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The employment performance of the Mondragon worker cooperatives 1983–2019

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DOI

[10.2139/ssrn.3992304](https://doi.org/10.2139/ssrn.3992304)

Publication date

2021

Document Version

Final published version

[Link to publication](#)

Citation for published version (APA):

Reuten, G. (2021). *The employment performance of the Mondragon worker cooperatives 1983–2019*. (Euricse Working Paper Series; No. 118). Euricse.
<https://doi.org/10.2139/ssrn.3992304>

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Working Paper n. 118 | 21
ISSN 2281-8235

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Please cite this paper as:
Reuten, G. (2021). The employment performance of the
Mondragon worker cooperatives 1983-2019, *Euricse Working
Paper Series*, 118|21.

THE EMPLOYMENT PERFORMANCE OF THE MONDRAGON WORKER COOPERATIVES 1983-2019

Geert Reuten*

Abstract

The Mondragon Corporation is an umbrella organisation for nearly 100 separate self-governing worker cooperatives that together employ over 81,000 workers (2019). Being mainly located in the Spanish Basque region, the group's cooperatives operate throughout the world, with 141 production plants in 37 countries, commercial businesses in 53, and sales in more than 150 countries. Based mainly on information from the Mondragon annual reports, this working paper traces Mondragon's quantitative employment performance from 1983 to 2019, and compares this with the employment performance of Spain and the aggregate of OECD. Section 1 is on worker cooperatives in general (worldwide). Sections 2-5 provide general information on the Mondragon cooperatives, including their organisational structure and matters such as pay differences. The core Section 6 focuses on Mondragon's way of employment in the face of globalising capitalism's competition during the period 2001-2019, when the internationalisation of Mondragon's industrial cooperatives boosted. A main part of this period covers the effects of the international banking crisis and (especially in the euro zone) the aftermath of a sovereign debt crisis. The reader will see that the various section subjects refer to different periods (2001-2019, 1996-2019 and 1983-2019); these are solely determined by the availability of data from the main source considered for drafting the paper (annual reports).

Keywords

Worker-cooperatives; Mondragon cooperatives; Cooperative Owner-members; International competitive pressures

JEL Codes

F23; F66; J54; J83; L23; P13.

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1. General information on worker cooperatives

1.1. General characteristics of worker cooperatives

This section is about “worker cooperatives” (WCs) in general, though it should be noted that their exact legal form and specifics diverge across countries. I focus on the following four general characteristics:

- i. *Democratic decision-making.* The legal entity is democratically governed by its worker-members, who directly or indirectly appoint the entity’s management on a one-person one vote basis. The other coverage of the democratic decision-making (e.g., regarding the annual wage scales) varies by the specific statute of the entity. Main lines may also have been legislated.
- ii. *Ownership.* The legal entity is owned by the cooperative’s worker-members. Upon becoming a member, they will usually have to pay into a fund, either directly or via a deduction from their remuneration in the early years of their membership. This fund functions as a reserve for the cooperative. Most often, all or part of this fund is refundable when workers retire or move to another enterprise. Often the ownership is restricted by so-called “asset locks”, which means that a specific part of the asset value shall not be sold. This should secure the long-term survival of the cooperative.
- iii. *Non-members.* Often the statute allows for the employment of some percentage of non-members; this may include workers who refrain from paying into the fund mentioned above. This may be regarded as a defect, depending on the rights of these employees concerning the democratic decision-making, and on their remuneration.
- iv. *Surpluses.* The statute of an entity may prescribe that a part of the annual surpluses is not distributed to the workers, but added to the common reserves to which workers can make no individual claim (as against the funds under ii, or part thereof). In some countries, this is legislated.

1.2. General worldwide quantitative information on worker cooperatives

The available worldwide data on worker cooperatives are limited. The most encompassing dataset currently available is by CICOPA (2017a), which regarding worker cooperatives collected data of 51 countries¹. Table 1 lists the aggregated data of these countries.

¹ It is part of a wider dataset for 156 countries that includes information on other types of cooperatives, mainly “producer-serving cooperatives” and “user cooperatives”. An earlier report on cooperatives by Grace (2014: 1), with data from 142 countries, which at the time claimed to be “the most comprehensive dataset on cooperatives”, makes no distinction between types of cooperatives at all. The same lack of distinction applies for Cooperatives Europe (2015). This was their latest report of key figures on cooperatives when I accessed their website on 9 January 2021.

