

# This Import Might Preserve American Jobs

By: [Judith D. Schwartz](#)  [Print](#)

As the U.S. unemployment breaches the 10 percent [mark](#) — with manufacturing sector rates even higher — policymakers and industry representatives in the Midwest are seeking strategies to keep the Rust Belt from getting even rustier. In this war for economic survival, groups in cities like Cleveland, Detroit and Chicago, as well as the million-plus-members-strong United Steelworkers Union, have turned to a model borne of another war-torn region: the [Mondragón Corporation](#) in the Basque area of Spain.

The Mondragón Corporation (MCC) is a multilayered organization with worker-owned cooperatives and participatory governance at its core. The corporation is a group of cooperatives and cooperative members, a seat of governance as well as planning, researching and generating funding for new businesses — a kind of meta-cooperative.

The network is comprised of more than 250 distinct, independently run businesses across several industries; more than 100 are worker-owned cooperatives. Some 90,000 people work under the Mondragón umbrella. Taken together, MCC's companies are the seventh largest corporation in Spain and rank among Europe's leading providers of appliances and industrial equipment.

Mondragón has long been a mecca for Americans interested in worker cooperatives. This is in part for the [democratic values](#) — shared financial stake in business' success without the threat of outside ownership; one-worker, one-vote governance; and an ethos that values people over profit — but also because of its success. Last year, while Spain's economy languished, Mondragon Corp.'s income rose 6 percent, to 16.8 billion euros. During the 1980s, when Spain's unemployment hit 27 percent, Mondragón's hovered below 1 percent.

## Brownfield Development

In 1941, Catholic priest [Jose Maria Arizmendiarieta](#) found a Basque community — Arrasate, as Mondragón is known in Basque — where the striking mountain vistas and picturesque medieval architecture couldn't hide the ravages of the recently concluded [Spanish Civil War](#), rampant unemployment and a once-thriving manufacturing infrastructure in disrepair. Two years later he opened a polytechnic school. And in 1956, the first cooperative, a stove factory, was launched. A bank and credit union soon followed and new cooperatives sprung up in electronics, tools, bicycles and on.

At MCC, the resources of all the cooperatives are pooled in the corporation, which gives small and upstart companies financial ballast and economies of scale. A portion of each worker's earnings is retained as "the patronage dividend," which gathers interest; another portion goes to a collective account of the cooperative, as an investment in the business' future. Workers pay membership fees but receive a percentage of revenues, plus higher interest on their accounts when businesses show a profit. Worker-owners are guaranteed employment; should one enterprise fail — and the failure rate is extremely low — jobs will be found in another cooperative.

The bulk of profit is reinvested into the cooperative network: to an education fund, to research and development, to cover potential losses, etc.; a percentage is directed to regional cultural institutions, maintaining vibrant community life. In order to promote economic equality, there are only five pay scales; in a given firm, the highest-paid employee earns no more than eight times the salary of a beginning worker. (The average Fortune 500 CEO's compensation is more than 400 times what his employees make.)

While the very word Mondragón has evoked an "if only" longing for many co-op watchers, the model hasn't taken root in the United States, even if the broader idea of the cooperative has. Michael Peck, the North American delegate for the Mondragon Corp., noted, "There are over 29,000 cooperatives in the U.S., and 80 to 100 million Americans belong to

them." These range from small food purchasing co-ops to large credit unions, and account for \$3 billion a year in assets.

But new developments in the industrial Midwest may broaden this. In inner-city Cleveland, the Evergreen Cooperative Laundry opened late last month, the first in a projected consortium of three cooperatives run according to the Mondragón template. On Oct. 27, the United Steelworkers and MCC announced an agreement to [team up](#) in forming Mondragón-style manufacturing cooperatives in the U.S. and Canada. Civic leaders in Detroit have consulted with Mondragón representatives and in southwest Wisconsin, plans are underway for the Mondragón-inspired Driftless Foods Co-op, beginning with an agricultural processing plant.

Meanwhile, on Chicago's West Side, Austin Polytechnic Academy is into its third year of offering high school students a combined college-prep and technical training curriculum. In September, a group of Austin Polytech students traveled to Spain and spent four days in Mondragón.

"The school is training the next generation of manufacturing leaders," explained Dan Swinney, executive director of the [Center for Labor and Community Research](#), which helped develop the school. He said that the polytech, part of an effort to revive manufacturing in the now downtrodden Austin neighborhood, is "modeled in part on the Mondragón Polytechnic."

While Mondragón has a business presence in the U.S. — upwards of \$200 million a year in mostly industrial products — the Steelworkers agreement marks the first time the Spanish cooperative has joined forces with a North American group.

"The general idea is that, in light of today's economic problems, there's much interest in trying to figure out a way to create jobs that are sustainable and accountable to the workers," said Rob Witherell of the Steelworkers. "This is certainly a step in the right direction." He did not specify a timeline.

