

Race Mathews

**EMPLOYEE
OWNERSHIP:
MONDRAGON'S
LESSONS FOR
AUSTRALIA**



**Australian
Fabians.**

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ABOUT THE AUSTRALIAN FABIAN SOCIETY

The Fabian tradition is one of achieving social progress through research and education. Edward Pease, Frank Podmore and Hubert Bland began it in London in 1884, and were joined shortly afterwards by Bernard Shaw and Sidney Webb. Generations of Fabians have placed its stamp on every facet of British and Australian Society. Arthur Calwell was always proud to call himself a Fabian. Gough Whitlam adopted the Fabian approach from the day he entered Parliament, and the 1972 Whitlam policy speech was a drawing together of the threads of twenty years of systematic Fabian planning and research. Other leading Fabians in Australia have included Bill Hayden, Jim Cairns and Frank Crean, and, in Britain, Hugh Gaitskell, Harold Wilson, Richard Crossman and Anthony Crosland. Australia had its first Fabian Society as early as 1891, and, the present Australian Fabian Society, with more than 1000 members, drawn from every State and Territory, is the largest Fabian body ever to exist outside Britain itself.

The Society has no policy beyond that implied in a general commitment to democratic socialism, and issues its publications as the opinions of their authors and not of the organisation. It does not admit members of parties other than the A.L.P. The aim is to promote education and discussion on policies designed to further the goals of democratic socialism. In carrying out this aim, the Society published books such as “Policies and Progress” and “Towards a New Australia”, pamphlets such as Whitlam’s “Labor and Constitution” and Hayden’s “The Implications of Democratic Socialism” and a periodical “Fabian Newsletter”. It also holds quarterly dinners, weekend conferences and public forums.

If you believe that reason, education and ideas should play a larger part in Australian politics, if you care about the quality of the society we live in and the direction it is taking and if you share the ethic of democratic socialism, the Australian Fabian Society would like to number you among its members.

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EMPLOYEE OWNERSHIP: MONDRAGON'S LESSONS FOR AUSTRALIA

"We have a great objective – the light on the hill – which we aim to reach by working for the betterment of mankind."

Ben Chifley

Introduction

The necessity for building employee ownership in Australia arises squarely from our chronic inability to maintain acceptable levels of economic performance. In addition, we are missing out on the higher standards of social and industrial harmony and personal well-being which more employee ownership would bring within our reach. Most of the causes of our current predicament have been addressed and overcome by employee ownership systems such as Spain's Mondragon group of worker co-operatives. The Mondragon experience proves conclusively that there is room between the public and private sectors of the economy for a completely new employee ownership sector, with advantages over both. The Accord and the current thinking of the Hawke Government, the A.C.T.U. and the Australian Manufacturing Council all indicate that the time is ripe for this great step forward to be taken. Australia should now take to heart the lessons which are waiting to be learned from Mondragon, in order to gain a more efficient and productive economy, a fairer society and a better way of life.

Slipping Back

In 1950, Australia was — in per capita Gross Domestic Product — the ninth wealthiest nation on earth. Today, fifteen nations are better off than ourselves, and we are slipping back further at an accelerating rate. Our per capita wealth is already lower than that of Scandinavia, France, Germany,

the United States, Canada and Japan, and we may soon fall behind Singapore and Taiwan. Nor has our decline occurred only in relative terms. Both real and relative poverty are on the increase, and the post-war dream of full employment has suffered an immense setback. The number of Australians who cannot afford homes of their own has climbed dramatically, and it may well be that much else of what has been taken for granted as an inalienable right by “the lucky country” will likewise come into question.

Table A

**GROSS DOMESTIC PRODUCT PER CAPITA: 1950 AND 1985
In 1980 Prices and Exchange Rates**

1950		1985	
Country	\$	Country	\$
Switzerland	7,685	Switzerland	16,646
Sweden	6,584	Sweden	16,192
U.S.A.	6,267	Norway	15,863
Denmark	5,648	Denmark	14,434
Luxembourg	5,369	West Germany	14,106
New Zealand ^(a)	5,100	Luxembourg	13,661
Iceland	5,097	Iceland	13,580
United Kingdom	5,020	France	12,550
Australia	4,985	U.S.A.	12,322
		Belgium	12,205
		Finland	12,038
		Netherlands	11,986
		Canada	11,648
		Austria	11,013
		Japan	10,615
		Australia	10,589

(a) Estimate

Source: O.E.C.D. Compiled by the statistics group of the Legislative Research Service of the Australian Parliament.

Current Predicament

The nature of Australia's current economic difficulties is plain. The overseas markets for our mineral and agricultural commodities have contracted, and there has been no corresponding increase in world demand for the products of our service and manufacturing industries. As a result, there is a widening gap between our overseas earnings and what is needed to cover our foreign borrowings and pay for the goods and services which we are failing to produce for ourselves. The reaction of the international financial community to these developments has been to reduce sharply the value of the Australian dollar, thus lifting even higher the cost of our imports and debts. At the same time, the lower value of our dollar should be bringing about a substitution of locally produced goods for imports and making our exports more attractive to buyers overseas, but this development — the long-predicted, eagerly-awaited "J-Curve" — has so far failed to happen. Instead, balance of payments adjustments have had to be achieved at the cost of a reduction in the rate of domestic growth, and a corresponding diminution in our capacity to bring down unemployment. Merely to stop unemployment increasing requires a 3% growth rate. Getting unemployment significantly under 600,000 requires the economy to grow annually by at least 4%.

The source of this unhappy state of affairs likewise is plain. The Accord and other Hawke Government economic policies have succeeded triumphantly at the macro-economic level, with 5% average annual growth over 1984 and 1985 leading to increases in employment respectively of 3% and 2.8%, and the creation overall of 669,400 new jobs by April, 1986. However, there has been no corresponding success in putting right the grave and chronic sickness of the economy's manufacturing and service sectors. This is exemplified dramatically by the fact that, whereas twenty years ago manufacturing contributed 28% of Australia's GDP and provided 26% of total employment, today the corresponding figures are 17% and 16.5% respectively. Pointers to much of what is wrong are implicit in the current debate about factors such as investment levels, labour productivity, work practices, research and development outlays, product design and delivery of after-sales service. According to a major survey on *Exploiting Opportunities in the Pacific Basin*, completed recently by McKinsey's for the Committee for the Economic Development of Australia, many of our companies are under-investing in the technical and management and support services which will be required in order for us to compete effectively for the Pacific Basin markets on which our future prosperity so largely depends. Our manufacturing industries, the report points out, have a productivity problem which results squarely

from “disinvestment that has been occurring over time”. There is a strong tendency, in the report’s view, “... to rely on others (especially government), to solve problems for management when there are means available to the companies themselves to relax constraints”. Far from management facing up of its own accord to the major obstacles which confront us, the report notes, it prefers instead to focus on factors of secondary significance. According to the report, two-thirds of the survey respondents named exchange rates as a major impediment, despite the fact that, over the preceding two years, the dollar had fallen on a trade-weighted basis by about 20%. In the view of the report, “This prompts us to ask ‘What relative exchange rate do companies need to be competitive?’ ” As the report records, labour costs and labour productivity were identified as major constraints on competitiveness by half the survey respondents. The reality, as the report points out, is that only five other countries currently do better than ourselves in manufacturing value added per manufacturing worker, and our labour costs are “comparable with other developed countries, including Japan”.