Table 1 - Employment by worker cooperatives in 51 countries around 2016†

		million	% of the world's employed population
1	worker-members of WCs	11.15	0.38%
2	estimated non-member employees of WCs‡	1.21	0.04%
3	estimated total employment in worker cooperatives [1+2]	12.36	0.42%

† Some data are from 2017, the others from 2016 or the latest year available.

‡ The estimate is based on CICOPA (2017b: 9, Table 1), where for worker cooperatives in the industry and service sectors together, employees constitute a factor of 0.11 of the worker-members.

Data sources: Row 1: CICOPA (2017a: 12 and 25, Table 1). Row 2: see note ‡.

Using data from the CICOPA (2017a) dataset, Table 2 ranks the top 10 countries in terms of relative employment as percentage of a country's labour force (column 4), as well as in terms of absolute employment (column 5).

Table 2 - Country-wise employment in worker cooperatives around 2016: Top 10 countries' relative and absolute rank (out of 51 countries)

(1)	(2)	(3)	(4)	(5)	(6)
country	amount employment	% labour force	relative rank, top 10	absolute rank, top 10	continent
Italy	1,017,663	3.9%	1	2	Europe
Malaysia	524,713	3.5%	2	4	Asia
Sweden	96,552	1.8%	3	11	Europe
India	6,845,701	1.4%	4	1	Asia
Spain	230,000	1.0%	5	7	Europe
Argentina	177,568	0.9%	6	8	S-America
Costa Rica	18,021	0.8%	7	21	N-America
Iran	162,287	0.6%	8	9	Asia
Paraguay	18,939	0.6%	9	20	S-America
Uruguay	9,345	0.5%	10	35	S-America
Colombia	117,622	0.5%	12	10	S-America
Bangladesh	268,556	0.4%	14	6	Asia
Brazil	291,046	0.3%	17	5	S-America
China	650,000	0.1%	26*	3	Asia

* Of the dataset countries with a 2016 labour force > 30 million, the UK ranks relatively 18th (0.3%) and absolutely 12th (94,049); Vietnam 24th (0.1%) and 14th (51,066); France 25th (0.1%) and 17th (27,330); Japan 32nd (0.04%) and 18th (25,373); USA 33rd (0.03%) and 13th (55,140); Turkey 39th (0.01%) and 32nd (3,556). In the same category, Thailand has no worker cooperatives, and there are no worker cooperatives data for Ethiopia, Germany, Indonesia, Mexico, Nigeria, and the Russian Federation.

Data sources: Column 2: CICOPA (2017a: 101-110). Underlying labour force data column 3: World Bank, labour force, total: <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?view=chart> (shown excel, dataset countries 2016). Last updated 16 December 2020.

Finally, Table 3 lists information on a more encompassing class than worker cooperatives, namely “majority-employee-owned enterprises” (all legal forms), though only those with more than 100 workers – due to the source’s limitations.

Table 3 - Number of majority-employee-owned enterprises with more than 100 workers: 32 European countries 2019

	number of enterprises with > 100 workers	
	majority employee-owned	of which worker cooperatives
32 European countries†	338‡	168 (50%)
of which in		
France	108	74 (69%)
United Kingdom	90	3 (3%)
Spain	55	41 (75%)
Italy	26	26 (100%)
Czech Republic	19	19 (100%)
other countries	40	5 (13%)
Total employment (32 countries)	486,000	
average empl./enterprise	1,438	

† The European Union plus Iceland, Norway, Serbia, Switzerland and the UK.

‡ The number increased from 271 in 2010 to 338 in 2019 (25% growth).

Data sources: EFES (2020: Tables 31 and 32).

1.3. The performance of worker cooperatives: some key results of empirical research

This subsection compares the economic performance of worker cooperatives and conventional capitalist enterprises.

In 2012, Pérotin published a review of empirical studies comparing the performance of worker cooperatives with capitalist enterprises in the period 1950-2010. She mentions that large representative datasets on worker cooperatives have only recently become available. Her review covers about 70 empirical studies. Below I present her main conclusions. To these, I have added some conclusions from her 2014 paper.

