



YOUR PRIMARY SOURCE FOR
COOPERATIVE NEWS AND INFORMATION

NOVEMBER | DECEMBER 2009

THE MONDRAGÓN-UNITED STEELWORKERS ALLIANCE

*What the Spanish
Cooperative Giant
and the Nation's
Largest Industrial
Union Can
Accomplish
Together*

6

**The Common
Identity of
Credit Unions,
Other Coops**

11

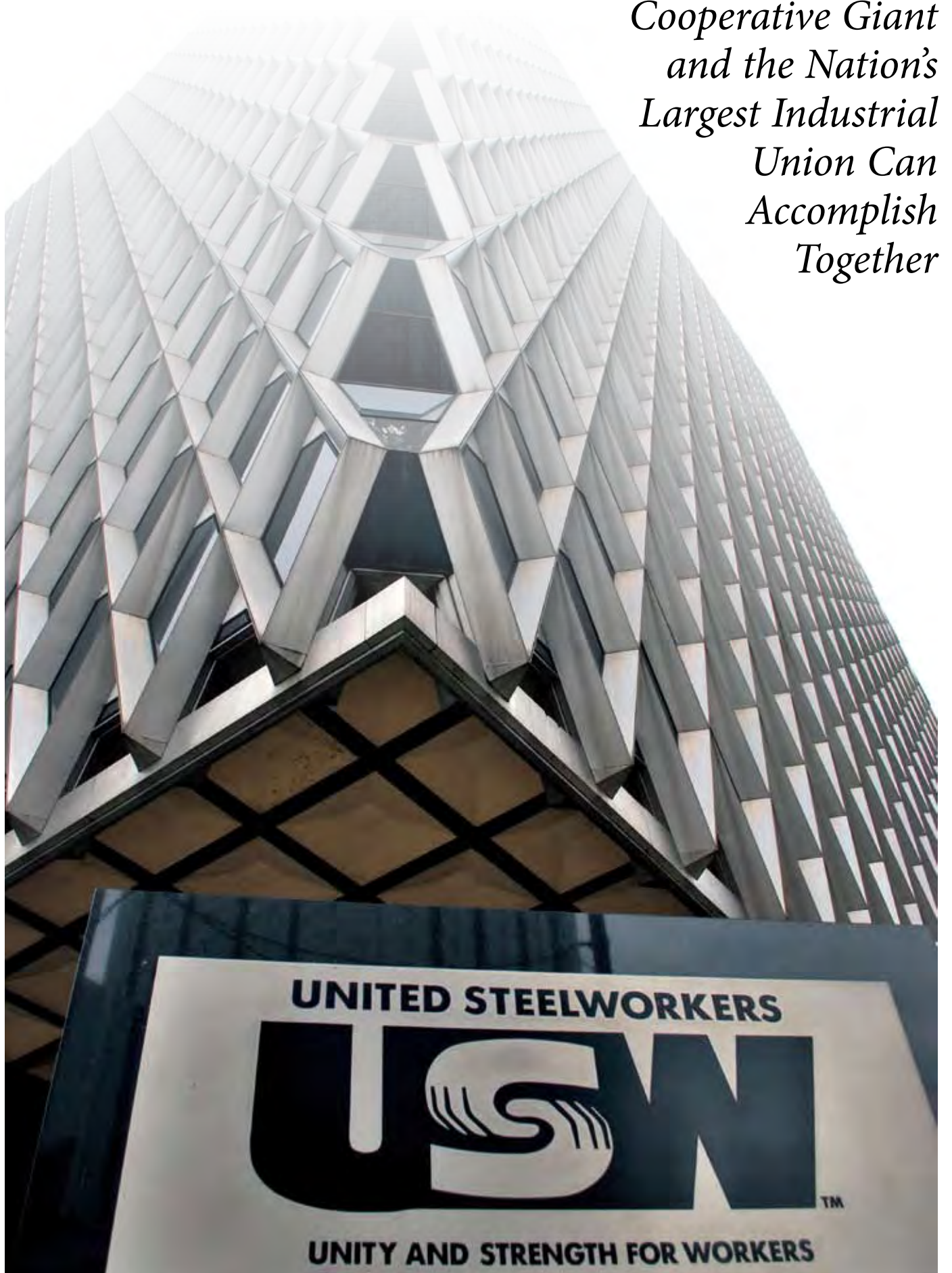
**Budget
Lobbying**

12

**International
Health Co-ops**

**PLUS: A 4-PAGE
HOLIDAY GREETINGS
FROM CBJ'S
ADVERTISERS**

NCBA





The interior of a Mondragón factory

BY ERBIN CROWELL

A NEW ERA FOR LABOR AND CO-OP MOVEMENTS?