It is not that no room for improvement in labour productivity exists, but rather that neither side in the workplace has clean hands. Quite simply, Australia does not have a workplace environment which allows the most to be made of our resources, talents and opportunities. Nor are the owners and managers of our industries motivated adequately to act on the basis that — as was emphasised at the 1986 Canberra conference on Local Employment Initiatives — “Manufacturing has to make a shift from corporate strategies that emphasise offshore production towards new investment in Australia, local product development and technological development if it is to make a stronger contribution to national performance”.

Conflict

All of us are poorer for our adversarial approach to industrial, economic and social relations. As a society, we are all paying far more than we can afford for our acceptance of envy and greed as the driving forces of our way of life. The iron grip of adversarial thinking on all our action means that, individually and as groups, our gains are obtained — or seen to be obtained — at the expense of our workmates, neighbours and fellow Australians. As a result, the average Australian feels increasingly that he is being ripped-off, got at, and done down in the struggle for the good life, through processes which would be unthinkable if it were not for the selfishness and bloody-mindedness of everybody except himself. The old feel disadvantaged at the hands of the

young, as do investors and the self-employed at the hands of the trade union movement, individual trade unions at the hands of other trade unions, the governed at the hands of the government, the unemployed at the hands of the employed, women at the hands of men, and, in each case, vice-versa. There is a deep weariness in all sections of our community with conflict and division, along with a deep longing for new and better ways of living together and resolving our differences, which can be adopted in place of strife.

Ignorance

Again, all our efforts to implement rational and equitable economic policies are frustrated by the fact that most of us have neither the opportunity nor the incentive to gain an understanding of even the most elementary facts of economic life. Most of us have no hope of ever controlling the way our daily work is done, or the uses to which it is put. The profits or losses from our work are not our own, any more than those from our spending as consumers, our rent as tenants or the real earnings of our savings. There is little incentive for us to put extra effort and understanding or inventiveness into work or any of our other economic functions, because, overwhelmingly, the benefit will be creamed off for the benefit of others, who already are better off by far than ourselves. Any economic consequences of our attitudes and actions can be left to the government or the boss, along with all the other economic decisions we are never allowed to handle for ourselves. There is a deep need for new arrangements which enable us for the first time to seize control of our lives as workers, consumers, tenants and investors, and participate more effectively in the making of economic decisions with a clear understanding of their wider consequences. There is a deep need for more Australians to become economically well-informed, and willing, where necessary, to put before their private interests those of a wider community. We must not allow ourselves to be fobbed off with half-measures such as profit-sharing, when what the nation's predicament demands as well is a fair sharing of responsibility and power.

Employee Ownership

Employee ownership can contribute powerfully to overcoming these problems. Where labour hires capital, instead of capital labour, there is a precious opportunity to set about repairing the rifts which currently disfigure and cripple our community. The example of Mondragon and other worker

co-operatives elsewhere in Europe opens for us a way to extend the power and responsibility of economic decision-making much more widely among Australians who currently are excluded or alienated from it. Higher rates of employment, greater economic growth and greater equity in the distribution of the rewards of economic growth are within our reach, if there is the wit and will for us to avail ourselves of them.

The Accord

Australia is better positioned than most comparable countries to take advantage of the worker co-operative example, and so avert the grim prospect which some say will find us becoming “the poor white trash of Asia”. The Hawke Government’s Accord already has demonstrated, at the macro-economic level, that major interest groups within Australian society have a far greater capacity for working together than previously has been acknowledged or suspected. Contrary to the ritual denunciations and confrontationist posturing of fringe conservatives, the “New Right” and the H.R. Nicholls Society, we are now one of a select handful of nations where it has been demonstrated triumphantly and conclusively that an incomes policy can work, and that the community as a whole benefits enormously where such a policy is put in place. The Accord has given Australia among the highest levels of wage stability and the lowest of industrial disputation in our post-war history.

It is beyond doubt or denial that Australia’s recovery in economic activity following the election of the Hawke Government could not have been so far-reaching if it had not been for the existence of the Accord and its triumphant success in achieving these two key goals. Nor can it be doubted or denied that the gains from economic recovery have been spread far more evenly than would have been the case without the Accord. While important interest groups such as small business and the rural community have still to be drawn effectively within the Accord, an overwhelming majority of Australians recognise increasingly that, in macro-economic terms, the nation has been brought together more closely perhaps than ever before in its history. There is a dawning hope that, just as the Accord already has provided historically low levels of industrial disputation and high levels of wage stability, so the A.C.T.U. superannuation project will point the way to higher levels of equity and social justice within Australian society. It remains for us to determine how comparable levels of harmony, productivity and economic growth can be achieved within individual enterprises, along lines which make possible

a total turnabout in our current indefensible lack of export competitiveness, our excessive appetite for imported products and our consequent disastrously adverse balance of payments.

Mondragon

It is at this point that Mondragon and the wider worker co-operative movement of which it is representative became relevant. Mondragon is a small town in the Basque region of Spain. The events which have brought it world-wide attention began thirty years ago. In 1956, a handful of local people decided to break out from the poverty which had dominated their lives since the Spanish Civil War. A co-operative was started, using hand tools and sheet metal to manufacture paraffin-fired domestic heating and cooking stoves.

Today, Mondragon is the centre of a group of 94 industrial co-operatives.* The group's products include ocean-going ships, heavy earth-moving machinery, Computers, ultra-sophisticated machine tools, furniture, white goods such as refrigerators and washing machines, and a wide range of other consumer durables. The industrial co-operatives have their need for specialised services met through the creation of secondary or support co-operatives. These include Mondragon's bank — the Caja Laboral Popular — the Ikerlan research and development organisation, the Lagun-Aro health care and social security agency, forty-four Basque language primary and secondary schools which are all co-operatives in their own right, and the Hezibide Elkartea or League of Education and Culture, which specialises in advanced technical studies and training. There are also more than fifty Eroski supermarkets which are run co-operatively by their workers and customers, eight agricultural co-operatives and seventeen housing co-operatives. All told, membership of the Mondragon Co-operatives is in excess of twenty thousand. The co-operatives all have in common the fact that they have entered into Contracts of Association with the Caja Laboral Popular and within the group there are further associations of co-operatives based on their locations and the nature of their activities.

* Mondragon's commercial representative is Mr. Clifton Morris, 7/15 Howard St., Randwick, N.S.W. 2031, telephone (02) 399 7069.

Table B**EMPLOYMENT IN INDUSTRIAL CO-OPERATIVES**

Sector	Jobs in 1985	Distribution	Jobs in 1984	Variation 85/84(Jobs)
Investment Goods	5,051	29.4%	5,069	-18
Intermediate Goods	6,057	35.3%	5,897	+160
Consumption Goods	4,209	24.5%	4,262	-53
Trade and Services	1,859	10.8%	1,715	+144
TOTAL	17,176	100%	16,943	+233

Source: 1985 Annual Report, Caja Laboral Popular.

In 1985, the sales of the Mondragon industrial co-operatives totalled \$A1364 million, while the Eroski supermarkets turned over \$A290 million. The equity of the co-operatives in the Mondragon bank increased to \$A139 million, a percentage increase of 20.28% on the previous year, while the banks deposits increased by 22.9% to \$A1422 million.

Table C**TOTAL SALES OF INDUSTRIAL CO-OPERATIVES**

'000,000 pesetas

Sector	1985 Exportations	Distribution	1984 Exportations	Variation 85/84
Investment Goods	35,812	24.4%	30,762	+16.4%
Intermediate Goods	37,629	26.7%	31,178	+20.7%
Consumption Goods	35,945	25.5%	31,861	+12.8%
Trade and Services	31,602	22.4%	27,416	+15.3%
TOTAL	140,988	100%	12,217	+16.3%

Source: 1985 Annual Report, Caja Laboral Popular.