- i. Pérotin’s general conclusion is that “worker cooperatives perform well in comparison with conventional firms, and ... the features that make them special – worker participation and unusual arrangements for the ownership of capital – are part of their strength” (2012: 36).
- ii. “Worker cooperatives are present in most industries, are not always less capital-intensive and tend to be larger on average than their conventional counterparts, and survive at least as well” (2014: 35).
- iii. “Solid, consistent evidence across countries, systems, and time periods shows that worker cooperatives are at least as productive as conventional firms and more productive in some areas. The more participatory cooperatives are, the more productive they tend to be” (2012: 37). “Participation” regards the extent to which workers actually take part in the democratic structure, thus the degree to which they use their rights.

- 
- iv. Whereas it is often assumed that worker cooperatives under-invest, “no rigorous empirical evidence can be found in support of the under-investment hypothesis” (2014: 38).
 - v. “The temptation to consume capital accumulated by previous generations, demutualize, sell out successful cooperatives to conventional owners, or degenerate by restricting membership ..., all have solutions that were adopted by different types of worker cooperatives around the world, assisted by legislation” (2012: 37).
 - vi. “Among the possible solutions [sub v] are measures like asset locks and collective accumulation of capital ... Such measures do not seem to hamper productivity by dampening incentives – some of the same cooperatives that have adopted these particular measures are found to be more productive (as the French cooperatives) or to preserve jobs better (as the Italian cooperatives) than conventional firms” (2012: 37).
 - vii. “Employment in a labour-managed firm is not the same thing as employment in a conventional one. In a labour-managed firm, members participate in the decisions that affect their unemployment and income risks. They are considerably better protected against the moral hazard potentially attached to management decisions over investment, strategy, or even human resource policies” (2012: 37-38).
 - viii. “Profit may not be higher in more participatory cooperatives, but the firms may produce more and preserve their members’ jobs better” (2012: 38).
 - ix. “Workers’ participation in profit and in decisions makes it possible for worker cooperatives to adjust pay rather than employment in response to demand shocks” (2012: 8). “Whereas conventional enterprises primarily adjust employment, worker cooperatives primarily adjust remuneration” (2014: 40).
 - x. “Recessions increase the number of firm *closures* among conventional and labour-managed enterprises alike. However, recessions decrease the number of *creations* among conventional enterprises, whereas the creation of worker cooperatives increases – that is, when the risk of job loss increases in conventional enterprises” (2014: 41)².
 - xi. “The density of worker cooperatives in an area, year and/or industry is an important determinant of further cooperative creation” (2014: 43; see also Pérotin, 2016: 17).

Drawing on over 100 studies across many countries, many of the points above are confirmed in a summary paper by Kruse (2016). A well-documented analytical literature review of the performance of WCs, especially in the face of economic globalisation, is provided by Bretos and Marcuello (2017).

² On this point, see more extensively Pérotin (2006).

Focusing particularly on matters of, or related to, the comparative productivity in WCs and CPs, econometric country studies for France and for Italy found, among other things, the following.

- *France.* WCs are at least as productive as CPs; however, WCs use their capital and labour more effectively than CPs. Using the same technology, the scale of production is significantly larger in WCs than CPs in some industries, and similar in most industries. For all industries, it holds that WCs are not smaller or less capitalized than CPs, and that WCs expand their capital at least as fast and grow at least as fast as CPs (Fakhfakh, Pérotin and Gago, 2012).
- *Italy.* The WCs' collective ownership and total factor productivity are positively and significantly related after controlling for factor productivity, individual capital ownership and other standard enterprise-level and sector controls. This suggests a positive role of collective capital in strengthening financial sustainability and employment stability in the long run. The WCs' collective capital favours more investments and capitalisation. Generally, WCs are not undercapitalised and they increase capitalisation over long spells of time (George, Fontanari and Tortia, 2020).

2. The Mondragon worker cooperatives

The following sections are on the Mondragon Corporation, which is the umbrella organisation for nearly 100 separate self-governing worker cooperatives (as of 2019). It is the world's largest worker cooperatives group in terms of annual turnover (14.4 billion USD in 2018, with about 81,000 employees)³. It is the tenth-largest company in Spain and the leading one in the Basque region. The group's cooperatives operate throughout the world, with 141 production plants in 37 countries, commercial business in 53, and sales in more than 150 countries⁴.

From the extensive literature on Mondragon that I have reviewed, it seems that all the cooperatives' characteristics listed in Section 1.3 above, (Pérotin, 2012; 2014) generally also apply to the Mondragon.