Mondragón's Peck said that the disconnect between Wall Street profits and Main Street layoffs has created a hunger for new business structures. "People are beginning to understand that workplace ownership is just as valuable as home ownership," he said.

The newly-opened Evergreen Cooperative Laundry, a state-of-the-art commercial laundry designed for [LEED Silver](#) certification, is the culmination of extensive preparation and research on the Mondragón model among several organizations: The Cleveland Foundation; the Democracy Collaborative; ShoreBank Enterprise and the [Ohio Employee Ownership Center](#) at Kent State University. Many business ideas were floated, among them a laundry that would serve the local health care community, which includes the Cleveland Clinic, University Hospitals, and the Veterans Administration Medical Center.

"The University Circle area has wealthy anchor institutions that are part of the history of the city's industrial past," said Jim Anderson, who will function as Evergreen Laundry's CEO and is program coordinator at the Ohio Employee Ownership Center. "The neighborhood that surrounds The Circle is poor and underserved, with an average household income of \$18,500. We asked: Is there a way to enhance community wealth by employing folks from the neighborhood in worker cooperatives and, at the same time, for them to provide a service to these institutions? Of the nearly \$3 billion spent on services and procurements, only about 10 to 15 percent is spent right here in northeast Ohio. We saw in this the opportunity for a for-profit enterprise. The anchor institutions are going to stay here, so why don't we get jobs that are anchored with them?"

Rather than thriving despite their surroundings, business leaders have an investment in helping the surrounding neighborhood thrive. "We needed to create businesses that would sustain themselves," Anderson says. "These had to be real jobs that would keep people working for the long term."

In fall 2008, a group of a dozen community leaders, professionals and leaders from several universities traveled to Mondragón, which generated yet more enthusiasm about the project, Anderson noted. Alas, this was when the financial system began to unravel. "When we got off the plane, we learned that the bank we were dealing with was sold to a bank in another state," he recalls. "But, still, we got up and kept this process moving — and got here. It's a model we're convinced is replicable, city to city."

Oliver Henkel, chief external affairs officer at the Cleveland Clinic, just returned from a follow-up trip to Mondragón.

"These neighborhoods are a base of employment for us, and we prefer to draw on services close by for environmental as well as economic reasons," he says. "While here in Cleveland we can't replicate this model down to the last detail, elements are particularly attractive. In Mondragón, I saw a workforce secure in their jobs working as teams with extraordinary results, plus the security that enhanced wealth creates."

Mondragón is not without its critics. The corporation has subsidiaries in more than 20 countries and so far, these do not have the same cooperative framework. Their retail company, [Eroski](#), has grown rapidly — it operates the largest Spanish-owned food chain — and has more employees than worker-owners. But the company is planning to offer membership to the 40,000 people who work for it.

And no business model can insulate workers from a global economic slide. But worker-members can choose how to confront it and, as has happened, vote to take a temporary pay cut of, say, 8 to 10 percent, to ride out a downturn rather than trim any staff. And, boosters say, the results speak for themselves.

Like many from the U.S. who travel to Mondragón, Susan Witt, executive director of the [E.F. Schumacher Society](#), was struck by the lack of economic disparity when she visited in 2007. "You could tell that no one was wealthy — but everyone was well off," said Witt. Beyond the sense of worker equity she observed, what makes her hopeful about bringing the Mondragón model stateside is the chance to build a resilient production sector. "A huge concern of mine is the loss of production in this country," she said. "The outsourcing of production skills makes us so vulnerable; the memory of production is disappearing. Mondragón shows that there's a dignity and potential in production. That's the lesson to bring here."

The Evergreen Cooperative Laundry is now humming, processing 1,000 to 2,000 pounds of laundry a day from three health care customers. Edward Cole is one of the six workers who run the machines. Cole, 59, learned of Evergreen while living and working at a homeless shelter and was assisted in the application process through Cleveland's [Towards Employment](#) program. "It's really great here. It's a good team," said Cole, a Vietnam combat vet who spent 10 years in prison for a crime he says he did not commit. He likes that he has been trained in the use, mechanics and maintenance of every machine.

"If I'm going to become an owner, I want to know what I'm owning." For Cole, the worker-owner model sends a powerful message that he is valued, plus that he can build personal wealth.

Said Evergreen CEO Anderson, "If we're right — and we've been conservative because we've felt obligated not to let this fail — the worker-owners will have in their patronage account \$60,000 in eight or nine years. That can help someone buy a home, send a child to college."

"My dream is to own part of this company," Cole said. "Now I have the dreams but don't have the nightmares," he says, referring to longstanding problems with PTSD. "This place is putting that dream in me. I can walk down the street and say, 'That's my company.'"

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