Table D

EXPORTS OF INDUSTRIAL CO-OPERATIVES

'000,000 pesetas

Sector	1985 Exportations	Distribution	1984 Exportations	Variation 85/84
Investment Goods	9,521	28.9%	7,922	+20.2%
Goods Intermediate	15,096	45.9%	12,077	+25.0%
Consumption Goods	8,303	25.2%	7,857	+5.7%
TOTAL	32,920	100%	27,856	+18.2%

Source: 1985 Annual Report, Caja Laboral Popular.

All Mondragon's workers are automatically members and co-owners of the co-operatives where they have their jobs. The policies of the co-operatives are determined democratically, on a one member / one vote / one value basis. The profits or losses of the co-operatives likewise are equally shared. Mondragon has been able to continue expanding existing co-operatives and establishing new ones despite the fact that Spain's economy is among those hardest hit by the current world recession. No workers have been made redundant, and the group's affairs have been adjusted successfully to the point where 33% of its earnings now come from exports to markets overseas. The co-operatives have less absenteeism than comparable nearby private sector enterprises, and their productivity is far higher. In 1985, a 7% productivity increase was achieved.

Arizmendi

In the extremity of Mondragon's post-Civil War deprivation and despair, an innovative social thinker of the stature of a Marx or an Adam Smith was found. Father Jose Maria Arizmendiarieta — usually referred to as Arizmendi — narrowly escaped being shot during the Civil War by Franco's fascists. In 1941, he took up work as a priest at Mondragon, with duties which included teaching in the school for apprentices associated with the town's largest industry, the Union Cerrajera. It was clear to Arizmendi that Mondragon's main problems were unemployment and lack of industrial training. When the company refused his request for an improvement in the educational opportunities open to its workforce, he obtained the backing of

the townspeople for a technical school of their own, which opened in 1943. This led in 1948 to the establishment of the League of Education and Culture, as a co-operative association of teachers, students, parents and townspeople which further developed the initial training school into the Mondragon Polytechnical Institute.

The graduates of Arizmendi's school soon found that there was little scope locally for the application of his industrial and social teachings. A need was recognised for something different from business undertakings in their conventional form. Arizmendi responded with a further application of the co-operative approach. The social doctrines of the Church were drawn on in developing solutions to the problems of worker co-operative organisations which had eluded Robert Owen, the Rochdale Pioneers and most of their successors, and a model emerged which made sense to the Mondragon community. The first of the new co-operatives was established in 1956 as ULGOR — an acronym for the names of the five former students from Arizmendi's original technical school group who were its founder members.

When, three years later, the rate at which further co-operatives were being established finally outstripped the capital available to them, Arizmendi argued successfully for the co-operatives to have a bank of their own, and the Caja Laboral Popular was born. This resulted in an explosive period of growth in the size, scope and number of Mondragon co-operatives with thirty-nine additional co-operatives starting up in the ten years from 1960 to 1970. Arizmendi remained, until his death in 1977, Mondragon's parish priest, refining and further developing what has become incomparably the world's most advanced and successful theory of co-operative interaction and organisation. This work embodied throughout Arizmendi's belief that "Between the past where we find our memories, and the future, with all our hopes, we find a present full of obligations". It was his consistent concern that the co-operatives should be involved constantly in processes of reconstitution, renovation, renewal and expansion.

The politics of Mondragon people are more richly diverse than these Catholic origins might suggest. Those who looked after me in 1985 included, in addition to Christian Democrats, a right-wing Basque Nationalist former Regional Assembly Member and Minister, together with a left-wing socialist who had hopes of going to defend the Sandanista revolution in Nicaragua. The shared heritage of Arizmendi's philosophy enables otherwise diametrically opposed points of view to co-exist, while those who hold them go on working harmoniously with one another for the common good.

Ownership

Ownership rights in the Mondragon co-operatives are no abstraction. The system has been designed to produce the greatest possible sense of identification between the member and the enterprise where he or she is engaged. This is achieved initially by requiring members to take out a personal stake in their base co-operative. There is an entry fee which currently stands at about \$A10,000. Payment can be met on the basis of a 25% initial contribution, followed by regular pay-packet deductions. The members concurrently have allocated to them a personal capital account, which they can draw down when they withdraw or retire from the co-operative. Credits allocated to the capital accounts of co-operative members total 40% of the co-operative's surplus. A further 50% goes to the co-operative's permanent reserves, while Spanish law requires 10% to be set aside for social and educational projects. This represents a recent change from 70% for individual capital accounts, 20% for reserves and 10% for social purposes, reflecting the Group's need for additional capital to further upgrade and re-structure its operations and technology.

Capital accounts also accrue interest at an agreed rate, and have available to them three-quarters of the fees paid by members upon joining the co-operative. In 1980, some co-operative members were drawing in excess of \$A40,000 from their capital accounts when the time came for them to retire.

Table E

INDUSTRIAL CO-OPERATIVES

'000,000 pesetas

Sector	1985 Investments	Distribution	1984 Investments	Variation
Investment Goods	1,306	17.4%	1,171	+11.5%
Intermediate Goods	3,086	41.2%	2,607	+18.4%
Consumption Goods	1,579	21.1%	1,908	-17.2%
Trade and Services	1,519	20.3%	1,069	+42.1%
TOTAL	7,490	100%	6,755	+10.9%

Source: 1985 Annual Report, Caja Laboral Popular.

Democratic Control

Whereas the credits held by co-operative members in their capital accounts differ according to factors such as their length of service, voting rights are equal for all. This gives practical expression to the fundamental worker co-operative principle that the rights of members flow from the labour they contribute, and are unrelated to capital. The members' say in the affairs of their co-operative is exercised through their membership of the co-operative's General Assembly. The General Assembly elects a Board of Directors for the co-operative, which in turn appoints a president, a chief executive officer and departmental heads. In addition, the General Assembly elects a Watchdog Council to monitor financial information and exercise an internal audit function, while a Social Council with responsibility for industrial issues such as wage rates and industrial health and safety is made up from representatives elected directly within shop-floor groups of twenty to thirty members. A further Management Council, made up of the president and heads of departments, exercises a liaison function between the Board of Directors and Management. Members of secondary support co-operatives such as the Caja Laboral Popular or Lagun-Aro share their General Assemblies with representatives of the industrial co-operatives members, and likewise have capital accounts which are credited annually with amounts calculated from the nett average surpluses of the industrial co-operatives.

Incomes

In place of wages which traditional firms pay their employees, members of the Mondragon co-operatives receive regular monthly advances — referred to as “anticipos” — against their shares of the distributable net annual surplus which each co-operative expects to earn. Two further advances required by Spanish custom are made available for Christmas and the summer holiday period. The level of share which each member's advance represents is determined by a labour value rating which the Social Council of the co-operative assigns to his job. This involves the Council in assessing factors such as the measure of decision-making responsibility which the job requires, its experience, and skill or training levels; and for occupational health and safety aspects, such as exposure to danger or noise. A manual incorporating ratings for all the co-operative's jobs, from bottom to top, is issued publicly by the Council.

In some circumstances, members of co-operatives are paid bonuses. This can boost the annual value of the advance by up to half. Overall, however, incomes are kept as equal as possible. The highest advances paid to members

as a rule do not exceed the lowest by more than three to one. Differences in income where bonuses are included likewise do not exceed four and-a-half to one. There is a further limitation. The “principle of external solidarity” which the co-operatives follow requires that the lowest advances paid to their members cannot exceed by more than a narrow margin the wages paid for comparable work by nearby private sector enterprises. Characteristically, the only point where the standard income differential limits have been rejected is the Mondragon hospital co-operative. The hospital’s doctors insist that they must be recompensed for the time and money invested in their training.