My general approach in Sections 3 to 6 below is to start by presenting quantitative information in the form of graphs and tables as based on the Mondragon Annual Reports 1998-2019 (from 2010 onwards the amount of information in these reports decreases). The outline is restricted to observations (indirect ones based on the Mondragon annual reports and the literature that I reviewed), without normative judgements.

I will not go into the early history of Mondragon, and merely note that its first cooperative was founded in 1956 (see further Mondragon, n.d., and e.g., Bretos, Errasti and Marcuello,

³ See ICA and Euricse (2020: 62), which is about the world's top 300 cooperatives. (The worker-owned enterprise John Lewis Partnership PLC (UK) ranks second).

⁴ <https://www.mondragon-corporation.com/en/about-us/> (accessed 15 May 2021).

2019a; Barandiaran and Lezaun, 2017). The core section 6 focuses on Mondragon's way of employment in face of globalising capitalism's competition (2001-2019). To put this into perspective, three brief sections set out Mondragon's general principles and its governance and remuneration structure (Section 3), its 1983-2019 general employment performance as compared with that of Spain and the aggregate of OECD countries (Section 4), and an overview of its employment and sales by the Mondragon division (Section 5). When below I use the term "cooperative(s)" without adjective, this refers to "worker cooperative(s)".

3. Mondragon's general principles and its governance and remuneration structure

3.1. The ten 1987 principles of Mondragon

At Mondragon's Cooperative Congress of 1987, the federation's "basic principles" were approved⁵. Below, these are taken over from Barandiaran and Lezaun (2017: 281-282, with some textual changes).

- i. *Free membership*: for cooperatives that want to be part of Mondragon there are no barriers to membership, provided they respect its basic principles;
- ii. *Democratic organisation*: equality of worker-members, expressed in the election of the cooperative's representative bodies (one member, one vote);
- iii. *Sovereignty of labour*: labour is the transformative factor in society and in human beings and is therefore the basis for the distribution of wealth;
- iv. *The instrumental and subordinated character of capital*: capital is an instrument, and should be subordinated to labour;
- v. *Self-management*: worker-members should be provided with opportunities and mechanisms to participate in the management of the cooperative;
- vi. *Pay solidarity*: a fair and equitable return for labour;
- vii. *Inter-cooperation*: a commitment to cooperation among the individual cooperatives;
- viii. *Social transformation*: a commitment to transform society by pursuing a future of liberty, justice, and solidarity;
- ix. *Universalism*: the Mondragon constellation is part of the broader pursuit of peace, justice, and development of the international cooperative movement;
- x. *Education*: a commitment to dedicate the necessary human and economic resources to cooperative education.

⁵ Mondragon (n.d.), history.

