Mutual support; support by Worker Co-op Federations, other co-op associations

Unlike worker co-operatives in Italy, Mondragon has been unable to successfully co-operate with other co-operatives and associations in Spain. The result is that, unlike co-operatives in Italy, Mondragon has not received much direct financial support or assistance from the government.⁷⁰

However the Mondragon Co-operative Corporation is itself a large co-operative “group” or consortium. Within it, some decisions are quite centralized with regard to, e.g., which co-operatives will receive start-up support. There are many worker co-operatives in Spain. What clearly distinguishes Mondragon is that it is the only group in the country that has “produced an integrated, mutually reinforcing system of organizations, whereas the outside cooperative firms were all small and had no such supporting linkages.”⁷¹ One of the advantages of this is the sharing of resources among Mondragon co-operatives. In 1965, Arizmendi created co-operative groups within

⁶⁶ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Chance at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

⁶⁷ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Chance at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

⁶⁸ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

⁶⁹ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

⁷⁰ Interview on January 25, 2010 with Bruno Roelants, General Secretary, CICOPA.

⁷¹ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. *Studies in Comparative International Development*, 30(2), 58-67.

Mondragon. To utilize resources among the co-operatives more effectively, services like “accounting, advertising, personnel administration, and research” were shared within co-operative groups to achieve significant cost efficiencies.⁷² There is also a strong focus on inter-cooperation among the members of the Mondragon Co-operative Corporation (“MCC”).

The Mondragon group was reorganized in 1991, getting away from regional structures and more aligned with industry sector. The governing bodies of the Corporation, controlled by the member co-ops, are now called the Standing Committee and the General Council.⁷³ According to Fred Freundlich of Ownership Associates: “The regional subgroups were mostly dissolved and the individual co-operative enterprises were grouped instead by industrial sector within the MCC’s new structure: three main business groups (Financial, Industrial, and Retail) and, within the Industrial Group, seven different divisions. The MCC as a whole is now managed by a President and his General Council, which is comprised of nine vice-presidents (one per group or division) and the directors of the six MCC Central Departments. MCC officials emphasize that the purpose of the reorganization was most definitely *not* centralized operational control, but rather, closer coordination of activities within common business sectors, improved economies of scale, and greatly strengthened strategic planning.”⁷⁴

Notwithstanding the stated purpose of the reorganization, MCC is significantly more centralized than other worker co-operative movements.

An example of the advantage of integration/ centralization has been seen during economic downturns. The Mondragon group does all it can to not lay workers off. Arizmendi believed that one of the tenets of social justice was the right to work.⁷⁵ In the early 1980s, some co-operatives in Mondragon were experiencing financial difficulties. Unemployment in the Basque region was 25%. Instead of laying people off, Mondragon redeployed workers in the struggling co-operatives to ones that were better off. Struggling co-operatives were reorganized by Mondragon.⁷⁶ Those who were not redeployed were given income assistance that equalled 80% of their salary. Laid off workers are given the opportunity to retrain.⁷⁷ With this very few workers lost their jobs,

⁷² Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

⁷³ www.mondragon-corporation.com/language/en-US/ENG/Who-we-are/Organisational-structure.aspx

⁷⁴ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

⁷⁵ Herrera, D. (2004). Mondragon: A For-Profit Organization That Embodies Catholic Social Thought. *Review of Business*, 25.

⁷⁶ Bradley, K. & Gelb, A. (1981). The Mondragon Experiment. *British Journal of Industrial Relations*, 19(2), 211-31.

⁷⁷ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

which was in contrast to those working in the private sector.⁷⁸ The central control structure of Mondragon allowed for this to happen. This would have been unlikely to happen in unorganized and autonomous co-operatives.

Having a centralized structure also has helped Mondragon respond quickly to the increasingly globalized economy. The 1991 restructuring and consolidation process was largely carried out in order for Mondragon to remain competitive. The result was “greater inter-firm solidarity, utilizing sectoral groups and with centralized group functions for development of quality standards and international marketing and investment.”⁷⁹ Groupings by industrial sector allowed the co-operatives to take advantage of economies of scale, to share technology and research and development, and also to share management expertise. This has been seen as critical in allowing small and medium-sized co-operatives to invest and benefit from research and development, something that is typically only available to larger firms.⁸⁰

A unique aspect of the Mondragon Group is that it has its own set of co-operative principles, expanding on the International Co-operative Alliance (ICA) principles, as follows:

Mondragon Principles

1. **Open Admission**
2. **Democratic Organization**
3. **Sovereignty of Labour**
4. **Instrumental and Subordinate Nature of Capital**
5. **Participatory Management**
6. **Wage Solidarity**
7. **Interco-operation**
8. **Social Transformation**
9. **Universality**
10. **Education**

What is distinct from the international co-operative principles is the significant focus on the role of working people (principles 3 through 6) as well as Universality (9), and Social Transformation (8). The Mondragon principles go beyond the ICA principles, with their co-operatives led by the working class, and to benefit working people, and with the ultimate goal of social transformation. Training not only about co-operative functioning but also on technical issues of running each co-operative business is very important, and this is what is meant by “Education”, not only education about co-operatives.

⁷⁸ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

⁷⁹ Clamp, C.A. (2000). The Internationalization of Mondragon. *Annals of Public and Cooperative Economics*, 71(4), 557-577.