Where, instead of a co-operative generating surpluses, it earns less than the value of the advances already paid to its members, or otherwise incurs a loss, the members can be required to re-invest the extra Christmas or summer holiday advances which they otherwise would have taken in cash. Alternatively, they can forego the interest which otherwise would have been paid on their capital accounts. In extreme cases, the value of capital accounts can be written down or even written off. On the other hand, members enjoy near-total job security. Where the workers in an enterprise are also its owners, they by definition cannot make one another redundant. No alternative exists but to all swim or sink together. Up until the current recession, the incomes which Mondragon co-operative members received tended to be a little higher than those of their private sector counterparts. Now they are a little lower, but, whereas the co-operative members have kept their jobs, in the private sector unemployment is endemic and widespread. At the end of 1984 the Basque Region as a whole had a 22% unemployment level.

Only once in Mondragon’s history has a co-operative ever failed. In 1965, Copesca was established as a secondary support co-operative in order to make available fishing boats to 24 fishing co-operatives. Copesca’s capital structure was a departure from the usual Mondragon rules and practices, in that 71% of its funds were provided by the Spanish government in the name of job creation, as against 24% from the Caja Laboral Popular and only 5% from the fishermen themselves. Rather than pay off the capital debt, the fishermen chose instead to increase their incomes. When further capital was required to keep the co-operative afloat, they refused to supply it. Copesca’s doors were closed for the last time in 1973. Its eight year history is an object lesson in the wisdom of Mondragon’s insistence that adequate capital stakes should be shouldered by both co-operatives and their members.

Similarly, only one Mondragon co-operative has ever experienced a strike. Trade unions were outlawed in Franco’s Spain. This negation of workers’ rights was unacceptable to Arizmendi and his associates. The

Mondragon co-operatives accordingly built into their Social Councils the trade union function of enabling members to monitor, question and, where necessary, oppose the policies and actions of management. A breakdown in these internal communications at the ULGOR co-operative in 1974 resulted in 414 of the co-operative's 3,250 members downing tools for an eight-day period. The Mondragon co-operatives now believe that the chances of disputes-resolving mechanisms and internal communications breaking down can best be minimised where enterprises are limited to no more than four hundred members. Silicon chip technology allows co-operatives to be kept small, without productivity or efficiency being impaired. The re-emergence of free trade unions in Spain following Franco's death means that an integration of union activity into the Mondragon co-operative system can now take place.

Social Security

Being co-owners of the enterprises where their jobs are situated instead of being employees makes the members of the Mondragon co-operatives ineligible for benefits from Spain's social security system. In its place, the co-operatives have created a social security system of their own. Benefits are disbursed through a secondary support co-operative called Lagun-Aro. The basic pension payable at 65 years of age is calculated as 36% of the average annual advances received by the pensioner over the last ten years of his working life. This is increased by a further 1.2% for each additional year of membership, so that where 30 years have been served a 60% pension is payable. The entitlement remains the same irrespective of the lump sum the retiring member recoups from his capital account.

Lagun-Aro also operates programs for occupational health and safety, preventative medicine, hospitalisation, sickness benefits and disability compensation. These arrangements are funded from a levy on each member of its affiliate or base co-operatives. In 1985, Lagun-Aro provided social security for 140 base co-operatives totalling 18,389 members. All told, 48,277 people were covered by Lagun-Aro programs in 1985, while the previous year 31,302 medical checkups were administered. The levy and the programs are reviewed publicly each year, so that the costs can be understood and contained directly by the contributors. Abuses of the system such as absenteeism or unwarranted sick leave are resented and resisted by the members of the co-operatives as a burden which they see falling finally on themselves in their capacity as Lagun-Aro contributors. Their

attitude gives rise to stringent self-imposed safeguards. For example, sick pay does not begin until the beneficiary has been away from work for three full days. Further reductions in absenteeism achieved during 1984 reflect triumphantly the enduring Arizmendi legacy of solidarity, fair play and commonsense.

Bank

Three further secondary support co-operatives play crucial roles in the well-being of the Mondragon group. These are Mondragon's bank — the Caja Laboral Popular, the Ikerlan research and development agency, and the Hezibide Elkartea education and training agency or League of Education and Culture.

One key reason for Mondragon's triumphant success is the fact that the group has all its capital needs met internally. This immediately sets apart the Mondragon Co-operatives from those in other countries, where capital must be raised from banks and other conventional lenders, which are not necessarily sympathetic to the co-operative ideal. The group's self-sufficiency is owed overwhelmingly to the Caja Laboral Popular.

The Caja Laboral Popular began business in 1959 in one room. Today a network of 153 Caja Laboral Popular branches extends throughout the four provinces of the Basque region, while on the hillside overlooking Mondragon there is a superb modern headquarters building, decorated throughout with magnificent works of Basque arts. A commentary on the 1984 Caja Laboral Popular Report prepared independently by a leading Australian accountant notes that "... this is a large institution by any standards, with total assets of approximately \$A1.3 billion generally speaking, the accounts appear to be those of a conservatively managed and soundly based bank".

The present position of strength has not been reached without difficulty. Ironically, there were problems arising from the fact that the Caja Laboral Popular had its inception in a climate of prosperity without precedent in Spain's history. As the 1984 Report points out, the times were such that companies could use all the labour which was available to them, and funds were available from conventional lenders at interest's rates which today would be seen as unthinkable low. It was far from clear how an unknown, untried newcomer could hope to compete successfully for deposits, or carve out for itself a place in the sun. Terms as good as those of other savings banks had to be offered, and the scope for lending to co-operatives was limited by the requirement of Spain's banking laws that 10% of all deposits

should be reserved for offer as personal loans and 21% for investment in nominated securities.

Even so, growth was rapid and sustained. Public support rallied behind the Caja Laboral Popular commitment to job generation and the co-operative ideal, with the effect that by 1972 the co-operatives had available to them all the capital they could use, at a level of interest up to 5% under normal commercial rates. The Caja Laboral Popular was able to ride out triumphantly the oil price shocks of the middle 'seventies and the consequent worldwide economic downturn, in circumstances where Spain has been hit far harder than most other countries. It is unlikely that the industrial co-operatives would have been able to survive, prosper and multiply so successfully without its services, which likewise constitute a guarantee of the Group's future well-being.

Empresarial Division

The importance of the Caja Laboral Popular for the Mondragon co-operatives has not been limited to its role as their source of capital. Up until recently, the Caja Laboral Popular also provided the co-operatives with managerial and business assistance in areas such as bringing on stream new products, opening up new markets, carrying through major conversions of technology or equipment and reorganising their corporate structures. Planning the launch of new co-operatives and supervising and nurturing the early stages of their operations likewise was a Caja Laboral Popular function. The work was done within the Empresarial Division of the Caja Laboral Popular, which currently is hiving off to form a separate secondary support co-operative in its own right. The Division has a close relationship with the regional and industrial Associations of Co-operatives, and listens carefully to their advice.