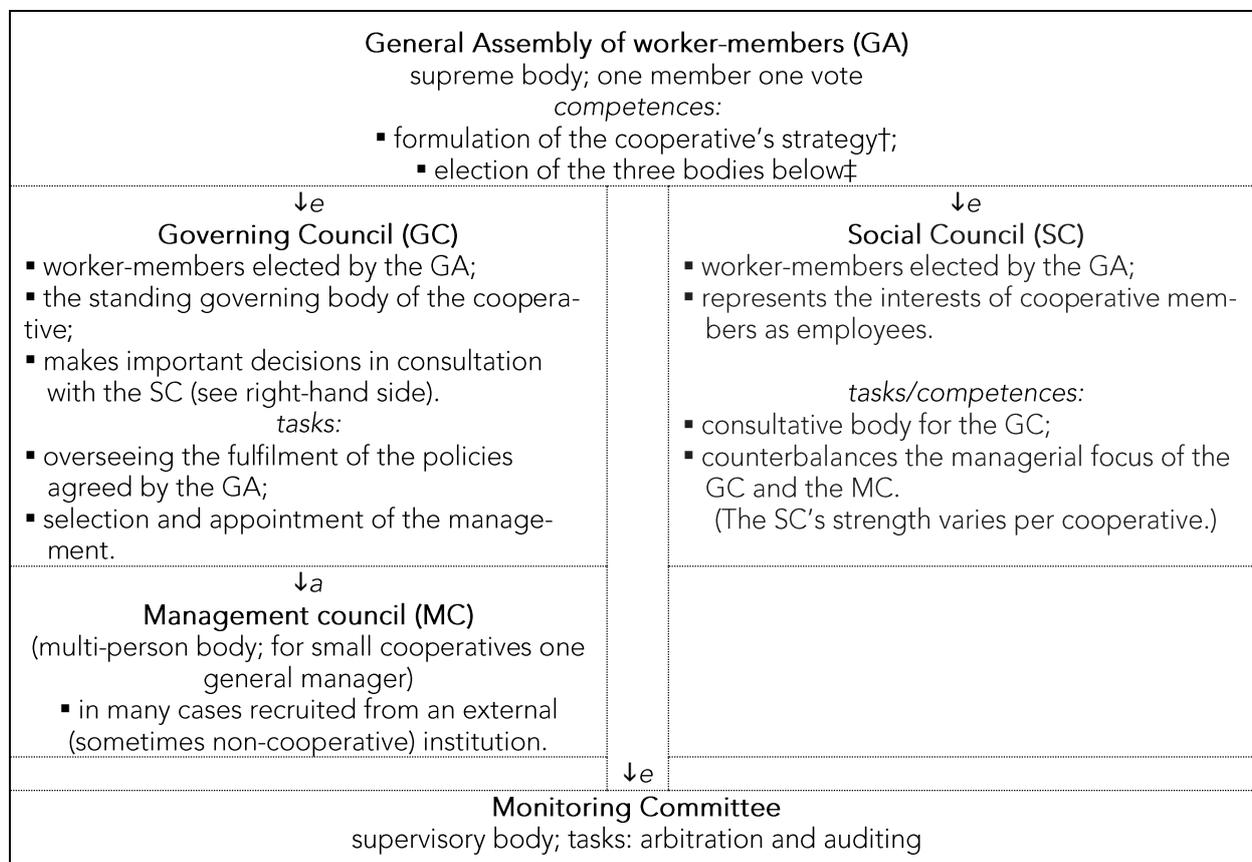
Barandiaran and Lezaun (2017: 282) remark that “while the founding generation saw these ten principles as the enunciation of a lived experience of cooperative life, younger cohorts of worker-members increasingly treat them as part of Mondragon’s corporate self- presentation”.

3.2. The governance structure of the Mondragon cooperatives

Mondragon consists of about 100 individual worker-owned cooperatives (recent years) and an umbrella organisation which is also a cooperative, the individual cooperatives being its members. Formally, this umbrella organisation has the somewhat confusing name of “Mondragon Corporation”. Following Ugarte, the former president of Mondragon International, I will often use the term “Mondragon federation” (White, 2015).

Each individual cooperative is an autonomous and legally independent entity; its membership of the Mondragon federation is a voluntary choice. Worker-members of individual cooperatives create the entity, or join it, by contributing an amount of capital. The amount of contribution is decided by each cooperative’s General Assembly and it varies by cooperative. Figures 4 and 5 set out the organisational template for the individual Mondragon cooperatives and the Mondragon federation.

Figure 4 - The organisational structure of individual Mondragon cooperatives (↓e stands for elect; ↓a stands for appoint)



† “Every significant strategic or social issue – such as an acquisition, extended work hours, or a salary reduction in an economic downturn – must be voted on in the General Assembly” (White, 2015: 2).

‡ “With the exception of the most senior executive position, all the other members of these bodies are elected on an unpaid basis and for a specific term of office” (Mondragon, 2009: 53).

Sources: Compiled based on Mondragon (2009: 53); Barandiaran and Lezaun (2017: 283).

Figure 5 - Main organisational structure of the Mondragon Corporation (from 1991) (↓e stands for elect; ↓a stands for appoint)

Mondragon Corporation		Sector groups of individual coops
Cooperative Congress (CC) <ul style="list-style-type: none"> ▪ body that ultimately decides on the Mondragon policy; ▪ meets at least once every four years; ▪ the 650 delegates to the CC are chosen by the members of the individual cooperatives. 		An individual cooperative’s membership of Mondragon is a voluntary choice; it is also free to quit.
		The Governing councils of individual co-operatives (Scheme 4) elect a “ sector council ” (sectors such as construction, industrial automation or retail)‡
		↓e
Standing Committee of Mondragon (SCM)† <ul style="list-style-type: none"> ▪ oversees the implementation of the policies agreed by the Congress; ▪ appoints the council below. 	←e ←a	Sector councils <ul style="list-style-type: none"> ▪ joint councils elect SCM members (at least 50%) and appoint other members.
		Sector groups are organised in four divisions (finance, industry, retail, knowledge).
↓a		
Mondragon General Council <ul style="list-style-type: none"> ▪ executive body of Mondragon; ▪ consists of a president, vice-presidents representing the divisions, and managing directors. 		
↓a		
Operational Management		

† In 2019, it had 19 voting members (Mondragon, 2019: 8).