⁸⁰ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

Values have had a big influence on wages. With high profits, Mondragon could have paid higher wages. The founders of Mondragon though decided to set wages at levels that were in line with wages in the community and not based on productivity of the co-operative. The reasons were two-fold. One was to ensure that relative equality was maintained in the community. The second was to increase the ability of Mondragon to use surpluses to fund the start-up and development of co-operatives⁸¹. Wages for workers at Mondragon are 13% higher than rates for similar jobs in similar industries. This does not include the profit sharing or benefits, though. Wages for middle income are equal to the private sector, while upper management receives about 30% less than their private sector counterparts.⁸²

Mondragon has been able to create loyalty within the workplace and also within the community. In Mondragon, each worker takes an aptitude test to ensure that they are a good fit in the co-operative in the first place.⁸³ The most important aptitude that Mondragon looks for in an applicant is their ability to fit within the community and within the co-operative. They have to be socially accepted.⁸⁴ Surveys have indicated that workers at Mondragon are extrinsically motivated by decent income and benefits, in addition to job security. The highest priority of workers throughout all job levels though was the strong belief in co-operativism.⁸⁵ It has been found that Mondragon workers' "values were the core driver in an ever evolving and lifelong process committed to actualizing change at the intersection of business and society."⁸⁶

Mondragon is also supported by the community. Providing decent and stable jobs in a region with high unemployment helps build support from the community. There is also a policy of hiring the sons and daughters of current workers, which ensures that those growing up in the community can work at Mondragon. Donating 10% of its profits to the community is also important. Many social services provided in the community are funded by Mondragon.⁸⁷ Mondragon's University is open to the public, too. Community involvement has created a sense of familiarity, trust, and solidarity between the community and Mondragon. These important community ties are even thought to reduce employee turnover, which is important to Mondragon's stability, efficiency, in addition to

⁸¹ Gibson-Graham, J.K. (2003). Enabling Ethical Economies: Cooperativism and Class. *Critical Sociology*, 29(2), 123-161.

⁸² Herrera, D. (2004). Mondragon: A For-Profit Organization That Embodies Catholic Social Thought. *Review of Business*, 25.

⁸³ Flessati, Dominic. (1980). The Mondragon Experiment. BBC - Television.

⁸⁴ Bradley, K. & Gelb, A. (1982). The Replication and Sustainability of the Mondragon Experiment. *British Journal of Industrial Relations*, 20(1), 20-33.

⁸⁵ Bradley, K. & Gelb, A. (1981). The Mondragon Experiment. *British Journal of Industrial Relations*, 19(2), 211-31.

⁸⁶ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Change at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

⁸⁷ Bradley, K. & Gelb, A. (1982). The Replication and Sustainability of the Mondragon Experiment. *British Journal of Industrial Relations*, 20(1), 20-33.

keeping valuable member capital within Mondragon to enable it to finance future business opportunities.⁸⁸

Mondragon has been able to develop and maintain leadership. Mondragon was founded by a strong leader, Arizmendi. Today Mondragon mentors and grooms leaders. These people are deployed throughout Mondragon to help improve the management of individual worker co-operatives. Though this has created a leadership class, through their commitment of energy, time, and by accepting relatively low pay for their skill set, they generally receive a great amount of support from worker-members.⁸⁹

f. Social / economic / cultural context

To understand the Mondragon co-operative movement today, understanding its long history is important. Worker co-operatives first appeared in Spain in 1842 and became an industrial worker and farmer movement in the 1860s.⁹⁰ Rejecting both capitalism and communism as exploitative and authoritarian, co-operativism was seen as a third and more humane way of working, with democratically run and worker-owned workplaces.⁹¹ Still today, “Basques have a strong associative spirit, which cuts across class lines, and is supported by their high evaluation of social equality.”⁹²

The growth of worker co-operatives was impeded during the Civil War when Franco's Fascists took control of Spain. The ideas of worker ownership and democratic control survived though, especially in the Basque region. However this region was economically in ruins and was politically shunned after being on the losing side of the Civil War.

Arizmendi opened a technical training school in Mondragon, Spain in 1943. Along with the technical component, Arizmendi blended the ideas of social justice and democracy in his classes. Graduates though were unsuccessful in implementing these ideas in their places of work. With the support of Arizmendi, five engineering graduates purchased a bankrupt paraffin oven factory.⁹³ This factory was owned and democratically controlled by its members. Mondragon's goal was not only to create business success, but social success too.⁹⁴

⁸⁸ Bradley, K. & Gelb, A. (1982). The Replication and Sustainability of the Mondragon Experiment. *British Journal of Industrial Relations*, 20(1), 20-33.

⁸⁹ Mungall, C. (1986). *More Than Just A Job: Worker Cooperatives in Canada*. Ottawa: Steel Rail.

⁹⁰ <http://www.coopseurope.coop/spip.php?article502>

⁹¹ Bradley, K. & Gelb, A. (1981). The Mondragon Experiment. *British Journal of Industrial Relations*, 19(2), 211-31.

⁹² Gutierrez-Johnson, A. & Whyte, W.F. (1977). The Mondragón System of Worker Production Cooperatives. *Industrial and Labor Relations Review*, 31(1).

⁹³ Ellerman, D. (1984) The Mondragon Cooperative Movement. Boston: Harvard Business School, Case No.1-384-270.