A group of workers who are interested in establishing a new co-operative must first find a product or service for which there is a market, along with a prospective manager. This puts them in a position where an initial approach can be made to the Empresarial Division of the Caja Laboral Popular. If the Division believes that the proposal is sound, it assigns an adviser — sometimes known as the godfather — to the group. The group in its turn registers as a co-operative and accepts a loan to cover a salary for the manager while pre-feasibility and feasibility studies are being conducted. This usually lasts between eighteen months and two years. In the course of the studies, the group's preferred product may be discarded in favour of an alternative

drawn from the ideas bank which the Division maintains from its own market research. Attention then focuses on factors such as factory design, production processes, marketing strategies and export opportunities. The completed study is presented to the Operations Committee of the Banking Division of the Caja Laboral Popular, which determines whether or not the venture should be given the green light. Where a co-operative proceeds, the Empresarial Division godfather usually goes on working with its manager until the break-even point is reached. The role of the Division has been summarised aptly as “institutionalising entrepreneurship”.

A further handsome building is taking shape on the Mondragon hillside, where the 106 members of the Empresarial Division in its newly-independent form will be housed. Simultaneously, an important “opening to the outside” is being implemented by the Mondragon Group, with the services of the Empresarial Division being offered to small and medium-sized private sector businesses throughout the Basque Region for the first time. The Empresarial Division also evaluates the proposals for conversion of private sector businesses into co-operatives which are being brought before the Group with increasing frequency as a result of the expected world economic recovery having failed to arrive. The issue is not simply one of economics. It depends overwhelmingly on whether workers and middle management are likely to succeed in casting-off the adversarial habits of a lifetime, and instead work together along co-operative lines. So far, all but a handful of conversion applications have had to be turned down.

Ikerlan

A third building on the Mondragon hillside is occupied by the Ikerlan research and development agency. Ikerlan reflects the high priority which the Mondragon co-operatives have always attached to keeping abreast of modern technology. This pattern, like so much else about Mondragon, was laid down by Arizmendi through his initial choice of technical education as the means of getting change underway, and his insistence throughout that by mastering technology it would be possible to bring about higher forms of human and social development. Arizmendi’s advice led to research and development being pursued vigorously from the start by individual co-operatives and the Mondragon polytechnical college, but this allowed insufficient scope for inter-disciplinary problem-solving and cross-fertilisation within the technical and scientific workforce as a whole. Ikerlan was hived-off from the polytechnical college in 1977 as a separate secondary support co-operative, in

order to overcome these shortcomings, and further strengthen Mondragon's export competitiveness in the over seas markets where the Group's future is seen to lie.

The change has brought great benefits. By 1984 Ikerlan had grown to 93 members, including 44 with post-graduate degrees, 19 special scholarship degrees and 12 undergoing training through special scholarship arrangements. Ikerlan, like other secondary support co-operatives, forms its governing bodies jointly from representatives of its own staff together with those of its industrial and support co-operative affiliates. The Ikerlan Board of Directors consists of four staff and eight affiliate members. Recurrent outlays for 1984 totalled over \$A2 million representing \$A1 million in Basque government payments for 17 research programs, \$A1 million in fees for 25 projects commissioned by co-operatives and other bodies and \$A267,568 in maintenance payments from affiliated bodies.

Ikerlan maintains contacts with other research and development agencies throughout Europe. Its capital outlays for new equipment in 1984 alone totalled \$A1 million. An extensive machine shop enables it to construct models and prototypes of new products and machinery. During my talks there in 1985, the prototype of a robot materials-mover snuffled around my feet like a friendly dog.

The focus for the application of all these resources rests currently in four areas. The robotics project arose from the Mondragon commitment to industrial health and safety. American Unimate robots were bought by the Ederlan foundry co-operative in order to relieve its members of the dangers involved in handling hot castings. Ikerlan adapted the Unimate design in producing Spain's first robot, Gizamat I, and then improved on it in Gizamat II by the introduction of an elbowed arm which meets the needs of its local clients much more effectively.

The second Ikerlan area of specialisation is computer-aided design and computer-aided manufacture — known for short as CAD/CAM — which have been put to work by the co-operatives in their development of new products such as printed circuits. Thirdly, microprocessor technology is being pursued for applications such as automated production lines and ultra-sophisticated machine tool control systems. Fourthly an artificial Intelligence project is being undertaken, so that Mondragon can be positioned for a leading role in the burgeoning computer-based "informatics" industry. Dissemination of the results of Ikerlan's research was enhanced in 1984 by the adoption of Mondragon's new "Plan of Widespread Technology", which links 15 co-operatives with the micro-electronics project, 14 with the CAD/CAM project

and 40 with the robotics project. The response from the co-operatives has outstripped the plan's expectations.

Education

The Mondragon co-operatives have always understood the importance of education. The Group traces back its origins to the technical training school established by Arizmendi and his handful of local associates in 1943. In 1948, the League of Education and Culture or Hezibide Elkarte was established as a governing body for the school, which shortly afterwards became the Jose Maria Arizmendiarieta Polytechnical Institute. The frustration of a number of the school's former students over their inability to find local application for Arizmendi's technical and social teachings led directly to the establishment of ULGOR as the first of the Mondragon co-operatives, and, through it, to the Mondragon group.

Today, Hezibide Elkarte provides education from pre-school through to university. The agency is a superstructural support co-operative, whose General Assembly includes staff members along with representatives of co-operatives integral with its own structure such as the Polytechnical Institute, affiliated industrial co-operatives and public authorities. In 1984, some 8000 students received instruction from around 240 teachers and professors spread over more than 200 classrooms, for an overall cost exceeding \$A8 million. A new General Post-Secondary Education and Training Program was in the course of development; the Polytechnical Institute introduced new initiatives which doubled its number of places for Production Engineering, Technical Computer Programming, Industrial Electronics, Micro-Electronics and Industrial Engineering; and a start was made on a new Technical Secondary School Program designed to guide secondary students into technical and scientific courses.

Mondragon's 2000 polytechnical students have a co-operative of their own, called Actividad Laboral Erscolar Cooperativa or, for short, Alecoop. In 1966, Arizmendi recognised the need for new arrangements which would enable students to support themselves financially during their course, while at the same time obtaining a hands-on experience of how co-operatives work. Alecoop was his answer. The venture was launched initially as a department of the Polytechnical Institute, and experienced its share of financial difficulties prior to becoming an independent co-operative in its own right in 1970. It has operated profitably since 1971, and accumulated plant and other capital assets worth in excess of \$US3 million. Currently around 320 students are members

of Alecoop. The co-operative's products range from complete transfer systems through electronic teaching machines and test bench equipment to components for household appliances.

A further 44 educational co-operatives with 35,000 students and around 1000 teachers operate independently outside the auspices of the League of Education and Culture. Their role is to provide a bi-lingual education in Basque and Spanish at the pre-school, primary and lower secondary levels. This is a practical expression of Mondragon's passionate commitment to Basque culture and nationalism. Funds are drawn in part from the social allocations of the Caja Laboral Popular and its affiliated industrial co-operatives and the General Assemblies have staff, parent and student members.

Two other agencies complete the picture of Mondragon's education system. 1984 saw the establishment of the new Saiolan Centre within the Polytechnical Institute, as a venue for high level post-graduate training and experience in the business applications of economics and the applied sciences. At the same time, the Ikasbide Business Training Centre was established as a free-standing school of management education and development. In 1985, 100 post graduate students started a two-year Ikasbide program of theoretical studies and hands on experience geared to providing the Mondragon group with its future managers. There were also refresher courses for serving managers and courses in advanced co-operatives studies for members of Social Councils and Boards of Directors. In establishing Ikasbide, the Mondragon co-operatives acknowledged formally for the first time the worldwide attention which has been attracted to their principles, organisation, work practices and achievements. Ikasbide is Mondragon's response to a rising tide of inquiries and visitors which threatens to swamp the Group's present Public Relations Secretariat. Its activities are to include acting as the Group's information agency, operating a specialist library on co-operatives and establishing a reference centre in memory of Arizmendi. Here as in all other facets of Mondragon's education system there is a faithful reflection of Arizmendi's guiding principle that "Knowledge is power; socialising knowledge implies the democratisation of power".