‡ The councils also appoint a management of the sector group (manages central services for a group).

Sources: Compiled on the basis of Mondragon (2009: 52); Barandiaran and Lezaun (2017: 283); Surroca, Garcia-Cestona and Santamaria (2006: 8).

3.3. Salary differences, paid-in capital, and inter-cooperative solidarity funds

The first three points below regard worker-members of the Mondragon cooperatives (Section 6 expands on non-members). As in most of the Mondragon sections, I begin with information from inside Mondragon. The information below is from a 2015 interview with Josu Ugarte, then president of Mondragon International (Pizzigati, 2015).

- The maximum salary differences within the individual Mondragon cooperatives amount to 1:6⁶. (For the corporations listed in the Spanish IBEX 35 stock market index the average compensation difference is 1:105 [around 2015]).

⁶ According to Barandiaran and Lezaun (2017: 284), the maximum ratio is 9:1 in gross terms, the after-tax ratio being close to 1:6.5. According to Herrera (2004: 7), the before-tax ratios range from 3:1 to 9:1 in

- The lowest paid Mondragon associate makes in 2015 about 28,000 EUR [in 2015 this was three times the Spanish minimum wage]⁷.
- The maximum compensation difference *between* cooperatives is 38%. This implies that between cooperatives the compensation difference for a top manager cannot exceed 38%.

Interviewer: "So where do your executives come from?" Ugarte: "We give a lot of training for our people ... In this environment, we get all our executives from inside. We promote from within⁸. We have more than 100 Mondragon cooperative companies and over 240 associated entities, so we have a lot of opportunities in different companies to promote. We have many people moving inside Mondragon". Interviewer: "Mondragon operates within a globalized world economy. What would happen if executives within Mondragon started arguing that your enterprise could no longer be globally competitive with a one-to-six pay gap?" Ugarte: "To modify the gap would take a vote in the General Assembly, our cooperative's congress. So it would not be easy to have the congress of Mondragon approving this kind of modification".

- To become an associate of a cooperative, a worker-member has to pay in capital. "We are all owners. As cooperativists, we all have capital, equity, in our company. This equity starts now with 15,000 EUR (2015)". Cooperatives allow this sum to be paid in 24 monthly instalments from the worker's salary⁹. "This equity grows over time, as our enterprises within Mondragon have profits. So we have, in effect, three kinds of income at Mondragon: our salaries, the growth in our equity in the company, and the interest Mondragon pays on that equity"¹⁰.

The next information is similarly from a 2015 interview with Josu Ugarte (White, 2015).

- A quarter of the profits of each member-cooperative is used to support the well-being of the entire Mondragon federation. Of which three fifths is used to compensate losses experienced by other members, one fifth is used to support innovation by funding technology centres and university education, and one fifth supports an Investment Fund that helps members to internationalise their business. (The technology centres operate as cooperatives and help members to compete in an increasingly technology-driven global economy.) Between

different cooperatives and average 5:1. Flecha and Santa Cruz (2011: 161) write: "Currently, the top salary at MC is six times that of the lowest worker, except that a few CEOs may earn up to 9 times the salary of the ordinary worker. At most of the cooperatives the ratio is far lower". Arando et al. (2011: 30-31) write that from 2002 the maximum ratio is 8.9:1, but that most cooperatives maintain 5:1 as a maximum.

⁷ In 2015 the Spanish annual minimum wage stood at 9,080 EUR. <https://www.citizensadvice.org.es/faq/minimum-wage-for-2015-2016-2017-2018-2019-2020/>.

⁸ See also Arando et al. (2011: 35-37). However, Bretos, Errasti and Marcuello (2019b: 13) mention that from about 1990 onwards, "many Mondragon cooperatives have hired external managers who are more committed to efficiency than to the cooperative culture and social objectives".

⁹ These contributions are decided on by a cooperative's General Assembly and vary by cooperative.

¹⁰ When a worker-member retires, the nominal value of the capital paid in is reimbursed.

cooperatives, there is a commitment to employment relocation in case a cooperative goes bankrupt^{11|12}.

