Work Changes within Mondragón

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Introduction

The Mondragón is a complex of worker cooperatives – primarily industrial in nature – located in the Basque region of Spain. It continues to be the largest federation of such cooperative corporations outside of the former Yugoslavia and China, and has, in many respects, been able to successfully compete with capitalist firms in a number of ways.

Due to the cooperative nature of these firms, the work relations are different than nearly any other capitalist company. Workers exercise not only ownership over the firms, but also a substantial level of governance over the firm’s macro-level decision making as well. In later decades, workers have taken on a greater role in work democracy for their day-to-day tasks. As members of the cooperative, they have an ownership share in the firm, and contribute to the governance of the firm directly on the job and through elected representatives of various councils.

Unlike some cooperatives where there is no delineation between management and worker¹, Mondragón firms typically have layers of management. Since there is a management structure, the Mondragón has not been immune from labor discontent and struggles. In the 1970s, workers and progressive managers spurred a number of workplace reforms. But, this was not able to stop a strike at the Ulgor firm, one of the largest producers of refrigerators in Spain (Johnson and Whyte 1977).

The problem I wish to address is how work has changed within the Mondragón complex, both in terms of the organization of the workplace for members and the structural relationship within firms, such as that amongst worker and manager. A large part of this is how have democratic channels and the nature of self-determined work changed in the complex. Have some firms had easier times with democratic reforms than others? Which firms have had greater successes

¹ See Rothschild-Whitt (1979) for more on cooperative alternatives to the rational-bureaucratic model, that eschews a separate management structure and hierarchy.
with work democracy and has this translated into greater success for these firms? How has recession and globalization affected how Mondragón operates? Has there been increasing worker discontent during the existence of Mondragón, or has it decreased since the 1970s? And how democratic has Mondragón as a whole been evaluated? In answer the above questions, along with a brief history of Mondragón’s evolution, I hope to understand in what ways work and democracy has changed.

In Moye (1993), four distinct periods in Mondragón history are noted: expansion (1956-59), programmed development (1970-84), adaptation to the market (1985-90), and sectoralization (1991-present). These strategic periods describe the various changes that Mondragón has gone through as a group of cooperative companies and also in terms of work.

The early period of Mondragón (expansion) involves the initial formation and design of the complex, an idea that is commonly attributed to a Catholic priest named Fr. José Maria Arizmendi. He laid out the first draft of the constitution and by-laws for the first cooperative. These documents have formed the basis for every cooperative since. It was at this time (and under the influence of Arizmendi) that low wage ratios and the direct deposit of member shares into accounts were established as norm to keep both a low management hierarchy and a large pool of capital for a cooperative. With the establishment of a credit union to help the funding of additional cooperatives, the Caja Laboral Popular, and a cooperative educational system to help in job training, Mondragón began creating institutions to fulfill important needs that neither the marketplace nor the state would provide to cooperative organizations.

The period of “programmed development” saw both a rapid increase in the number of Mondragón firms and also the onslaught of a Spanish recession. As noted above and will be noted below, this period also saw an increase in labor struggles within Mondragón, including a strike (including retributive firing afterward), in addition to external union organizing throughout Spain. These
efforts increased employment in Spain and the Basque region, and also led to much higher wage levels. Experiments and strategic changes in on-the-job work organization will be dealt with in the section titled “Workplace reorganization”. Bradley and Gelb (1986) write and analyze four responses typical of cooperatives in regards to recession, including 1) efficient adjustments by the more flexible wage labor, 2) cautious investments, 3) attempts to diversify, and 4) moral authority of a tight community and better information flows between members.

Adaptation to the market and sectoralization have both occurred in tandem with increased global integration (which is discussed in the section “Internationalization and globalization”) and corporatization following a multinational model whose essence is captured by the formation of the Mondragón Cooperative Corporation (MCC). Taylor (1994) remarks that by the late 1980s, the economic challenges faced by Mondragón were answered by “a more narrowly economic conception of efficiency” (p. 483). The preoccupation with “standard” capitalist concerns like “efficiency” continued to grow through out the 1990s.

Before looking at how work was reorganized in the 1970s, I would like to preface the discussion by looking at how workers have not behaved as theories have commonly predicted those in cooperatives to behave. Moye (1993) details four theoretical problems that besiege most cooperatives on a firm and societal level. First, theory suggests that members will restrict employment to increase the per member income. Second, it is thought that cooperative firms with collective capital funds will not offer sufficient incentives for its members to reinvest in the firm itself – and thus be driven to invest outside their firms. Third, new cooperatives will not have proper “external market discipline”. And fourth, there is allegedly a danger of a sale by cooperative members, since this is said to be the best way members can gain the full value of their investments. Moye concludes that, on all these accounts, Mondragón has overcome such issues by dealing with the related problems both directly and indirectly.
Workplace reorganization

The classic work done by William Whyte (1977, 1988, 1999) has shown the greatest detail and attention towards the specific changes in workplace organization itself. Cooperative governance – through the general assembly, governing councils, and social councils – were the only ways that members usually participated in decision making in Mondragón until the early 1970s. Although it was democratic in the sense that workers voted for representatives for these councils and assemblies, they could not vote directly for those who had the greatest immediate impact upon their lives: managers.  