Announcement by Steelworkers & Mondragón Opens New Opportunities

Editors' note: In late October, the cooperative world was surprised to learn that the Mondragón Cooperative Corporation, a multibillion dollar cooperative based in the Basque region of Spain, had formed an alliance with the United Steelworkers, the largest industrial trade union in the U.S. The two announced that they would develop Mondragón manufacturing cooperatives in the United States and Canada that would "adapt collective bargaining principles to the Mondragón worker ownership model."

CBJ invited NCBA board member Erbin Crowell to write about the significance of the announcement. Crowell worked for over a decade with the worker co-op Equal Exchange and currently works with the Cooperative Fund of New England and the Valley Alliance of Worker Co-ops. He may be contacted at erbin@cooperativefund.org.

Crowell, along with NCBA, partook in a conference call in which Mondragón and the Steelworkers discussed their partnership.

Much has been made of the shared origins of the cooperative and labor union movements. In both movements, working people, faced with dramatic changes in the economy, began to organize to protect their common interests and present an alternative economic vision.

These movements grew as the changes of the Industrial Revolution swept the planet, and both have played key roles in empowering people and their communities. At many points in history, co-ops and unions have worked together, albeit from slightly different angles. Unions have provided workers a collective voice, a counterweight in the capitalist economy. Cooperatives have presented an alternative, democratic model for the ownership and control of enterprise.

A Common History

The textile manufacturing town of Rochdale, England, often cited as the birthplace of modern cooperation, was a center of labor activism in the 1840s. The Rochdale Society of Equitable Pioneers, considered by many to be the first modern co-op, emerged from the work of activists who sought to improve the lives of working people. Here in the U.S., trade unions such as the Knights of Labor had established over 100 worker co-ops by the end of the 1880s. And leafing through *Consumer Cooperative Leadership*, a co-op grocery handbook published in 1942 by the Edward A. Filene Good Will Fund, you can find sample policies that, for example, recommend that management "recognize any committee representing a majority of employees." This solidarity was also extended to purchasing practices, and buyers were advised that "whenever possible, union-made goods should be given preference over non-union-made goods." There are also many examples of unions promoting consumer cooperation as a mechanism for the empowerment of working people and their communities.

While this history has not always translated into strong relationships between co-ops and unions, their shared values tend to resurface in challenging economic times. With this in mind, it is difficult to overstate the significance of the recent announcement that the United Steelworkers and Spain's Mondragón Cooperative Corporation have agreed to work together.

A Shared Vision

"What we are announcing today represents a historic first," Josu Ugarte, President of Mondragón Internacional, said in a press conference. The alliance, Ugarte, said, combines

“the world’s largest industrial worker cooperative with one of the world’s most progressive and forward-thinking unions to work together so that our combined know-how and complimentary visions can transform manufacturing practices in America.”

The announcement may have been short on details, but its occurrence is significant in and of itself. After all, Mondragón has not had a close relationship with labor unions. And for decades unions have all but ignored the cooperative movement—and vice versa.

The Steelworkers, however, are not just any union. North America’s largest industrial trade union, it includes 1.2 million active and retired members in North America. While the union has faced severe challenges in the global economy, it has remained forward-looking. Under the leadership of Leo Gerard, for example, the union formed a “blue-green” alliance with environmentalist organizations, working to ensure that green jobs are also good jobs. Gerard sees opportunity for a revitalized manufacturing sector in the U.S., one centered on the production of wind turbines, solar cells and other components of a green economy. But he also recognizes that workers and their communities need more than just new things to produce. “Too often we have seen Wall Street hollow out companies by draining their cash and assets and hollowing out communities by shedding jobs and shuttering plants,” he said in a press release. “We need a new business model that invests in workers and invests in communities.”

Mondragón offers a compelling example of such a model, particularly for industrial communities. Founded in 1956 with the inspiration of a Catholic priest, this network of cooperatives began as a technical training school for working class students and as a small worker co-op that manufactured kerosene stoves. From there, Mondragón established a cooperative bank, which pooled the savings of individual members and associated enterprises, and used the funds for cooperative economic development. A “contract of association” bound member co-ops together in an integrated and rapidly growing economic system of enterprises that eventually included industrial manufacturing, agricultural production, grocery retailing, a social security mutual and a university. By 2008, Mondragón had developed an integrated cooperative corporation with nearly 100,000 individual worker-members, 250 enterprises in 40 countries, and annual sales of more than \$24 billion.