⁹⁴ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Change at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

There were some situational advantages that Mondragon had early on that were unique. One was that it was established at a time when Spanish manufacturers were insulated from foreign competition by sizable tariffs. Another advantage was that the Basque regional economy was still recovering from the Civil War and World War II. Tariffs also protected Spanish manufacturers from foreign competition. With little competition and high demand, any practical products were easily sold.⁹⁵ Mondragon quickly expanded to manufacturing space heaters and electrical appliances, selling its products in the Basque region and throughout Spain.⁹⁶ It was not until Spain joined the European Union in 1986 that this changed.⁹⁷ Tariffs that helped protect manufacturers in Spain were eliminated in 1993.⁹⁸ Mondragon was fortunate to grow in conditions protected by tariffs that enabled it to be in a position to survive foreign competition.

In response to globalization, since 1994 Mondragon has expanded throughout the world, especially in emerging nations. The impetus of this was to lower production costs, much in line with multinational corporations. By the end of 2004, Mondragon was on target to have 13% of its workforce in these nations. Most of these workers do not own or democratically control their workplace. Mondragon is working on ways to better integrate these workers into the Mondragon system with the goal of making them member-owners, but the process is going very slowly.⁹⁹

In the fall of 2009, Mondragon and the United Steelworkers, the largest industrial union in the United States, agreed to work together to promote worker co-operatives in the United States and Canada. Of note, Mondragon had sales of almost \$200 million in 2008 in the United States. The goal of this collaboration is to create jobs in Canada and the United States based on the Mondragon model¹⁰⁰, focusing on helping to create unionized worker co-ops. Although the rollout of this has been slow, this has been deliberate as the goal is to ensure that their first co-op in North America is a success.

⁹⁵ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

⁹⁶ Gibson-Graham, J.K. (2003). Enabling Ethical Economies: Cooperativism and Class. *Critical Sociology*, 29(2), 123-161.

⁹⁷ Clamp, C.A. (2000). The Internationalization of Mondragon. *Annals of Public and Cooperative Economics*, 71(4), 557-577.

⁹⁸ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

⁹⁹ Errasti, A.M., Mari, A., Heras, I., Bakaikoa, B., & Elgoibar, P. (2003). The Internationalisation of Cooperatives: The Case of the Mondragon Cooperative Corporation. *Annals of Public and Cooperative Economics*, 74(4), 553-584.

¹⁰⁰ Collaboration Agreement between MONDRAGON and the North American Trade Union USW (2009). Retrieved from: <http://www.mondragon-corporation.com/ENG/Press-room/articleType/ArticleView/articleId/1351.aspx>

g. Other factors

i. Training

An important determinant of a worker co-operative's success is keeping labour costs controlled and improving productivity.¹⁰¹ Training on how to achieve this is a critical component at Mondragon. In Mondragon, many workers are able to participate in a one-year training program in the Entrepreneur Division of the Central Inter-cooperative Fund. Others receive their education at Mondragon University. Here, engineering and business skills are learned in an atmosphere of co-operative values.¹⁰²

These educational and training opportunities are funded internally through the 10% donations from Mondragon worker co-operatives' profits.¹⁰³ An estimated 90% of workers in Mondragon participated in educational activities in 2006.¹⁰⁴ Through this internal education system, Mondragon has instilled a culture of continuous improvement to help achieve success. Crucial to this is the commitment to constant debate and re-evaluation of how a particular set of ethical principles will guide their economic choices and paths of action.¹⁰⁵ This has been crucial in allowing Mondragon to successfully adapt with changing economic trends over the years.¹⁰⁶

ii. Indivisible Reserve

Finally, another reason for the continued success of Mondragon is its indivisible reserve system. During Arizmendi's studies, he became interested in the ideas of Robert Owen and the Rochdale co-operative principles. Though profitable, the pioneer Rochdale cotton factory worker co-operative was privatized when its members via outside financing lost control of the co-op. The factory was subsequently converted into a private enterprise.¹⁰⁷ This reconfirmed the belief of many leaders in the co-operative movement who thought that the worker co-operative model was incapable of creating sufficient cash

¹⁰¹ Pérotin, V. A. (1997): What Makes Coops Work? Institutional Viability, Firm Creation, Survival and Closure Among Workers' Cooperatives in France. Ph.D. dissertation, Department of Economics, Cornell University.

¹⁰² <http://www.mondragon.edu/what-is-mu/why-choose-m-u>

¹⁰³ Gibson-Graham, J.K. (2003). Enabling Ethical Economies: Cooperativism and Class. *Critical Sociology*, 29(2), 123-161.

¹⁰⁴ Richleycase, B. (2009). A Theory of Socio-Business Diffusion: Understanding the Influence of Mondragon Corporation Cooperativa as a Positive Force for Change at the Intersection of Business and Society. Unpublished doctoral dissertation, Western Reserve University.

¹⁰⁵ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

¹⁰⁶ Freundlich, F. (1998). Mondragon Cooperative Corporation (MCC): An Introduction. Partner Ownership Associates, Inc., Bilbao, Spain. Retrieved from: http://www.clcr.org/publications/other/Intro_To_Mondragon.doc

¹⁰⁷ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

flow and was doomed for failure.¹⁰⁸ The result was a great setback for the worker co-operative movement.

