

Mondragon, Humanity at Work

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"It has been said that cooperativism is an economic movement that uses the methods of education. This definition can also be modified to affirm that cooperativism is an educational movement that uses the methods of economics." - *José María Arizmendiarieta*

Introduction

Mondragon¹ is a corporation made up of 81 cooperatives located in the Basque Country (in the northern of the Spanish State). The Corporation also includes 104 noncooperative subsidiaries abroad that are wholly or partly owned by its member cooperatives and 23 superstructure and support organizations². It works in many different fields: industry, finance, distribution, agri-food, education, research, services, etc. In total, Mondragon employs approximately 70,500 people and has gross revenues of around 11,000 million euros per year.

The corporation's cooperatives are autonomous in that they are members of the Mondragon association of their own free will. The cooperative principle of free membership is applicable to them in that, after meeting certain requirements, they can join or leave the association, although the general understanding at Mondragon is that cooperatives have a greater present and future in solidarity.

Why Mondragon? Tracing its Beginning

The Mondragon Cooperative Experience began in 1941³, two years after the end of the Spanish Civil War, when the diocesan priest José María Arizmendiarieta arrived in the municipality of Arrasate/Mondragón. His view and practices reflected four central ideas: the dignity of the human person, solidarity, education, and work.

Arizmendiarieta used to say that the human being is more human through education than through birth and that the only patrimony and value that does not tend to devalue itself is that of skills acquisition, training, and formation.

For Arizmendiarieta, work was a positive expression of the human experience and a means of self-realization. Through work, the person develops his or her skills and, through that process, their full humanity. At the same time, Arizmendiarieta viewed work as the means to improve society: God made the world, but the world is not finished, people have to collaborate with God in the formation of the world, and work is the way to do this.

¹ <https://www.mondragon-corporation.com>

² Non-production units that provide services to the Corporation.

³ Based on:

Azurmendi, Joxe. *El hombre cooperativo: pensamiento de Arizmendiarieta*. Caja Laboral Euskadiko Kutxa, 1984.
Molina, Fernando. *Arizmendiarieta (1915-1976). Biografía*. Caja Laboral Euskadiko Kutxa, 2005.
Ormaetxea, José María. *Orígenes y claves del cooperativismo de Mondragón*. Caja Laboral Euskadiko Kutxa-Saiolan, 1997.

Arizmendiarieta viewed education and work as tools for improving society from the bottom up: change individuals in order to transform society.

Arrasate/Mondragón was socially damaged by the war: quarrels, revenge, and executions were not uncommon. Apart from a small elite, the society was poor and social class boundaries were clearly marked. A common saying in those days was "the engineer's son must be an engineer and the laborer's son a laborer"⁴. Arizmendiarieta was a practical man: "there is always one more step to be taken"⁵ without waiting for the solution to come from outside. He would act by mobilizing youth (initially in cultural, sports and social activities), bringing together the young whose parents had fought on contending sides during the war.

In 1943, due to the lack of opportunities for training that existed in Spain, he promoted the creation of a vocational level school open to all (Escuela Profesional), which was the antecedent of the present-day Mondragon University. There was already a vocational school in the town, but it was very limited in size and was only for the children of those who had been on the side that won the war.

Years of activism and education followed, including daily talks on social issues by Arizmendiarieta to the people in the vocational school. He also convinced several young people to study Engineering at the university (University of Zaragoza, located in the Northeast of Spain), which, due to lack of resources, they did remotely, while living and working in Arrasate/Mondragón and studying at the Escuela Profesional.

Arizmendiarieta continued to work on social development and Arrasate/Mondragón improved significantly: there were new educational opportunities and new cultural and sports activities. However, in the conventional companies where people worked, capital interests prevailed. Arizmendiarieta wanted to humanize companies, for which he undertook a program of awareness-raising. For years he

gave conferences in Arrasate/Mondragón and the surrounding municipalities, but none of the companies changed.

In 1956, frustrated by the intransigence of the local corporate leaders, he decided to create a new enterprise with five of the young men who had studied Engineering and who had spent years organizing activities and participating in dialogues with him. This new company, in which the owners were the workers at the same time, was called ULGOR, an acronym based on the surnames of the founders: Usatorre, Larrañaga, Gorroñogoitia, Ormaetxea, and Ortubai.

After they had formed ULGOR they continued to form new cooperatives to improve society. At Mondragon it is understood that there is a real and practical way to achieve this mission: the creation of quality work⁶.

What is Mondragon? Some Main Features⁷

Whereas most global cooperatives are formed by producers of a particular product, Mondragon's cooperatives are worker-owned. In the Mondragon cooperatives, what the members own in common is not a product, as they do in producer cooperatives, but their labor: that is, every member works in the cooperative. In turn, as will be explained later, the new member has to contribute an amount of money.