4. Comparative employment performance of Mondragon, Spain and the aggregate of OECD countries 1983-2019

Mondragon is organised in four main divisions: industry, retail, finance, and knowledge. Qua employment, the first two are the major ones (in 2019 together comprising 96% of the total). Many industrial cooperatives encompass production plants abroad (Section 5), which has gradually increased from 1989.

To put the next sections in perspective, the following two figures present for the period 1983-2019 Mondragon's total employment and its Spanish employment, in comparison with the employment of Spain and the aggregate of OECD countries.

Table 6 - Employment of Mondragon, Spain, and the aggregate of OECD countries: growth 1983-2019

		1983	2019	growth
1	Mondragon total employment	18,744	81,507	335%
2	Mondragon employment in Spain†	18,744	67,052	258%
3	Employment Spain (x 1000)	11,323	19,779	75%
4	Employment OECD countries (x 1000)‡	316,570	447,623	41%

† In 1983, all Mondragon employment was employment in Spain¹³.

‡ Regarding the 21 countries that were OECD members in 1983, and for which OECD data are available for the full period¹⁴.

Data sources: Columns 1983 and 2019, Rows 1-2: compiled from Mondragon annual reports 1998-2019; Rows 3-4: OECD Statistics: <https://stats.oecd.org/> (accessed 13 May 2021): Labour/Labour force statistics/Annual LFS/Summary tables/Employment.

Thus, whereas in the period 1983-2019 the Mondragon employment *in Spain* outran that of Spain by a factor of 3.4, it outran that of the OECD countries by a factor of 6.3. Comparatively this is rather successful. Mondragon also created employment abroad

¹¹ On the "profit pooling" and the employment relocation, see also Arando et al. (2011: 33-35).

¹² Next to the profit allocation above, there are also general rules for the allocation of the remaining part of profits within individual cooperatives – the largest part of these profits stays in the cooperatives (see Flecha and Santa Cruz, 2011: 160).

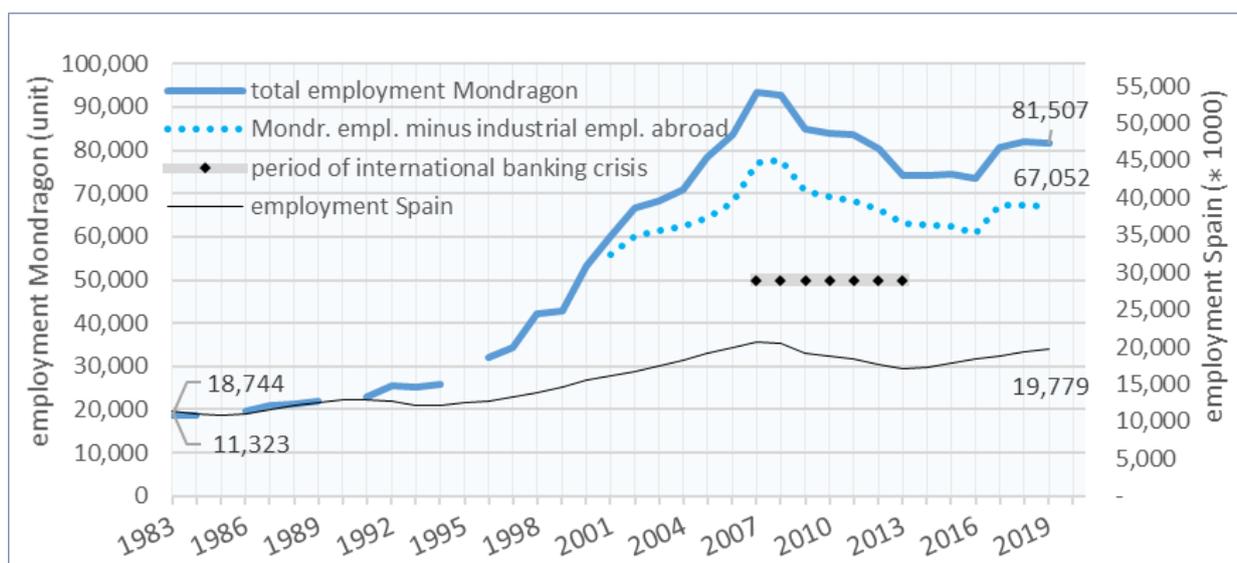
¹³ Mondragon's first production plant abroad dates from 1989 (Luzarraga, 2008: 82). In 1995, there were five plants abroad (Errasti et al., 2003: 558) and towards 2019 their number had grown to 141. In 2019, 82% of the total Mondragon employment is employment in Spain.