Arizmendi took a lesson from this experience and created a co-operative structure that did not issue stock to members or investors. Instead he created a series of capital accounts, where between 30% and 50% of the profits in Mondragon went into an indivisible reserve fund. This fund provides much needed liquid capital for Mondragon co-operatives. In addition, since the indivisible reserve fund cannot be transferred outside of the co-operative movement, it ensured that Mondragon was extremely unlikely to be converted into a private business. For if Mondragon dissolved or was converted into a for-profit company, the indivisible reserves would not be divided among its members. Instead, the indivisible reserve funds would be donated to another co-operative. This is particularly important during difficult financial times or when older workers are retiring and members cannot be found to replace them.¹⁰⁹ Without the indivisible reserve, Mondragon could have been sold out to private investors long ago, especially considering its profitability. Instead Mondragon remains a viable system of worker co-operatives that provide decent paying and stable jobs. It is a collective good, whose gift will be there for workers well into the future.

h. Analysis

A Yes! Magazine article from the summer of 2009 described life in Mondragon: “One of the first things you notice while driving from the Bilbao Airport toward the town of Mondragon is the unspoiled beauty of the countryside—rolling green hills uninterrupted by billboards, and smooth roads untarnished by potholes. In the town of Mondragon, there were neither mansions on the hill nor poverty in the streets. We didn’t see wealth, but everyone had a comfortable place to live, healthy food to eat, and the comfort of modern conveniences. Equally noticeable was their convivial, even joyful sense of community. The people we met were friendly, conversational, and trusting. Mondragon is proof that a commitment to the common good is not an obstacle to commercial success. Instead, a dedication to innovation and training at all levels can bring forward the best of the community. That quality of life continues outside the workplace, multiplying the benefits for those who choose a cooperative path.”¹¹⁰

From being founded by a rural priest with a transformative vision, the Mondragon Co-operative Corporation has succeeded by building all of the required elements to create a powerful regional worker co-op system: training and education, research, and their own banking system. They have done this by prioritizing employment, and solidarity, showing that excellent business practices can be compatible with a strong values-based, co-operative approach.

¹⁰⁸ Flessati, Dominic. (1980). The Mondragon Experiment. BBC - Television.

¹⁰⁹ Whyte, W.F. (1995). Learning from the Mondragon Cooperative Experience. William. *Studies in Comparative International Development*, 30(2), 58-67.

¹¹⁰ Kelly, G. & Massena, S. (2009, June). Mondragon Co-operatives Decide How to Ride out a Downturn, *Yes! Magazine*. Retrieved from www.yesmagazine.org/issues/the-new-economy/mondragon-worker-cooperatives-decide-how-to-ride-out-a-downturn

4) France

a. Size, industry sectors and general description of the WC movement

In France, a worker co-op is called a “SCOP”, an acronym for “Société coopérative et participative;” previously “Société coopérative ouvrière de production.” In a SCOP, the workers must have at least 51% of the capital, and 65% of the votes.¹¹¹ This indicates openness to some external capital as well as some external control, as long as the worker-members maintain a majority control. A multi-stakeholder co-op is called a “SCIC”. The SCIC (Société coopérative d’intérêt collectif) is a new form of cooperative enterprise, which can combine those who want to act together in a single local development project to look after public interest, including employees, beneficiaries, volunteers, local authorities or other partners. The SCIC has been adapted from the social co-operative model invented in Italy, and it is governed by the law of July 17, 2001.¹¹² Our primary focus in this paper will be on the SCOP.

According to the French General Confederation of SCOPs (whose French acronym is “CG-SCOP”), at the end of 2008, there were 1,893 cooperatives belonging to the Confederation, including SCOPs and SCIC’s involving 39,929 employees, not taking into account the employees of their subsidiaries which are not co-operatives.¹¹³

In France, SCOPs are primarily made up of professionals and skilled trades people. Construction remains the main sector in which one finds SCOPs, both in numbers of co-operatives (24% of total) and number of jobs (29.1%). On equal footing with construction, the area composed of “professional, scientific and technical” and “activities of administrative services and support”, with a focus on business services, includes 24% of co-operatives. It is somewhat less labour-intensive, however; it includes 21.3% of SCOP jobs. Manufacturing is the third largest worker co-operative sector, with 366 companies and 9,838 employees, representing respectively 19.3% and 24.6% of the total. In fourth position, but significantly below the first three sectors: trade, accommodation, transportation and food services collectively represent 12.3% of cooperatives and 9.9% of jobs. All other segments are a small minority and together account for well under 10% of the total.¹¹⁴

The average size of a SCOP is 21 workers, with the number per SCOP varying between two (the legal minimum) and over 1,000 people. On average approximately 60% of workers are also owners.

¹¹¹ Les nouvelles ambitions des co-entrepreneurs. CGSCOP Press release, February 10, 2010. Retrieved from: www.scop.coop/p408_FR.htm ; p. 4. Translations by Hazel Corcoran (throughout).

¹¹² Site of the CG-SCOP, www.scop.coop/scic.htm .

¹¹³ Site of the CG-SCOP, www.scop.coop/chiffres-cles-scop.htm#1108_8815_1 .