As of that point, worker democracy was slowly and selectively extended to the workplace itself in certain Mondragón firms. Whyte and Whyte (1988) ascribe this change to progressive managers and the influx of information about worker democracy experiments in other places in Europe. Javier Mongelos, a new general manager at Fagor Electrotécnica, was originally a trained physicist who took Mondragón’s values to heart. He came to three main conclusions that helped spur change: 1) the personnel department should link economic and technical objectives to the social concerns of members, 2) growing discontent at work was the result of a fundamental conflict between worker democracy and Taylorist “scientific management”, and 3) new forms of work organization that are both economically efficient and “in harmony with the social values on which the cooperative movement [is] based” should be explored (p. 114).

Whyte and Whyte note that the Copreci firm was the first to attempt and had the greatest success in adapting production organization processes to benefit workplace democracy. The production technology it used was relatively easy to re-adapt and management was overall sympathetic to the changes Mongelos

2 Greenberg (1986) elaborates more cynically: “the general assembly meets only once a year… At this meeting, moreover, the agenda is largely controlled by management… Opportunities for participation are few and far between at Mondragón amounting, in the end, to little more than plebiscite-style elections once a year to approve or disapprove the current leadership team.” (pp. 103-108)
had devised. Copreci’s personnel department conducted a job satisfaction survey, from which they discovered “substantial dissatisfaction” with two specific work sections. The firm decided to target reorganization efforts at the section most easily changed. It formed a committee to study management changes to make, a committee that was made up of more than half by workers themselves. The committee “studied and discussed the productivity and quality problems in its operations, production requirements, and the relations among workers and between them and management” (p. 116).

From this committee, an experimental group formed that would try out the new scheme it had developed. A work table, where workers were seated around, replaced the standard conveyor belt where workers stood along. They set their own work rhythm and were able to exchange information and ideas about the work process itself. The workers rotated tasks and would switch what they were doing to pick up the slack when certain tasks needed more attention. This allowed the workers to learn all tasks and to manage their own labor requirements. Over time, they gained skill and confidence for the entire product, and began taking over supervisory and staff functions like requisitioning tools and materials and recording their own output. In effect, these Copreci workers began taking on the role of both worker and manager, as in many traditional cooperatives that lack a workplace hierarchy. Insofar as supervisors were retained, their responsibilities – especially previous disciplinary responsibilities – changed.

A review done over a decade later regarding the changes at Copreci found that workers could more easily visualize their own contributions to the product they made, workers and management concentrated efforts on total product (making themselves more flexible to consumer demands), and the “research and development” process was strengthened. Uniquely to Copreci, both workers and management spoke highly of the changes, and were glad to be relieved of the “terrible monotony” of assembly lines.
None of the following firms went as far as Copreci or were as successful in their work changes, but the successes and failures are both interesting and often noteworthy. A report from 1985 notes that ULARCO (a major component of the Mondragón complex) had 83 active workgroups from the early 1970s to the early 1980s. Whyte and Whyte (1988) conclude that new work changes had gone relatively dormant after this period.

Ederlan eliminated foreman positions as work groups took over supervisory responsibilities. The change did not last, and the firm reverted back to its original organization. Fagor Electrotécnica divided its large workforce into small work groups, and began rotating tasks, organizing their own work, doing quality control inspections, and requisitioning their own materials and tools. Ulgor attempted to change from an assembly line to smaller work groups, but there was a lack of physical space for this. In the end, “changes proved to be neither far-reaching nor enduring” (Whyte and Whyte 1988, p. 120). Lenniz’s re-organization was also a complete failure, with workers lacking the knowledge and skills to run newer machines without management coordination, which had been eliminated.

Arrasate started holding biweekly meetings to exchange information and plan its work. In doing so, workers began to take on greater responsibilities and eventually eliminated the position of quality inspector. Then, management switched the organization of production from function-based to product-based. In doing so, the workplace was greatly disrupted and the transition was very slow. While production languished, the recession in Arrasate’s main industry (machine tools) forced the cooperative to refocus on the old process.

In one unique case during this experimental period, a brand new factory was to be built, and it was designed with a work group organizational model in mind, not the traditional assembly line design. This plant was part of the firm called Vergara. In this plant there were no foreman, only a few people who were responsible for overseeing various work groups and helping out when problems
arise and getting necessary tools and materials. The plant’s organization continues to be wildly popular with its workers, but it hasn’t been a financial success yet. Whyte attributes this to the recession and the glut of Vergara’s main product, dishwashers, on the market.