Until the economic slowdown brought on by the oil price shock of the 1970s, all the cooperative's workers were members. The crisis was intense and Mondragon concluded that it would have to relax this rule to continue its mission. Thus, since the early 1980s, cooperatives have employed temporary non-member workers. Today about 80% of the workers in the industrial cooperatives are members, while 20% are non-members with temporary contracts. The members are the owners of their cooperative; not the government, not the Mondragon Corporation or any other third party. The members alone own their cooperatives.

⁴ Molina, Fernando. Arizmendiarieta (1915-1976). Biografía. Caja Laboral-Euskadiko Kutxa, 2005. p.317.

⁵ Azurmendi, Joxe. *El hombre cooperativo: Pensamiento de Arizmendiarieta*. Caja Laboral Euskadiko Kutxa, 1984. p.575.

⁶ Mondragon's mission explains the following: "create wealth and transform the society through entrepreneurial development and job creation, preferably membership-jobs in co-operatives".

⁷ Based on: Altuna, Larraitz (coord.). *La experiencia cooperativa de Mondragon. Una síntesis general*. Lanki, 2008; and Ormaetxea, José María. Personal interview with José María Ormaetxea.

Since the 1980s, all Mondragon workers start with temporary contracts. Prior to the end of the contract, the cooperative decides whether or not to offer the possibility of membership to the worker. It decides according to both the suitability of the worker and the expectation of future work to be performed. If the candidate is not offered membership, the relationship ends when the contract expires. On the other hand, if membership is offered and the candidate accepts, they will have to invest an initial amount of money. In most of Mondragon's cooperatives that initial investment is €18,000, to be paid in over a period of time. The relationship between the initial amount of money, the terms of payment, and the remuneration to be received are set at levels calculated to make membership affordable.

Of the €18,000 initial investment, 20% (€3,600) is considered a non-recoverable investment in the cooperative. The remaining 80% (€14,400) is the individual member's money and is called initial capital.

When the cooperative's accounting year ends, a decision must be made about how to distribute the profits or losses. This decision is made in the General Assembly, which is the meeting of all the members. Normally, when profits are positive, 30% of the net profit is distributed among the workers. Workers with a temporary contract receive it in cash (bank account), while worker-members receive it as an addition to their individual capital account. That is, their capital grows. If there are losses, the General Assembly can decide to reduce the capital of the members to cover the losses. Therefore, the member's capital varies over time. It is capital that can be withdrawn only when the member stops working in the cooperative, which may occur for any of several reasons (retirement, voluntary resignation, death, or in rare cases, expulsion for very serious misconduct). The withdrawal of capital is subject to the conditions set by the Governing Council (a body chosen by the General Assembly from among its members) which are intended to ensure the financial strength of the company.

The General Assembly of the cooperative also decides whether to pay interest on the member's capital accounts, reflecting Arizmendiarieta's understanding that the capital in these accounts is a consequence of work done previously that also deserves to be paid.

Mondragon cooperatives can be characterized by the expression: member = worker = owner. In practice, that ownership is not interpreted to mean that the members have the right to do whatever they want with the cooperative. As has been said, the cooperative exists to provide opportunities for dignified work now and in the future.

General Assembly decisions are made based on a one member, one vote rule. The General Assembly meets at least once a year and decides on the company's most important issues. Routine operational issues are decided by managers, supervisors, and directors.

As indicated earlier, 30% of net profits is distributed among the cooperative's workers. Another 60% goes to the cooperative's reserves and, as required by law, 10% goes to the society at large (e.g., local cultural groups, sports associations, cooperative promotions, etc.). In worker cooperatives remuneration is according to the work provided. While Arizmendiarieta believed in principle that all members should receive the same pay, he recognized that some pay differences would be necessary to attract and motivate workers. Therefore, they adopted a 1:3 pay scale under which the top manager would receive 3 times more than the worker who contributed the least to the company. Today the difference is 1:6.

As members of the Mondragon Corporation, the individual cooperatives pool 15–40% of their gross profits at the division level before calculating their individual profits. (Mondragon's cooperatives are grouped into divisions according to their industry sectors). Through this mechanism, called "pooling of results", the cooperatives that have good earnings help those that do not. Once this rule has been applied, cooperatives with profits contribute around 14% of their remaining profit to the Corporation, which uses the funds thus generated

in two ways: roughly, half are channeled through an umbrella organization called Mondragon Investments that makes low-interest loans to finance investments in basically new products and services; while the other half is channeled through an umbrella organization called Mondragon Foundation, which makes donations to support non-profit cooperatives (e.g., technology centers and educational establishments), cooperatives facing short-term economic problems, and social endeavors of one sort or another.

Work in a cooperative typically requires some form of training or apprenticeship. This training may be provided on the job by the cooperative itself or at Otalora, the group's management training center. Training may also be provided prior to employment at Mondragon University, which is also a cooperative, the students of which are members⁸. At a still earlier age, students may attend the Arizmendi cooperative school, which is open to everyone⁹.