¹¹⁴ Site of the CG-SCOP, www.scop.coop/chiffres-cles-scop.htm#1108_8815_5 .

b. Growth trends and rates

The French worker co-op movement dates back to early in the 19th century. A law passed in 1791, the “Chapelier law”, forbid workers’ associations, including worker co-operatives and trade unions. However during the revolutionary periods in France, e.g. in 1848 and with the Commune in 1871, many worker co-operatives formed clandestinely. Until 1878, the state attacked the SCOPs. Once found, they were destroyed by police. In 1878, the Administration repealed the Chapelier law, stopped the attacks and eventually became supportive. From the beginning of the 20th century, self-financing mechanisms of co-operative financing were started with *la Banque des Coopératives* and the matching of loans by the State; a procedure for medium-term loans that from 1938 on becomes *le Crédit Coopératif*.¹¹⁵

Since first being created, SCOPs have grown over the long term. In 1885 there were 40, in 1914 there were 120, in 1928 there were 280, in 1939 there were 480, and in 1980 there were 736. The growth in the worker co-operative movement was not uniform; there have been periods of rapid growth (e.g., economic crisis of 1905-10; the 1930’s, and the post-WWII reconstruction period), combined with other periods of stagnation in the movement.¹¹⁶

Looking at more recent times, between 1994 and 2009, there was a 40.1% increase in the number of SCOPs from 1392 to 1950 SCOPs, and a 41.8% increase in the number of SCOP jobs, from 28,691 to 40,685. Between 2008 and 2009, the economic crisis impacted SCOPs, but they were able to stabilize.¹¹⁷

Since 2007, approximately 200 new SCOPs have started each year through start-up, recovery or business transfer, versus 120 to 150 annually in previous years. SCOP start-ups and takeovers have generated an average of 1,500 jobs per year since 2007.¹¹⁸

Since 2000, the manufacturing sector in France has lost half a million jobs. There are frequent announcements of closures or restructuring of manufacturing enterprises in France. However, in this context of deindustrialization that began long before the current crisis, extending back twenty years, SCOPs have been able to resist this trend and are even progressing.

Present in all trades, SCOPs are growing in the manufacturing sector with over 400 additional small and medium enterprises (SMEs), showing a positive trend in this very challenged sector. Over the decade 1997-2007, before the current economic and financial crisis, all SCOP demographic and economic indicators in manufacturing have exceeded the rest of the sector: an increase of 6% in the number of companies, an

¹¹⁵ Lasne, L. Un siècle de coopération de la production. Retrieved from: www.scop.coop/p345_FR.htm

¹¹⁶ Antoni, Antoine. La Coopération Ouvrière de production, pp. 8-18.

¹¹⁷ Les nouvelles ambitions des co-entrepreneurs. CGSCOP Press release, February 10, 2010. Retrieved from: www.scop.coop/p408_FR.htm ; pp. 4-6.

¹¹⁸ Les nouvelles ambitions des co-entrepreneurs. CGSCOP Press release, February 10, 2010. Retrieved from: www.scop.coop/p408_FR.htm; p. 7.

increase of 11% in the number of jobs (against a loss of 10% for the sector as a whole), an increase of 68% in sales, and an increase in net income of 300%. However, since 2008 and the outbreak of the economic crisis, SCOPs in manufacturing like all other SMEs have been heavily impacted by falling orders, price wars, and the fluctuation of prices for raw materials. But realistically, while corporate defaults in France rose by 24% over the two crisis years 2008 and 2009 compared to the prior two years combined, the failure rate remained stable at SCOPs in the same period, the SCOPs -- including in manufacturing -- demonstrated their resilience.¹¹⁹

c. General legislative and policy environment

Capital is open to external partners, but with limitations: external partners are limited to 49% of the share capital and 35% of the vote.

According to Patrick Lenancker, President of CG-SCOP (the national Federation), a significant reason that SCOPs have been so successful is that they have substantial stable capital. A minimum of 15% of surpluses must be placed in reserves (in practice, it's 40% to 45% on average) with the key advantage that the reserves are permanently owned by the co-operative, ensuring financial stability in the long term.¹²⁰

According to Marcel Arteau, then Executive Director of the Quebec Worker Co-operative Federation (FQCT), "after a long debate, the French law conserved the principle of indivisible reserve for the following reasons: Tend to prevent the SCOP from being taken over by external parties; assure the independence of the co-operative; assure the sustainability of the enterprise in the long-term; ability to pass the co-operative on to future generations." The surpluses are allocated as follows: a minimum of 15% to the reserve, minimum of 25% to all employees (including members), and the remainder to the members. The amount to the member-owners must be less than the amount to all workers.¹²¹ Of note, in the 1992 amendments to the co-operative laws in France, other types of co-operatives in some circumstances ceased having a mandatory indivisible reserve. SCOPs on the other hand insisted on retaining indivisible reserves.¹²²

¹¹⁹ Lenancker, P. (2010, April 4). La France peut garder ses PME industrielles. Le Monde. Retrieved from: www.lemonde.fr/opinions/article/2010/04/19/la-france-peut-garder-ses-pme-industrielles-par-patrick-lenancker_1336507_3232.html

¹²⁰ Lenancker, P. (2010, April 4). La France peut garder ses PME industrielles. Le Monde. Retrieved from: www.lemonde.fr/opinions/article/2010/04/19/la-france-peut-garder-ses-pme-industrielles-par-patrick-lenancker_1336507_3232.html

¹²¹ Arteau, M. (1994). Rapport de la mission d'exploration réalisée en France. FQCT. Unpublished, p. 9.

¹²² Pérotin, V. A. (1997): What Makes Coops Work? Institutional Viability, Firm Creation, Survival and Closure Among Workers' Cooperatives in France. Ph.D. dissertation, Department of Economics, Cornell University, p.338.