Mondragón ascribes much of its success to its underlying philosophy of worker cooperation:

“We simply believe that we have developed a way of making companies more human and participatory,” Mondragón’s Web site states. “It is an approach that, furthermore, fits in well with the latest and most advanced management models, which tend to place more value on workers themselves as the principal asset and source of competitive advantage of modern companies.”

An International Cooperative Economy?

I first learned about Mondragón when I became a member of Equal Exchange, a worker co-op that markets fairly traded and organic products such as coffee, tea and chocolate. Like many employees, I had limited experience with co-ops when I first joined. I was first attracted to Equal Exchange because of its mission of Fair Trade—building more equitable trade relationships between consumers in the Global North and marginalized farmers in the Global South. Over time, however, I came to see that it was the cooperative model that was at the heart of our workplace and community.

My time with Equal Exchange also gave me a unique opportunity to understand cooperation from the perspective of different sectors. It was this experience that first sparked my thinking about the potential of a “cooperative economy.”

Central to our mission was the development of fair and equitable trading partnerships with small farmers across Latin America, Africa and Asia. Farmer cooperatives, one of the most powerful mechanisms for the empowerment of small producers, were dominant among our suppliers. Eventually, we made a commitment to moving all of our core purchases to small farmer co-ops, an expression of our mission.

Not surprisingly, food co-ops in the U.S. were among our first customers, and remained among the most committed over time, helping to make a name for Fair Trade in the marketplace. Here we could see the seeds of an international cooperative economy, a values-based economic chain that would link farmers, workers and consumers.

Equal Exchange’s internal structure was modeled largely on that of a Mondragón co-op, and our success over time demonstrated to me the potential of worker cooperation. In the slightly more than ten years I spent with the co-op, we grew from under ten employees to over 100. Despite the daily issues that come with any growing business, as well as those that are unique to a participatory workplace, I remained inspired by the ability of this model to encourage people’s potential, to engage their creativity and to develop their sense of control and responsibility for themselves, their

co-workers and their shared enterprise. I believe these characteristics make cooperatives more humane and represent a better way to spend your work-life, while also offering a unique competitive advantage in business.

Renewed Dialogue Between Unions and Cooperatives

In the present economic downturn, people have begun again to see the cooperative model as a sustainable, democratic and participatory economic alternative to the types of businesses that brought us into this recession. Many have also been asking whether this moment offers unions and co-ops an opportunity to forge a common vision for the future.

In 2006, for example, St. Mary’s University’s Master of Management: Cooperatives & Credit Unions program sponsored “The Co-operative & Its Workers,” an international symposium in which many presenters explored the relationship between co-ops and organized labor. You can read papers from this conference at www.mmccu.coop/coopworkers.

The 2007 Eastern Conference on Workplace Democracy brought together co-operators and union activists to welcome keynote speaker Lynn Williams, former president of the Steelworkers. And in 2009, this conference was held in Pittsburgh, Pa., home of the Steelworkers, and a hub of cross-sector cooperative activism.

We don’t yet know whether these events had any influence on the agreement between Mondragón and the Steelworkers. But what we do know is that there is new momentum for dialogue and collaboration.

For the Steelworkers, of course, this will not be their first engagement with employee ownership.

“We have lots of experience with ESOPs,” said the Steelworkers’ president Gerard, referring to Employee Stock Ownership Plans, which allow workers to own stock in a corporation as a retirement benefit.

But Gerard said that they “have found that it doesn’t take long for the Wall Street types to push workers aside and take back control.” It is exciting that Gerard, an outside observer to cooperatives, has seen so clearly the potential of the cooperative model as an alternative to business as usual: “We see Mondragón’s cooperative model with ‘one worker, one vote’ ownership as a means to re-empower workers and make business accountable to Main Street instead of Wall Street,” he said.

Of course, “one worker, one vote” industrial democracy is a central characteristic of Mondragón. But it is also important — particularly for cooperators—to note that much of the Mondragón system includes this principle as applied to other stakeholders as well. Eroski, for example, is the second largest food retailer in Spain and a Mondragón cooperative in which both workers and consumers are members. Membership in agricultural co-ops in the network includes workers and farmers. And the members of the Caja Laboral Popular, Mondragón’s bank, are workers, consumers and other cooperatives. Like the cooperative economies of northern Italy, the Mondragón co-ops are also committed to the principle of cooperation among co-ops, using their financial resources, market information and purchasing power to purposefully drive the growth and development of new cooperative enterprises and initiatives.

Mondragón is not perfect, of course, and has received some criticism over the years. In particular, some observers have questioned Mondragón’s development strategy, which includes the



Leo Gerard, president of the United Steelworkers union

It is difficult to overstate the significance of the recent announcement that the United Steelworkers and Spain’s Mondragón Cooperative Corporation have agreed to work together.

