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CAN A MONDRAGÓN WORK HERE?

ROBIN REEVES has just returned from the Basque country, where he accompanied a delegation from the Wales TUC on a tour of Mondragón, the 'town co-operative' which may offer a way in which Wales can combat the unemployment problem. Here he describes what he saw — and its relevance to us.

Mondragón ('Arrasate' in Euskara, the Basque language) lies deep in the mountains of the province of Guipúzcoa, in northern Spain. Only 25 years ago, it was an impoverished town about the same size as Blaenau Ffestiniog, Ystradgynlais or Aberdare — and with comparable problems. There were insufficient employment opportunities. Its young people were being forced to look elsewhere for work.

The local priest, Don José María Arizmendiarrieta, had, 13 years earlier, started a technical school in the town, and in 1956 he encouraged some of the ex-pupils, who were without jobs, to launch a workers' co-operative employing 22 people to make paraffin stoves. It was the start of a revolution which has not only transformed the town's economic, social and cultural life but, overall, created nearly 20,000 secure jobs, mostly in units of 3-400 workers in towns and villages throughout the Basque country.

Above the town, cut into a hillside as steep as any found in a Welsh valley, lies a complex of modern buildings to rival those of any large prosperous company. They include the headquarters of the co-operative's savings bank, Caja Laboral Popular, and its management services division, a computer centre for processing the accounts of all 82 co-operatives created so far, and a technological research centre for the development of new industrial products to ensure the co-operatives keep abreast, and even ahead of, their rivals in the private sector.

As in Wales, unemployment in the Basque country has risen very sharply in recent years and currently stands at 19 per cent. But the Mondragón co-operatives have gone from strength to strength. Not one Mondragón worker has lost his job. Outdated products have been abandoned, but the workers affected are never declared redundant. It is not allowed under the co-operative rules. The movement has organised itself with the resources and wherewithal to ensure the workers affected are retrained and redeployed to produce new, more sophisticated products.

In 25 years, there has been only one strike — over work measurement — and only one failure — a fishing co-operative which failed to follow the rules.

Armed with a Welsh Office and Welsh Development Agency study grant, a Wales TUC delegation last week visited Mondragón, to try to find out the secret of this remarkable success and discover if the same approach can be mobilised to alleviate the deepening jobs crisis in Wales.

Led by George Wright, the Wales TUC general secretary, and Les Paul, its vice-chairman, the trade union party included Viv Balmont, a Cardiff member of TASS, who recently lost his job; Gwyn Jenkins, an AUEW member from Aberystwyth, who is seeking to launch a co-operative, Aberystwyth Engineering, out of the ashes of a recent casualty in the town, Brockhouse Engineering; Jim Ryan, president of West Glamorgan's trade councils, and a former Port Talbot steelworker; Joyce Schutt, a TGWU shop steward and member of the Bargoed Blouse Co-operative; and Barry Scragg, chairman of UCATT's Shotton branch and a member of the Wales TUC general council.

All came away deeply impressed. In the words of Barry Scragg: "It was very enlightening. I believe the people of Wales can, and must recreate the success of Mondragón. If we are seriously concerned about Welsh unemployment and the problems it is creating for our communities, we have got to take on board the Mondragón message and start building up our own infrastructure."

But the conditions which led to Mondragón's spectacular growth were very special and, cannot be simply applied to present-day Wales.

In 1956, the Basque country was still recovering from the savage devastation of the Spanish civil war. The early co-operatives were started just at the right moment to catch the tide of rising post-war prosperity, which arrived in Spain later than the rest of Europe.

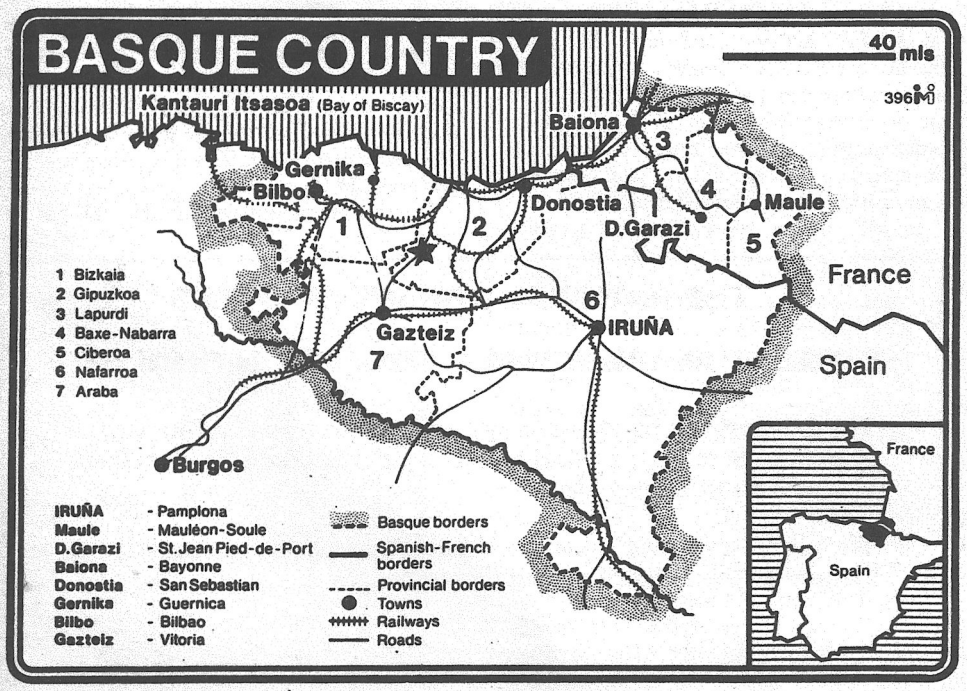
They were also helped by the highly protected character of the Spanish market under the Franco régime. Fagor, the washing machine co-operatives, for example, was able to expand rapidly to capture some 90 per cent of the Spanish washing machine market without having to battle against stiff competition from Italian and other foreign imports.