Worker Co-operatives

The Mondragon experience needs to be understood in the context of the evolving world-wide worker co-operative movement, and the broad co-operative tradition of which worker co-operatives are a part. Depending on the nature of the co-operatives which are formed, the impact of

co-operation can range from relatively minor changes in the ways we see ourselves and relate to one another, to a total transformation of our lives. Consumer co-operatives enable their members to determine the range and quality of the goods which are made available to meet their needs, and share equally among themselves the profits from their purchases. Credit co-operative members benefit from and direct the uses of their savings, as do rental co-operative members in the case of housing stock, and members of agricultural co-operatives in the case of product marketing resources. Worker co-operative members, as has been seen, own and control their means of production for themselves, participating on an equal footing in the making of decisions, benefiting equally when there is a profit and sacrificing equally when there is a loss. The Canadian National Task Force in Co-operative Development has described worker co-operatives as “the next great frontier of the co-operative movement”. Clearly, worker co-operative members have the greatest possible incentive to improve their productivity, while their direct involvement in the business decisions of the co-operatives enables them to make an informed contribution to the management process. Employees, who in this way are also their own employers and the owners of the product of their own labour and capital, would be able to accept the high levels of re-investment on which Australia’s future economic well-being so largely depends much more readily than those big entrepreneurs and superannuation fund managers who currently are directing so large a part of the nation’s resources into projects overseas.

Principles and Philosophy of Co-operation

Irrespective of whether its members have come together as consumers, savers, tenants, farmers or workers, a co-operative observes the principles and philosophy of co-operation, as they have remained unchanged since their adoption for the first time by the founders of the movement, three hundred and more years ago.

Membership of a co-operative is voluntary, and open to any person who is willing to accept its responsibilities. Managers of co-operatives are elected or appointed by the members, and accountable to them. Return on shares is limited to a fixed interest rate, and any surplus is distributed among members in proportion to their participation in the form of work or purchases. A co-operative educates its members in the philosophy and practice of co-operation, and works together with other co-operatives at the local, national and international levels.

Worker co-operatives, as has been seen, are the most highly developed and all-embracing form of co-operative which embodies all the principles of co-operation in special ways of its own. The “open access” or enfranchisement principle operates in other kinds of co-operatives to eliminate discrimination on the grounds of colour, race, gender, political affiliation or religion. Its effect in the case of worker co-operatives is to rule out the development of members and employees as respectively privileged and under-privileged classes. As Mondragon has demonstrated, all the workers in a worker co-operative are members, as are all its members workers. The key functions of ownership and control of the co-operative are vested exclusively in those with the greatest stake in its success.

Again, the principles of democratic control provide members of co-operatives of other kinds with an equal say in their affairs. In the case of worker co-operatives its effect additionally is to subordinate the delegated power of managers and administrators to the control of members. The rights of capital are subordinated to those of labour. Worker co-operatives are structured on the basis that they are geared primarily to the interests of their members. The members identify and define their interests for themselves through mechanisms which guarantee that they are fully consulted and their wishes are heard.

Finally, the principle of limited return on capital limits the interest which is paid by co-operatives of other kinds to the minimum necessary in order to meet their capital requirements. Its outcome, additionally, in the case of worker co-operatives, is to maintain the provision of jobs for their members as their central role, and see that they do not degenerate into a form of “people’s capitalism”. The investor takes the worker’s place in accepting a fixed return on his capital, and the worker the investor’s entrepreneurial role, along with the profit or loss. The principle of profit distribution reinforces this effect with its affirmation of the right of workers in a worker co-operative to have exclusive benefit from the surplus created by their labour.

Training

The new popularity of the co-operative ideal will not in itself provide Australia with more numerous or successful co-operatives. For that to happen, there must be much more education in co-operative matters, and more money.

Mondragon’s education system has already been described. School co-operatives in some respects similar to Alecoop have been established in

Sweden, Poland and France, while co-operation courses are offered in these three countries along with Germany, Argentina and Canada. Canada has its own co-operative college, while co-operative studies at a tertiary level are also offered by Toronto's York University, and co-operative courses are compulsory in Manitoba's schools. In Britain, worker co-operatives and their members can draw on extensive educational resources, which have been developed under the auspices of the co-operative movement's own co-operative college, Beechworth college, the Commonwealth Trust, the London Council of voluntary service and the national Council of Voluntary organisations. France has its Ecole Technique Co-operative, as has Italy its Istituto Nazionale per L'Educazione Co-operative, Austria its college of Consum Osterreich and Spain its Centro Nacional De Educacion Co-operative.

Australia, unhappily, is less well off. Worker co-operatives and their members rely for co-operative education on a single course at Victoria's Preston College of Technical and Further Education, together with ad hoc advice, training and guidance provided through Government co-operative development programs in Victoria and New South Wales. All these rudiments of a proper co-operative training and education system have proved their worth, but they are all grossly under-financed and over-extended. We cannot expect to successfully further expand Australia's co-operative sector without investing much more heavily in co-operative education. Australia needs a national co-operative college. In the meantime, courses in co-operation should be provided and promoted through the Trade Union Training Authority. There should be bodies like the New South Wales Common Ownership Development Agency in every State, so that both new and established co-operatives can receive on-going advisory support.

Finance

Getting a new co-operative off the ground also takes cash. Machinery and an initial stock of raw materials may have to be bought, and wages, rent and other recurrent outlays may have to be met from carry-on finance while profitability is being achieved. In Spain, the Mondragon Co-operatives underwrite the process of launching additional co-operatives through their own Bank — The Caja Laboral Popular. Britain has its central Co-operative Development Agency, together with eighty or more local co-operative development agencies, while in New South Wales government finance for worker co-operatives has been made available through the Common

Ownership Development Agency. It is proposed currently that New South Wales should have an Employee Ownership Development Agency under the auspices of the Association for Employee Ownership in Australia (79½ George St. Sydney, N.S.W. 2000), together with a tripartite Employee Ownership Development Council, under the authority of the Minister for State Development.

Extensive experience, in Australia as elsewhere, has demonstrated conclusively that Government funds for worker co-operatives should be made available mainly in the form of loans for capital equipment and working capital requirements. Grants should be limited to such pre-operational costs as feasibility studies, professional advice and the legal costs of incorporation. As well, co-operatives everywhere are obliged to look beyond Government and meet major capital requirements through such mechanisms as raising loans from banks and other traditional sources, accepting external shareholders and making it a condition of membership that members should “buy-in” with an initial capital contribution, which can range as high as a half year’s earnings.

Repayments on Government loans should go to create a permanent revolving fund, to offset what experience has enabled the New South Wales Common Ownership Development Agency to identify as “... The conservatism of traditional sources of finance, particularly in regard to collateral; their prejudice against new forms of ownership, particularly worker ownership; and their reluctance and relative ineffectiveness in dealing with the smaller end of the business sector”. Clearly, it would be of immense advantage if arrangements along these lines could be introduced in all Australia’s States and Territories.

Three avenues suggest themselves. First, each State and Territory should have a Worker Co-operative Development Agency. These agencies should be required to apply the approach and standards which Mondragon shows are achievable. Their funds should be provided jointly by the Federal and State Governments, in the name of job creation and economic development.