As early as 1943, Mondragon University (then called Escuela Profesional) was created with the possibility of alternating study and work. Classes are held in the morning or in the afternoon so that in

the other part of the day students can have practical work experience. Over the years, enrolments increased so much that the companies in the town of Arrasate/Mondragon and the surrounding area had difficulties in accommodating the students. For this reason, Arizmendiarieta created the industrial cooperative Alecop, of which the students would become school members. The internships meant being able to finance the studies, the immersion in the working environment, and also, with Alecop, the immersion in the cooperative experience.

Impact

The Basque Country region of northern Spain known as the Alto Deba, where the bulk of Mondragon's cooperative employment is concentrated, normally reports the lowest unemployment levels¹⁰, the highest investment in R&D¹¹, and the lowest levels of economic inequality¹².

Mondragon and the Future

The Corporation's strategy for the period 2025-2028¹³ was approved during the Congress of Mondragon cooperatives (in effect, the General

⁸ <https://www.mondragon.edu/en/international-mobility/mondragon-university-cooperative-university>

⁹ <http://www.arizmendi.eus/en/educational-project/>

¹⁰ Eustat. Tasas de actividad y paro y coeficiente de ocupación de la población de 16 a 64 años de la C.A. de Euskadi por comarcas (11 comarcas), sexo y edad (%). 2018. EUSTAT, 2019. https://www.eustat.eus/elementos/ele0004500/Tasas_de_actividad_y_paro_y_coeficiente_de_ocupacion_de_la_poblacion_de_16_a_64_anos_de_la_CA_de_Euskadi_por_comarcas_11_comarcas_sexo_y_edad_/tbl0004549_c.html

¹¹ EUSTAT. Porcentaje y coeficientes de variación de establecimientos de 10 y más empleados que realizan innovación (tecnológica y/o no tecnológica) de la C.A. de Euskadi, por Territorio Histórico, capitales y comarcas. 2006-2017. EUSTAT, 2019. https://www.eustat.eus/elementos/ele0006500/porcentaje-y-coeficientes-de-variacion-de-establecimientos-de-10-y-mas-empleados-que-realizan-innovacion-tecnologica-yo-no-tecnologica-de-la-ca-de-euskadi-por-territorio-historico-capitales-y-comarcas/tbl0006520_c.html
https://www.eustat.eus/elementos/ele0016400/en-2017-alto-deba-se-mantiene-como-la-comarca-lider-en-innovacion-en-la-ca/not0016428_c.html

¹² Gobierno Vasco. Comunidad Autónoma de Euskadi. Encuesta de pobreza y desigualdades sociales EPDS-2016. Gobierno Vasco, 2017. https://www.euskadi.eus/contenidos/documentacion/informe_epds_2016_2/es_epds2012/adjuntos/Informe%20EPDS%202016_es.pdf

DE LA RICA, S., GORJÓN, L., GONZALO, R., VEGA, A. Pobreza y desigualdad en Euskadi: el papel de la RGI. ISEAK, 2020. <https://solidaridadintergeneracional.es/files/biblioteca/documentos/550401.pdf>

EUSTAT. Renta personal media de la C. A. de Euskadi por ámbitos territoriales, según tipo de renta (euros). EUSTAT, 2016.

¹³ Política Socioempresarial 2025-2028 Mondragon document. July 2024.

Assembly of all Mondragon cooperatives), held on July 17, 2024. It states that Mondragon continues to see itself as a group of innovative and competitive companies, leaders in the sectors in which they operate. To this end, the challenges are: 1) Commitment and cooperative identity (to strengthen the cooperative culture and increase the pride of belonging through training); 2) Companies with a future (to develop activities with greater added value by entering new sectors and always integrating sustainability); 3) Openness and social impact (to be more open and grow by incorporating and collaborating with other entities and to have a greater presence and influence in society); 4) Collaboration (to build structures that facilitate greater internal collaboration, in addition to promoting collaboration with external actors). Mondragon well understands that the foundation for all of this is the technical and social training of its members.

The objective: keep creating work; keep creating wealth.

Ander Etxeberria-Otadui has been the head of Mondragon's cooperative outreach program for the last 8 years. Annually, he serves approximately 2,000 people who want to become acquainted with the Mondragon Cooperative Experience. He also lectures in universities and other fora around the world. Prior to assuming his current post, Etxeberria-Otadui worked as Personnel Manager for 11 years at the Ikerlan Technology Center, another cooperative of the Mondragon Corporation. Before that, he worked in a training position for 7 years at the Mondragon Corporate Center. He studied Technical Engineering at Mondragon University (Arrasate/Mondragón) and Sociology at Deusto University (Bilbao).