Last but not least, Mondragón has benefited immeasurably from the driving force and commitment of Basque nationalism. The main impetus and inspiration to develop the Mondragón's parish priest, Don José María Arizmendiarrieta. But the structure of workers' control which evolved also reflects the ideological debates which took place in ELA (Basque Workers' Solidarity), the trade union arm of the Basque National Party, in the 1920s and early 1930s.

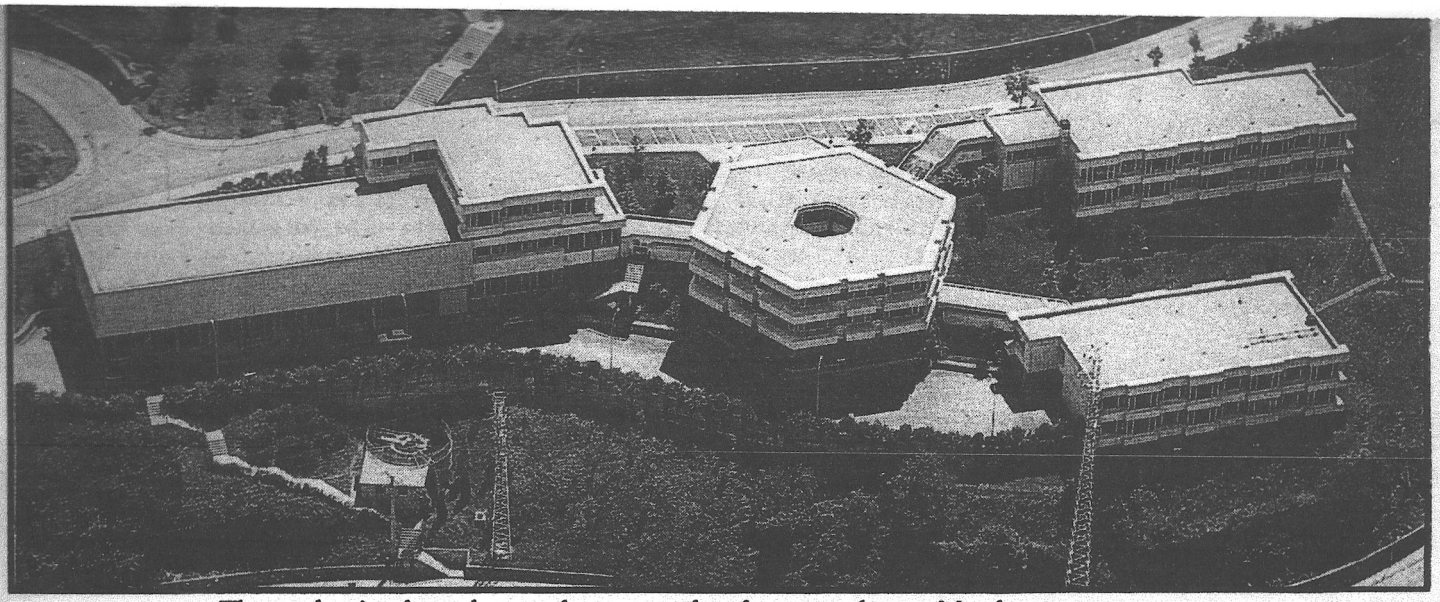
The Basque workers rejected both capitalism and communism as alien to and irreconcilable with, Basque culture and social traditions. They sought a form of economic organisation which, while achieving social and political advance for workers, would also maintain the tradition of communal obligation and commitment which had always been a feature of Basque society.

It could be said, therefore, that the intellectual foundations for the development of the Modragón co-operative movement were laid before the dark age of Franco's Fascism descended on the Basques in 1937; and that the development of the movement provided an outlet for Basque nationalist expression at a time when normal political activity was forbidden.