Secondly, one or more of the major credit co-operatives in each State and Territory should set up an Empresarial Division along Caja Laboral Popular lines. The better credit co-operatives are already favourably disposed. Their financial skills mean they are admirably qualified for the project. Loans made by the Empresarial Division should be government guaranteed. The Mondragon approach and standards should be applicable. Thirdly, the trade union movement should set up a co-operative development agency of its own, with a mandate for converting into co-operatives viable private sector enterprises which otherwise would close their doors. This would have the

added advantage of enabling the unions to feel more comfortable with the co-operative ideal, as has been brought about already with such conspicuous success in Wales and Denmark. The union movement's loans would be provided through other lenders. Government guarantees would apply where the agency and the lender jointly certify that the Mondragon model has been followed.

In addition, the co-operative movement has large resources of its own, but lacks the financial institutions which would enable them to be put to the best possible use. This will be remedied if plans for a co-operative bank can now be brought to fruition. A Co-operative Bank of Australia would be an important step towards worker co-operatives obtaining backing not from the affiliates of State co-operative federations alone, but also from the credit union and building society movements. In time, the new bank could be expected to equip itself with research and planning facilities specifically oriented to the needs of worker co-operatives, such as those of the Empresarial division of Mondragon's Caja Laboral Popular. It would be indefensible for our national government, having interested itself successfully in the issue of admitting overseas banks to Australia, to now ignore that fact that we need likewise a co-operative bank in Australia. Our unswerving aim should be to have established in Australia co-operative funding arrangements which equal and ultimately excel those through which the triumphant success of the Mondragon Bank has been achieved.

Success Stories

Australia already has a small but rapidly growing group of successful worker co-operatives and other worker-owned enterprises. In Western Australia, the 93 year old Tomlinson Steel heavy engineering and metal work company has been transformed dramatically by a \$2.2 million worker buy-out, from "a classic overstuffed, underperforming smokestack company" scheduled for immediate closure, to a worker-owned enterprise which already has won \$900,000 worth of orders from the North-West Shelf project alone, and currently expects to earn a near-record profit of \$665,000. Under their new banner as Centurian Industries Pty Ltd, the former Tomlinson Steel workforce has built an impressive record of streamlining work practices, harnessing ingenuity, diversifying product lines and raising new capital for debt. Retirement and the long-overdue updating of equipment. Their efforts have always had solid sympathy and support throughout from the Amalgamated Metal Workers Union (A.M.W.U.).

Sixty workers at the Petersville commercial refrigeration plant in Sydney likewise raised \$300,000 from their own pockets and \$600,000 in vendor finance for a buy-out solution, in circumstances where, two years ago, they faced the prospect of the plant being acquired and closed down by a major competitor. As Planned Commercial Refrigeration Pty Ltd, the new worker-owned enterprise has gained additional orders, expanded its workforce and now operates at a record profit level.

Armstrong Holland in N.S.W. was a sixty year old private company employing seventeen people and turning over annually some \$3 million in the design and manufacture of plant and building equipment. Rescued from voluntary liquidation in 1983 by a worker buy-out, it is now trading profitably, with excellent prospects for future growth and the creation of new jobs.

The N.S.W.-based printing division of a national catering operation was faced with being sold off following the parent enterprise's takeover by a larger company, with a probable loss of jobs. A buy-out by the division's sixteen workers was negotiated, and it now trades successfully as All Graphics Pty Ltd.

A worker buy-out of the Australian College of English Pty Ltd at Bondi Junction similarly has resulted in a success story, with an increase in the college workforce since 1983 from 6 to 33, and the introduction of employment terms which are far superior to those elsewhere in either the public or private sectors.

David Power Industrial Services Pty Ltd in N.S.W. is now operated profitably by its 52 workers following a worker buy-out in mid-1983. The new worker-owned enterprise has given effect to one of the key principles of the wider co-operative movement, through its negotiation of an electric motor business partnership with Mondragon. David Power Industrial Services Pty Ltd also was recently the winner of an Australian Design Award for its newly-invented "Safety Scan" device, and has been allocated special advanced technology assistance to get the product into the marketplace.

In Victoria, Modern Maid and Staff Ltd is the former stove, bath and sink division of McIlwraith's Ltd — bought by its workers after the takeover of McIlwraith's by Oliver Davey Ltd in 1979. While overall the number of worker co-operatives in Victoria remains pitifully small, the state's wider co-operative movement numbers 3400 co-operatives, with half a million members and assets totalling \$6 billion. Potentially, these community advancement co-operatives, consumer co-operatives, credit co-operatives and product marketing co-operatives are a firm foundation for further worker co-operative development and support.

We should keep in mind also the strength of worker co-operatives in countries comparable with our own. Since 1975, 800 new worker co-operatives have been established in the United Kingdom, and a further worker co-operative comes into existence every day. This results in part from support given to Britain's long established Co-operative Union by vigorous newcomers, including the Industrial Common Ownership movement, Job Ownership Ltd., Commonwealth Mutual Aid, the Centre for Alternative Industrial and Technological Systems and the Socialist Environment and Resources Association. Sixty-two percent of Britain's worker co-operatives have been established within the last four years, and a further eighteen percent are not much older.

France has 1300 worker co-operatives owned by the 40,000 members of their workforce, and in Italy 350,000 workers are the owners of 2,500 co-operatives. Canada currently has between 70 and 80 worker co-operatives and its national task force on co-operative development has recommended strongly that the creation of further worker co-operatives should be fostered. Hundreds of thousands of Danes, Israelis, Poles, Portuguese, Netherlanders and Yugoslavs are worker co-operative members. In the European Economic Community alone, the number of worker co-operatives rose between 1970 and 1981, from 4,688 to 12,688 while the number of worker co-operative members increased over the same period from 197,000 to 469,000. This wealth of overseas co-operative experience has much to offer Australia. The Mondragon Group in particular has already signalled the interest of its member co-operatives in technology transfer deals, which would enable their production processes and expertise to be licenced for application in Australia. The financial services of the Caja Laboral Popular are available to facilitate such projects, as are the planning services of the Empresarial Division. The opportunity for giving a massive impetus to the development of employee-owned enterprises in Australia demands further exploration.

Table F

COMPARATIVE GROWTH BEFORE AND AFTER EMPLOYEE OWNERSHIP OF FIVE SYDNEY EMPLOYEE-OWNED COMPANIES

COMPANY	TURNOVER		EMPLOYMENT FIGURES		EMPLOYEE SHAREHOLDERS	
	83/84 Immediately Before Employee Ownership	86/87 Current Financial Year	83/84 Before Employee Ownership	86/87 Current Financial Year	83/84 Upon Employee Ownership	86/87 Current Financial Year
David Power Industrial Services	\$1.25 million	\$3.2 million	29	52	22	25
Planned Commercial Refrigeration	\$2.8 million	\$6.0 million	60	70	50	60
Armstrong-Holland Associates	0 (Held on order from old company)	\$3.0 million	10	17	10	15
The Australian College of English	\$0.29 million	\$0.75 million	10	31	6	15
Allgraphics	84/85 \$0.78 million	\$2.0 million	12	16	7	7

Unions

The trade union movement too has a broad role to play in enabling Australia to make the most of worker co-operatives and other forms of employee ownership. The constructive role of the Amalgamated Metal Workers Union in helping to bring about the Tomlinson's conversion is a matter of public record. The attitude of the N.S.W. Trades and Labour Council was made plain in a speech given on behalf of the Council Secretary, Mr John McBean, at the 1986 Conference on Employee Ownership in Australia by a Council organiser, Mr Peter Sams. Mr Sams proposed at the conference that there should be "a formal partnership between the Association for Employee Ownership in Australia and the trade union movement, whose charter would

be to formalise an agreement between the two organisations”. His speech acknowledged explicitly as advantages for the trade union movement the fact that:

“employee ownership can (1) combat job losses and unemployment; (2) prevent regional decline; (3) assist in industry regeneration, restructuring and rejuvenation; (4) increase productivity; (5) increase employees’ incomes and standards of living with higher quality and more stable jobs; (6) establish structures where capital, management and unions can more readily work together in democratically structured environments towards common objectives; (7) reduce industrial disputation, hostility and tension; (8) in partnership with the trade union movement allow further planning controls over the market economy; and (9) allow employees to share in profits and the decision-making process, particularly in respect to investment.”