Worker co-operatives receive tax benefits from the French government. SCOPs do not have to pay the professional tax, which is 1.5% to 2.5% of revenues. Income on worker shares is exempt from income taxes.¹²³

d. Capitalization

The SCOP movement has succeeded in providing itself with tools for financing and providing technical assistance. One requirement for official recognition of their status is that SCOPs are required to finance the worker co-operative movement. The member fees of .42% of revenues are distributed between federations and financial tools, many of which have been built in partnership with other actors in the social economy (e.g., IDES, the Credit Cooperative).

SOCODEN (Société coopérative de développement et d'entraide: financial institution managed by the SCOPs since 1965) offers equity loans and financing for working capital requirements. The focus is on new SCOPs and those that are in crisis. Its services include: advice, guarantees and interest subsidies on personal loans to augment the capital in a SCOP.¹²⁴ On average, 150 SCOPs per year are able to get financing through SOCODEN, with the total amount per year placed being 5.5 million Euros.¹²⁵

There are other financing avenues for SCOPs, which are funded primarily by the .42% dues on revenues. SOFISCOPE offers a loan guarantee so that the members do not need to commit their personal funds. SPOT is a venture capital firm that provides equity for SCOPs.¹²⁶ IDES (Institute for Development of Social Economy) also invests in SCOPs by taking out participatory shares, which enjoy a priority on investment earnings. In its first 25 years, the IDES group has invested 100 million euros in 545 enterprises, 70% of which have been SCOPs.¹²⁷

e. Mutual support; support by Worker Co-op Federations, other co-op associations

The CG-SCOP's slogan is "A SCOP is never alone." CG-SCOP has a support network of professionals in each region to help create and develop worker co-operatives, as well as supportive financial services, industry sector federations in construction, communication and manufacturing, and representation at the regional, national and international levels.

¹²³ Arteau, M. (1994). Rapport de la mission d'exploration réalisée en France. FQCT. Unpublished, p. 11.

¹²⁴ Arteau, M. (1994). Rapport de la mission d'exploration réalisée en France. FQCT. Unpublished, p. 5.

¹²⁵ SOCODEN and its Subsidiaries. Retrieved from: <http://cecop.coop/Financial-instruments.html> pp. 1-2.

¹²⁶ http://fr.wikipedia.org/wiki/Soci%C3%A9t%C3%A9_coop%C3%A9rative_de_production

¹²⁷ ESFIN IDES. Retrieved from: <http://cecop.coop/Financial-instruments.html>, p. 2.

The SCOP federations are inter-connected, and encompass elements which are national, regional and sectoral. “The SCOP Enterprises network is comprised of the following:

- The Confédération générale des SCOP leads and coordinates the SCOP Enterprises network and represents SCOPs at the national level in France.
- Twelve regional unions accompany the day-today development of SCOPs and provide representation at the regional and local levels.
- Three professional federations represent member SCOPs in dealing with authorities in their respective fields and provide economic, technical and legal advice as well as support in the development of their activities. The three professional federations encompass the following three sectors of activity:
 - Building and public works,
 - Communication,
 - Manufacturing, metallurgy and technologies.”¹²⁸

In 1994, the dues paid by each SCOP to belong to the federations was .42% of its annual sales. The dues were shared among the regional unions, the sector federations, the Confederation’s expansion fund (managed by SOCODEN) and the Confederation (CG-SCOP). There were 90 full-time staff members in the SCOP Federations in that year (federal, regional and sectoral). The average dues paid by each SCOP in 1994 was \$12,400 Canadian.¹²⁹

In order to continue to be a co-operative and benefit from tax breaks, each French SCOP must undergo a periodic “co-operative review” to ensure that the co-operative is functioning as it should. The French Government has given the mandate for these reviews to the CG-SCOP, and they are carried out by the Regional Unions. The reviews also have the goal of identifying ways in which the co-operative can improve in terms of management, social practices, training etc.¹³⁰

With regard to conversion from other enterprise forms, there is a particular focus in France on using the SCOP model in this context. Given the very large number of SME business owners expected to retire in coming years, this is an important focus. In France in each of the last four years, there have been 70 enterprises converted to worker co-ops, as many as have been converted in total in Argentina in the last decade¹³¹. There is a Network called “APERRE” with a focus on succession planning, and one of the main partners is the CG-SCOP. APERRE means “Association for the Promotion of Enterprise and Takeover of Enterprise”. The APERRE Network includes senior volunteer business advisors (e.g., retired CEO’s), expert professional consultants, and national partners,

¹²⁸ www.scop.coop/p481_EN.htm

¹²⁹ Arteau, M. (1994). Rapport de la mission d’exploration réalisée en France. FQCT. Unpublished.

¹³⁰ Arteau, M. (1994). Rapport de la mission d’exploration réalisée en France. FQCT. Unpublished, p.

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¹³¹ Interview with Bruno Roelants, General Secretary of CICOPA, on January 25, 2010.

including the CG-SCOP, co-operative financiers, an insurance company, etc. The APERE Network is based on the principle of social action through co-operative business development.¹³²

f. Social / economic / cultural context

In the early years, utopian theorists and practitioners who popularized the ideas of community and democracy contributed to the emergence of the worker cooperative movement. Among the most famous of these were: Saint-Simon, Charles Fourier, Jean-Baptiste Godin, Louis Blanc, Philippe Buchez, Jeanne Deroin, Joseph Proudhon, and Robert Owen (England).¹³³

François Espagne, who worked for the CG-SCOP for 35 years, including as Secretary General, until 1990, has written extensively about the history of the SCOP movement. He noted that the desire of workers to apply practicality to their utopian ideals was strong, describing in the early years of the movement: “the studious zeal of workers, their thirst for knowledge, their moral energy, their constant desire to grow.”¹³⁴ He describes the three major periods of the SCOP movement, 1830 – 1880; 1880 – 1980, and 1980 – 1996 (time of writing):

“In the first period the SCOPs’ target was the population of workers with a profession or a trade which could be exercised without heavy equipment; for Louis Blanc, Fourier, and Proudhon the whole working class -- since the State or “people’s banks” would support the acquisition of capital. In the second period, it was “conservative” in that it had accumulated collective assets. It was prudent, and focused on management. But it was selfish, both folded in on itself and turned into a machine for individual promotions - within the promotion of each group - operating more in favor of its current members and their successors in the business. And in both periods, it was immersed in doctrinal solidarity through professional / trade union or local associations, sometimes political associations, which were very strong.