In spite of its origins, critics have sometimes argued that Mondragón is the antithesis of trade unionism. But the Wales TUC delegates satisfied themselves in talks with the co-operative members and local union representatives that there was still an important role for unions to play in ensuring the democratic structure worked effectively. Interestingly too, in discussions with Basque political party representatives, even the most



★ shows the position of Mondragón



The workers' industrial research centre, a key factor in advising Mondragón co-operatives.

extreme left-wing groups agreed the Mondragón co-operatives were an advance.

But establishing a comparable movement in Wales will not be easy. George Wright was not alone in the Wales TUC delegation in questioning whether the same degree of commitment would be forthcoming here.

The Welsh historic experience has been different. The Labour movement has generally equated socialism or social advance with nationalisation and the welfare state. The vast majority of Welsh workers may prefer life on the dole, waiting for something to turn up, rather than committing themselves out of their own pockets to the risks inherent in starting any new business.

Indeed, in many ways, Mondragón has succeeded where others have failed, simply by beating the market economy at its own game. The savings bank was created to free the co-operatives from dependence for credit upon the normal commercial banks, but has acquired a reputation for being as sharp as any in its market dealings and in the protection of the movement's interests. Where it differs is in putting the interests of the co-operative members first and in the very close relationship it has with the management and industrial research requirements of the co-operatives.

Strong links between banks and the research and development of new products in which to invest are not a common feature of the British financial system; neither is the Mondragón Bank's willingness to take a seven-year view of the profitability of a particular venture. British banks invariably take a maximum three- to five-year view.

Furthermore, because every Mondragón worker knows that the prime aim of any change is to maintain job security and living standards, the co-operatives have been able to react quickly and flexibly to changes in demand and to new technology.

The original enterprise, Ulgor, diversified away from paraffin stoves many years ago. These days, it manufactures washing machines, fridges, and an extensive range of kitchen equipment for hotels and other catering institutions.

It is now part of a group which includes four other co-ops manufacturing electronic components, timers and switches. The products of other enterprises range widely from machine tools and presses, automatic assembly equipment to consultant engineering services.

Meanwhile Ikerlan, the industrial research centre, is examining microcircuits, robotics, energy saving, monitoring the pace of technological change, and working out the responses the co-operatives need to make to adjust.

Chris Logan, of Logica management consultants, who with Denis George, the Wales TUC research officer, is behind the Wales TUC initiative, freely admits that Mondragón's methods of maintaining jobs and community living standards is no different from the logic of product diversification and managerial planning and practice in the private sector.

"But the attraction is the social aim of the Mondragón movement to maintain community living standards. This gives it a morale rather than a technocratic stance," he said.

Many Welsh communities would be in a far healthier economic position today had a Mondragón-style co-operative movement been created here half a century ago. Wales has produced any amount of wealth in its time, but so much that might have been invested in new job opportunities has been channelled elsewhere.

The Wales TUC delegation returned convinced that Mondragón offers important lessons for the future and a model for helping to tackle Welsh unemployment.

Its proposal for establishing a Wales Resource Centre and Investment Fund is seen as crucial. This would parallel the role played by the Mondragón savings bank and associated services. The feasibility study is not due to be completed until June, but in the meantime the Wales TUC will be approaching possible sources of finance, such as trade union pension funds and the Co-operative Bank, to look seriously at the idea.

Given positive backing from those directions and from others, such as the Manpower Services Commission, it could be that the response from Welsh grass roots will surprise even the most hardened sceptics. Certainly, everyone who visited Mondragón is a total convert. They will be spreading the message at meetings to be held all over Wales during the next few weeks.

RULES OF THE CO-OPERATIVES

The essential features of the Mondragón co-operative movement are:

1. *Only co-operative members can be shareholders in an enterprise. All decisions are democratically accountable through an assembly which elects a board of directors, which in turn appoints the management. In addition, there are elected works councils which deal with the management on a day-to-day basis and help formulate policy.*

2. *Each worker has to put in his own capital contribution. In the early years at Mondragón it was £2,000 each. Now the contribution is generally higher, though the bank offers prospective members a personal loan repayable from their earnings over five years.*

3. *The first claim on profits is the payment of interest on the member's capital contribution. Thereafter, around 20 per cent of remaining profits are distributed to reserves, 10 per cent to a fund for community projects (such as Basque-medium schools) and 70 per cent to members' capital accounts.*

4. *Profits are distributed according to a member's wage level, but the ratio between the highest and lowest paid cannot exceed 3:1. In practice the lowest paid worker earns 20 per cent more than his counterpart in the private sector, a middle manager about the same and a senior manager far less.*

5. *Profits committed to reserves go to finance new investment and the creation of new jobs. The movement is committed to an "open door" principle; that is, it is open to all whose services are appropriate. It aims to set up four new co-operatives each year.*

6. *Young workers are taken in for training for two years at Mondragón's own technical training school. During that time, they also work part-time at the students' industrial co-operative and 20 per cent of their wage is reserved for their capital stake in the co-operative they eventually join.*

7. *Redundancies are not allowed. When an enterprise ceases to operate profitably, the workers are retrained to produce new products.*