Changes seemed to be most successful when there was a sympathetic existing management, an empowering and enfranchising process that allowed workers to have a say in changes to be made, and supportive external factors like a good economic situation for the product being made.

Internationalization and globalization

Gunn (2000) and others (Errasti, et al. 2003) argue that the increased international integration of the world economy (a.k.a. “globalization”) have adversely affected Mondragón, primarily in its ability to retain its unique and democratic features. “[T]he trend toward greater reliance on markets of the past two decades has made it more difficult for initiatives in workplace democracy to survive” (p. 448). He also notes that “the day-to-day objective of democratically-managed firms is the maximization of some combination of income per member and employment stability” (p. 451), factors which are beginning to disappear. For instance, some Mondragón firms have begun hiring non-member workers (cooperative equivalent of other companies hiring “temp workers”). Cultural pressure has arisen for greater individualism and hierarchy in place of the ideal of “socially-coordinated governance structures”. There has also been continual pressure within management for increased pay differentials.³ All of these factors have contributed to a greater gap in power amongst workers and managers in Mondragón.

Some potential “pros” of globalization – or “the marketization of employee participation” – are detailed by Cheney (2001/2002): a sense of realism about market pressures, a sense of greater customer and consumer responsiveness,

³ The original maximum pay differential was 1:3 (worker to management), but has since increased in some firms to as much as 1:10.
increased competitiveness in industry, a unity of objective and language for all employees, and an aesthetic of entrepreneurship at the individual and work team level. Cheney, however, does not describe all these changes positively, and further notes the following globalization “cons”: the [further] subordination of the member’s role as employee with an overriding emphasis on external and internal markets, undermining opportunities for greater cooperation in and outside of the organization, displacement of key social values of Mondragón (for the sake of “efficiency”), increased responsibility and stress without substantial self-determination for employees, and a neglect for the potential role that such larger firms can play in promoting social values and shaping the market itself. In short, Mondragón is facing similar, if not more extreme due to its originally progressive nature, threats to its traditional organization that standard capitalist firms are due to international integration and “globalization”.

Miller (2001/2002) comments that during a visit to Mondragón, he heard a lot of internal discussion about “responding to the market”, but little about “shaping the market”. Both approaches assume a standard capitalist interaction, while a change in workplace roles and organization is neither implicit nor necessary for either. As Johnson and Whyte (1977) remarked about labor unrest in the 1970s and Mondragón’s less than sympathetic response to it, Miller criticizes Mondragón for not fully supporting and working with labor unions for creating “alternatives to the unfettered free market” – although still honoring a General Strike in Spain during 1994. Moye (1993) cites an internal study of Mondragón that found nearly one-fourth of members interested in leaving the cooperatives if private firm positions of a comparable nature were available, and only two-thirds were confident they would stay. Although job satisfaction is still favorable compared to most capitalist firms, this is an especially high-level of dis-ease for Mondragón.

Other critiques of work and organization at Mondragón
Hacker and Elcorobairutia (1987) argue that although Mondragón does facilitate better conditions for women – mainly as surpluses returned back to the community in the form of health, education, and welfare – “women’s place in noncapitalist workplaces is as disadvantaged as in capitalist workplaces” (p. 373). They attribute much of this problem to the dual responsibility women have for home and children that “supposedly excludes them from equal roles in participatory workplace or community democracy” (p. 374). However, women usually earn higher wages in Basque cooperatives than in private firms, although not on par with the men in such firms. Women also played a major role in the Ulgor strike, and after the strike was broken, two-thirds of the members fired were women (Kasmir 1996).

Anarchists have lobbied similar criticisms as those noted above at Mondragón. While observing approvingly that the fundamental nature of a capitalist enterprise – the monopolization of capital and control by use of hired labor – is subverted, management is still not elected directly by managers.\(^4\) Additionally, Benello (1996) observes that most of Mondragón’s output is not designated for local consumption, it makes little effort to export its ideology outside of the complex to other firms, and is openly antagonistic (in fact, bans) unions. Even so, Benello argues that Mondragón is unique for its synthesis of both collective and individual interests, its very clear alternative to both capitalist and state-socialist modes of production, and for offering a strong model for both organization and decentralization (two highly-valued anarchist principles).

Conclusions

Mondragón has created a unique and valuable alternative to typical corporations by forming relatively autonomous cooperatives that are owned by the members who work in them and are run democratically by decisions made in elected councils. In the spirit of this cooperatism, the role of workplace democracy has been experimented with and implemented in varying ways with varying degrees

\(^4\) In fact, the mere existence of management hierarchy is, in this respect, problematic.
of success. Many have argued that although there have been great victories won in terms of cooperative ownership, governance and (less-so) in the workplace, Mondragón is losing its cooperative nature and becoming more like other multinational corporations. In one key respect – un-elected management – Mondragón has always been like such mainstream corporations. Through all these changes, it continues to be one of the most discussed, praised, criticized, debated, and studied cooperative projects in recent human history, and its importance continues to grow.

References