It was his strong view that:

“Unions should determine to embrace employee ownership as a key strategy in their policies on industrial development, employment, industrial relations and economic planning. We should dispense with the rhetoric and seek to (1) Actively and positively promote employee ownership and its potential benefits for workers and the trade union movement; (2) Gear up T.U.T.A. to provide programmes for training workers and unions on the new levels of expertise required in participating in and managing employee-owned businesses; (3) Establish early warning systems and skills for detecting potential business targets — not necessarily ones with declining fortunes; (4) Establish increased information access, analysis and research which would indicate preferred industries and firms for employee ownership; and (5) Actively support the Association and its development agency for the purpose of providing expert advice and service to employee ownership companies.”

These actions and attitudes on the part of the A.M.W.U. and the N.S.W. Trades and Labour Council reflect faithfully those of a number of their counterparts overseas.

Supporting workers in the exercise of control over their workplace, and over the uses and rewards of their labour, is by far the most important and fulfilling thing that unions can do. The common aims of unions and worker co-operatives are given practical expression in a country such as Denmark, where union money provides capital for worker co-operatives through the Co-operative Finance Fund, and the union movement has representation

on the Danish Federation of Workers' Co-operatives. In Britain, too, the giant Transport and General Workers' Union has favourable reference to co-operatives written into its constitution, and involves itself actively in getting new co-operatives off the ground. When Courthauld's closed down its Luvisca Shirt Company factory in Taunton in 1981, the T. & G.W.U. was successful in obtaining six months' free use of the premises and machinery for a new Taunton Shirt Co-operative. Subsequently, the number of worker-members has risen from 31 to 50, while production has increased from 800 to 2000 shirts each week. In Wales, the union was instrumental in converting a failed blouse manufacturing firm into the Bargoed Blouse Co-operative. Orders have rocketed, additional accommodation, machinery and specialist staff have been acquired, and the 18-member co-operative is creating new jobs for trainees and part-time staff.

Benefits

Worldwide, a wave of new co-operative development is rising, in which, clearly, Australia must involve itself. As France's Minister for Agriculture, Michael Rocard, pointed out, at the Florence conference on co-operation, co-operatives represent for the non-communist world a middle-way between a welfare state which everywhere is becoming over-extended to the point of collapse, and a *laissez-faire* capitalism which everywhere is bankrupt and discredited. As Australia's Minister for Science and Technology, Barry Jones has noted, Australia is among a number of resource rich countries which have experienced "truncated development" as a result of key sections of their economies having fallen into foreign hands. We have fallen behind in terms of research and development because, overwhelmingly, the subsidiaries of transnational corporations which increasingly have come to dominate the Australian economy have these vital functions performed for them elsewhere. Worker co-operatives have no absentee parents to stifle the thrust to self-efficiency. Everything that has to be done to achieve economic viability takes place within the co-operative itself. The benefits accrue directly to the members of the co-operative, and, through them to the wider society of which, inextricably, the co-operative is a part. Mondragon demonstrates definitively how research, development and the exercise of insight, imagination and ingenuity thrive in a worker co-operative environment.

Local Communities

There are three further matters. Firstly, individual municipalities, towns and other local communities have much to gain and much to give in developing worker co-operatives. Profits of worker co-operatives are not transferred elsewhere, but retained locally for distribution among members who shop locally, and for direct giving for community facilities and services. Job discrimination is tackled locally where worker co-operatives take affirmative action on behalf of groups such as women, ethnic minorities, and the disabled and older people, whose interests are likely to be hardest hit under conditions of high unemployment. The experience of workplace democracy fosters more active participation in community affairs and greater acceptance of personal responsibility for community well-being. The stability of the local economy is enhanced, because the co-operatives are not subject to takeover by remote corporations and other outside groups. It is incontestable that significant numbers of the firms which have gone out of business recently would still be flourishing if they had not been subsidiaries of interests overseas.

Secondly co-operatives are being talked about currently as potentially a third force within the economy — as rivalling ultimately in status and significance both private enterprise and the public sector. But co-operatives are also fundamentally and uncompromisingly about equality. We should make certain that equality characterises the third sector — the employee ownership sector — from its inception.

This means, for example, that proper provision should be made for arrangements which are needed to meet the special needs of women. It should be a requirement for the registration of co-operatives that their members will have proper access to equal employment opportunity measures, parental leave and child care. Such measures not only set a good example, but allow an organisation to attract and retain the best staff, instead of losing valuable employees because of family responsibilities or job dissatisfaction.

Thirdly, it may be objected that Australians will not accept arrangements which defer the enjoyment of their capital until they have retired. This constraint is not integral or essential to the Mondragon scheme. It would be equally feasible for agreed drawings against accumulated capital to be made at ten year intervals. We must not allow inverted obstacles to deter us from making the most of all that Mondragon has to offer us. It is untrue, likewise, that Mondragon owes its existence or success to a quirk of Basque history, psychology or sociology.

Conclusion

Worker co-operatives are a proven success. Our need for what they have to offer is patent and pressing. The support services they require are within our means. Access to co-operative membership should be opened up as speedily as possible for all those Australians whose well-being it can benefit both economically and socially. Achieving this goal will draw heavily on the goodwill and resources both of government and of the co-operative movement. The movement, for its part, has the capacity to back-up the new co-operatives with the wealth of wisdom and experience which is at its disposal. Even so, the way ahead will not be easy, the new co-operatives will not be able easily to establish themselves in an indifferent or uncomprehending economic environment, nor will their contribution to creating a more democratic, stable and productive economy and society be achieved overnight. We should settle for nothing short of a clear recognition that co-operatives are at least equal in their potential to privately-owned business and the public sector, and equally deserving of the recognition and attention of the nation's decision makers. The gains, ultimately, will far exceed the cost.

Postscript

Fabian socialists have for years been uneasy with wide claims, and resistant to making broad judgements. We recall inevitably how, in the early 'thirties, Sidney and Beatrice Webb echoed in their book *Soviet Communism: A New Civilisation* Lincoln Steffens' great rallying cry "I have been over to the future and it works". The Webbs were wrong about the Soviet Union, and we have been beaten about the head ever since with their error. Reticence, however, has long since outlived whatever usefulness or excuse it may have possessed in the Cold War heyday of McCarthy, Menzies and Santamaria. A lead is called for from the Democratic Left, and our answer must be "Mondragon". The future is waiting within the world's grasp in the once-obscure valley in the Pyrenees where Arizmendi carried out his life's work. It works there. It can work for Australia.



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Race Mathews is the author of a previous Fabian pamphlet on Mondragon and worker co-operatives, entitled **Building the Society of Equals — Worker Co-operatives and the A. L.P.** (Fabian Society Pamphlet No. 39). He visited Mondragon in 1985.

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