A NEW ERA *continues on page 13*



The Edgar Thompson Works steel mill, a United Steelworkers-organized mill in Pittsburgh, Pa. The mill is one of the oldest in the country.

Photo and cover photo by Laney Trautman.

■ A NEW ERA

continued from page 5

ownership of non-cooperative subsidiaries that are mostly outside the Basque region. In these subsidiaries, employees do not have access to membership. The issue has also been a topic of debate within the association itself, reflecting its democratic nature. For its part, Mondragón has been surprisingly open about the challenges of competing in a global economy while protecting the integrity of a cooperative system built up by its members for more than 50 years (see, for example, the FAQ page of their Web site at www.mondragon-corporation.com).

But Mondragón has expressed a commitment to expanding access to membership and to the development of cooperative enterprise overseas. In this context, their agreement with the Steelworkers represents an alternative strategy for expansion, one more in keeping with Mondragón's cooperative principles.


New Opportunities

For some time, co-op developers have attempted to bring the lessons of Mondragón to communities in the U.S. As this partnership moves forward, we will have the opportunity to see how Mondragón itself would propose to do this.


As the alliance between the two organizations unfolds, we should pay particular attention to their proposal to integrate union representation and collective bargaining with cooperative ownership principles. As an example, the agreement anticipates "having the Union's Bargaining Committee also serve as the Social Council." The Social Council here refers to

Mondragón's representative committee for non-managerial worker-owners within its member co-ops. If successful, such measures would essentially bridge the gap between the union and cooperative approaches, and could prove to be a watershed in the history of our movements. More importantly, it would present at this critical moment a powerful cooperative alternative to global capitalism.

For unions, this agreement represents a new opportunity to explore the human and economic potential of cooperative ownership, as opposed to settling for an adversarial relationship with capital. For worker co-ops, this may be an opening for greater solidarity with organized labor. And for the cooperative movement as a whole, we have an opportunity to reassess our assumptions about the role of unions and the potential for engaging employees in a non-adversarial setting, one characterized by ownership shared among stakeholders.

In short, this agreement represents an opportunity not only for the United Steelworkers and Mondragón, but for the wider cooperative and labor movements. It is an opportunity to look back on our common history, and to look forward to new ways of working together. The core challenge, I believe, is in our ability to remember our shared goals and values, to question our assumptions about sectors and the role of workers and other stakeholders, and to present a powerful vision for the future. If we can do this, we will be able to offer real hope to communities that have been marginalized by the mainstream economy. 

Erbin Crowell will be a speaker at NCBA's 2010 Annual Cooperative Conference.



Cooperative Grocer continues to bring news, ideas and opinions about the natural food co-op sector...but now with a new look!

Subscriptions are \$25/year for 6 issues; and if you order 5 or more subscriptions to the same address, the price is just \$22 per subscription.

FOOD CO-OPS: GET THE INSIDE SCOOP

To start a subscription, go to www.cooperativegrocer.coop or call 800/878-7333. **Cooperative Grocer** FOR RETAILERS AND COOPERATORS



Tom Webb, Program Manager
Larry Haiven, Program Co-ordinator
Master of Management – Co-operatives and Credit Unions
Department of Management, Saint Mary's University
Robie Street, Halifax, Nova Scotia, Canada B3H 3C3

What will help co-operative and credit union managers create a hopeful tomorrow together?

According to Betty Bauhuis the Master of Management - Co-operatives and Credit Unions delivers the right values and practical value too:

The only Master of Management – Co-operatives & Credit Unions in English from an accredited university. A distance-learning program designed to allow you to study & work.



"In the past 30 years I have always worked for co-ops or credit unions but this program spurred me to kick co-operative practices up a notch. A conventional Masters program didn't seem the right fit. What I learned in the MMCCU brought immediate practical benefit to my co-operative. In my final project, in the finance course, I researched and documented a capital strategy for my credit union. Not only did we use it but Cornerstone (our newly merged credit union) has also adopted it. This program made me see the co-operative model as a method of sustainable development that is clearly attainable."

Betty Bauhuis,
Vice President Retail Sales, Cornerstone Credit Union

Tom.webb@smu.ca
902 496 8170 or 902 863 0678
larry.haiven@smu.ca 902 420 5082

Application deadline May 31 for Fall. Orientation early August.
Information and Student Profiles:

www.mmccu.coop

 **SAINT MARY'S**
UNIVERSITY SINCE 1802
One University. One World. Yours.