Today, the movement must be rigorous, because it has the burden of preserving jobs, and the collective savings of workers. But it must also be innovative because, under threat of erosion, it can only survive by inventing new techniques to new situations. The movement can be altruistic - but in a concrete way - by reaching out to the excluded, the new marginalized. This can be done by the same hard work that fed action in the years of the movement’s youth.”¹³⁵

¹³² www.apere.asso.fr/atout.php

¹³³ www.scop.coop/p345_FR.htm

¹³⁴ Espagne, F. (2000). Les SCOPs entre utopies fondatrices et idéologies concurrentes. Retrieved from: www.scop.coop/p978_FR.htm, p. 3.

¹³⁵ Espagne, F. (1996). Histoire, problèmes et projets de la coopération ouvrière de production en France. Retrieved from: www.scop.coop/p978_FR.htm, p. 29-40.

In 2010, the SCOP movement seems to be taking up this challenge. In addition to the focus on conversions to SCOPs, early in 2010 the CG-SCOP launched a new publicity campaign featuring a web site with accessible explanations and videos (“SCOP-tv”), a new logo, slogan and even a new name for the SCOPs. Along with the launch of the campaign, the SCOP movement officially changed the name to “**Société coopérative et participative**”. Their new logo is:



The new slogan “La démocratie nous réussit” means “Democracy works for us.” The CG-SCOP launched this campaign at the 2010 “Salon des Entrepreneurs” in Paris, and via the internet. They are also starting a new government relations campaign to provide new tools to encourage creation of SCOPs, including supports for workers wishing to buy out successful SMEs where the owner is retiring or otherwise leaving. Their web site is: www.les-scop.coop.

The term “social economy” was first used in France in the late 19th century. It is understood to mean SCOPs, other co-operatives, mutuals and associations with an economic purpose. There are various organizations, academics and government departments which analyze and promote the social economy, with a focus on co-operatives. At the outset, when social economy organizations started they included only co-operatives, gradually including other types of enterprise. In 1980, a Charter of the Social Economy was adopted. The Social Economy organizations then convinced the French Government to allocate resources to the growth of the social economy. The vast majority of the budget (e.g., 7.8 million francs, in 1982) was allocated by the Social Economy Delegation to the CG-SCOP for creation of SCOPs, since they were viewed as the best vehicle for saving and maintaining democratic jobs.¹³⁶

The SCOP movement is well connected with the broader co-operative movement, and the social economy generally. The CG-SCOP is also a key player in both the European Confederation of worker co-ops, known as CECOP and the international Federation, affiliated with the International Co-operative Alliance: CICOPA.

Beyond this, it seems that the SCOP movement is relatively independent. It has had an on-again, off-again relationship with the trade union movement, and has intersected with both communism and catholic social thought. Most of the movement’s partnerships seem to be strategic to enable it to grow and strengthen the SCOPs themselves.

¹³⁶ Sibille, H. (1982). Les coopératives ouvrières de production en France et dans la CEE, p 62.

g. Analysis

The worker co-operative movement in France has been squarely focused in certain professions and a strengthening of the co-operative businesses in these professions: construction, communication, and manufacturing. There has been steady growth in the worker co-op sector, fuelled by government supports, and worker co-op sector supports. The focus in recent years on worker co-operatives as a succession strategy for retiring owners has resulted in significant new growth which promises to continue. The new SCOP publicity campaign, focused through their new web site is targeted at three types of people: those who wish to create a new worker co-op; retiring owners who may want to sell their business to employees, and the employees who may want to buy an existing business. Considering the support systems that are available and the successful track record of the SCOP movement, rolling out a new publicity campaign has the potential to further grow the sector in France.

5) Conclusion: Success Factors in the Three Worker Co-op Movements

There are some elements that contributed to the success in the three regions studied, which cannot be replicated or not easily replicated. One example is the presence of tariffs in Spain at the time of the Mondragon co-ops' development. Another is Italy's federated structures which align with political parties – thus creating powerful solidarity within each federation, crossing co-operative sectors. Lastly, in France the well-accepted concept of the “social economy” in which the worker co-op movement plays a lead role has facilitated enabling public policy for the SCOPs. However, there are many elements which one finds in the three regions, or some of them, which can be replicated and which contribute significantly to a strong worker co-op sector.

First, a common element that one finds in each of Italy, Mondragon and France is capital accessible to worker co-ops: respectively the 3% funds in Italy, the Caja in Mondragon and SOCODEN and IDES in France. Whether these funds are available only to worker and social co-ops, or to all types of social enterprise, it's the worker and social co-op movements that make most use of them. These co-operative capital pools are used to address crises in co-operatives – through loans and in some cases grants, something which is rarely ever seen in Canada. They are an important key to success. There is more openness to non-member investments than one has typically seen in Canada; in at least both Italy and France, non-member investors can own a significant percentage of shares and votes. Relatedly, there are in many cases subsidies from the state and tax breaks available to worker co-ops under specific conditions in each of the regions.

Secondly, each of the regions provides supportive technical assistance to worker co-operatives in their start-up phase. In Italy, technical support is provided by the government-run regional economic development agencies, and in France and Mondragon by the worker co-op associations themselves.

Thirdly, all three places studied have a mandatory indivisible reserve in their legislation, in addition to the requirement to share the rest of the profits with the employees. Developed countries with comparatively small worker co-op sectors and which lack a mandatory indivisible reserve include: the US, Canada outside Quebec, Germany, Belgium, Ireland, the Netherlands and Japan. However, in Japan, it is expected that the first worker co-operative legislation will be enacted soon, and the national Federation advocates inclusion of an indivisible reserve.¹³⁷

The Commission of the European Communities states, “According to the co-operative principles, and the character of co-operatives as associations of people rather than capital, reserves should not be distributed to members on dissolution. In many cases the principle of “disinterested distribution” is adopted, whereby net reserves and assets should be distributed on dissolution to another organisation having similar aims. The countries with specific regulations governing the creation of reserves (and distribution of reserves on winding up) are generally those where co-operatives have a status that is most

¹³⁷ Kanno, M. (2003). The Development of Worker Cooperatives in Japan. The World Conference of CICOPA : Oslo, 5th September). Retrieved from: <http://jicr.roukyou.gr.jp/WorkerCoops0309.html>

different from that of other economic entities.”¹³⁸ Having the indivisible reserve approach is part of a pact with government – it is a leverage point to get more support from government.

Fourth, one finds significant federation and consortia structures which support, guide, direct, and help educate the worker co-operatives. Each of the regions studied has powerful federated associations, supported by member dues. They coordinate and ensure the availability of the integrated systems of support, including education, capital, technical help, support in times of crisis, etc. A striking factor is that they are organized along industry lines more frequently than along regional lines.

Fifth, there are significant concentrations by industry, which enable the industry sector groupings, facilitate industry specific expertise and enable economies of scale. In Italy, the areas of focus are: social services, catering, construction, food service, manufacturing, transportation, maintenance, and processing. In Mondragon, the sectors of concentration are: household appliances and furniture, leisure and sporting equipment, industrial components (automotive, domestic appliance components, and pipe fittings), and construction. In France, the primary sectors are: construction, communication and manufacturing.

Sixth, the sense of solidarity and inter-cooperation is very important. Italy has perhaps the strongest sense of solidarity, which crosses all co-operative sectors. This is manifested in mutual co-operative business support, and one result is the ability to present a common front to the government, helping to create the very favourable policy environment. Although they are in a sense plagued by division into three different federations in Italy, along political lines; within each federation there is a lot of integration which creates important dynamics.

Lastly, the fact that the worker co-op sectors in each of the three regions and countries studied have become so large enables them to be taken seriously: by the rest of the co-op movement, by governments, by the public. As Bruno Roelants put it in our interview with him, “Strength breeds strength.” In Spain, worker co-ops are the largest single part of the co-op sector; in Italy, worker co-ops make up about 50% of the entire co-op movement. Their very scale influences perception; the worker co-op movement is taken very seriously in each of Italy and Spain. In France, although the worker co-op sector is not as large, it is very successful, having survived economic downturns much better than other firms.

Beyond these common elements, one can see specific reasons for success in each of the regions. In France, the very effective system which has been developed to enable conversions of businesses with retiring owners to SCOPs is helping to quickly grow the worker co-operative sector there. In Mondragon, the focus on training and education has been a key tenet of the co-ops’ success, as has the relatively centralized approach to

¹³⁸ Consultation Paper: Co-operatives in Enterprise Europe, Commission of European Communities, 2001, p. 19.

organizing the movement. In Italy, the flexible network approach has clearly served the movement well.

Dr. David Ellerman, a founder of the ICA Group in Boston, expresses very eloquently why it is important to study regions such as Mondragon:

“(Mondragon) basically shows that there is an alternative way to organize the workplace and contribute to society. You always have dreamers and many ideas, and you do not know which one works. Here you have an example of one that works, and it is not just candies and sweets, it is technologically sophisticated products and that’s remarkable...and part of it is the way they have driven this whole regional development in the Mondragon region...and that is a model that other people in the world could learn from. ...

One reason Mondragon is so important is that it shows a real alternative, and they know the question of how to get from here to there...it can be done elsewhere.”¹³⁹

By studying the worker co-operative movements in Italy, Mondragon and France, we can be inspired, and we can find hope. It is inspiring to see the sheer size of the movements, the inter-connectedness of the co-operatives, support by governments, innovation, and resiliency in the face of economic crisis. It is also inspiring to know that their success is based in their values, of co-operation, solidarity and social responsibility. Our hope here in Canada is to find solidarity among the worker co-operatives themselves, and with the broader co-operative sector and governments to build a comparable system here -- to build a comparable movement of mutually supporting worker co-operatives.

¹³⁹ Mondragon Corporation Cooperativa as a Positive Force for Change at the Intersection of Business and Society. Richleycase, Bonnie. Western Reserve University. August, 2009 (Dissertation), p. 175.

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