¹⁴ These 21 countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, UK, and USA. For individual countries, the growth percentages range from 8% (Finland) to 113% (New Zealand), Spain ranks in the top 6 with 75%. The countries that were members in 1983 but for which early data are missing are Luxembourg, Switzerland and Turkey.

(Table 6, row 1 minus row 2), but to an unknown extent this also applies to Spain and the other OECD countries.

Graph 7 shows the development of Mondragon's employment from 1983, together with Spain's employment calibrated on 1983¹⁵.

Graph 7 - Total and Spanish employment in Mondragon, in comparison with that of Spain: 1983-2019



Note: The total Mondragon employment includes employment abroad. The dotted line shows the total minus the industrial employment abroad. Note that because the scale of Spain's employment is 1,000 times larger than Mondragon's, Spain's variations are less visible.

Data sources: Employment Mondragon: Compiled from Mondragon annual reports 1998-2019. Data from before 1998 were collected from these reports when they were given, whence before 1998 there are some data gaps. Employment Spain: OECD Statistics (as for Table 6).

Graph 7 shows that compared with Spain, Mondragon took longer to recover from the international banking crisis and its aftermath, which has to do with the different sector composition of the Spanish economy and Mondragon (see the first sentence of the current section).

5. Mondragon's employment and sales by division: general overview 1996-2019

The period considered in this and the next section is marked by two issues. First, a moderate recession in 2001-2002 and the banking crisis-induced "great recession" of 2008-2013, which in many European countries (including Spain) moved over to a sovereign debt crisis (2014-2016) with a recessive government expenditure cutback that resulted in a continuation of the downturn in sales and employment (it will be seen in

¹⁵ The first Mondragon cooperative was founded in 1956. In 1968, the group's then existing cooperatives encompassed about 6,000 worker-members (Mondragon, n.d., history). Thomas and Logan (1982: 46-47) provide data on the employment in industrial cooperatives in the period 1956-1977.

Section 6 why the sales of the retail division slugged beyond this period). Second, an increasing internationalisation of Mondragon’s industrial division that will be amplified on below.

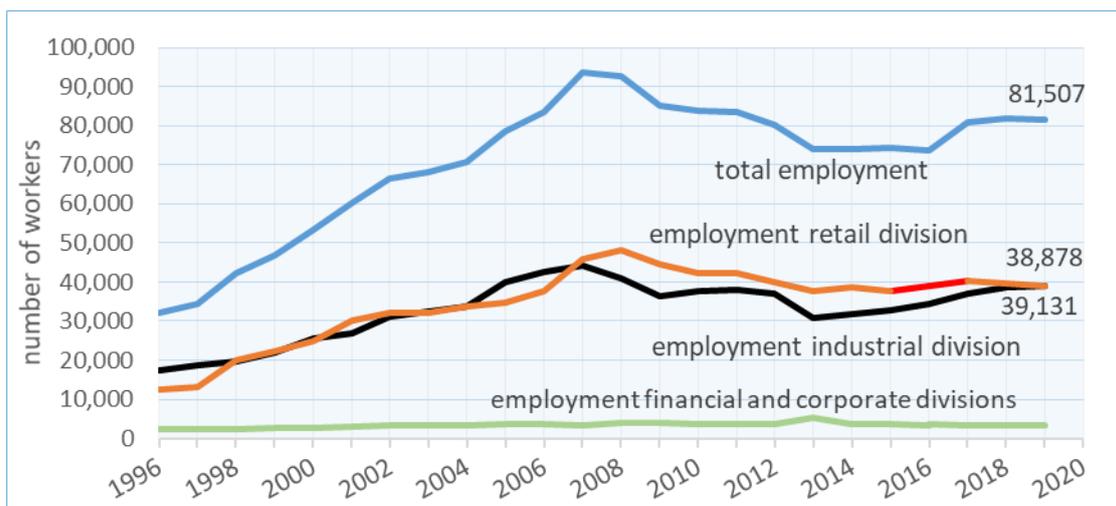
The current section provides a general overview of the employment and sales during 1996-2019. The next section treats details of the types of employment.

5.1. Mondragon’s employment by division 1996-2019

As previously mentioned, Mondragon is organised in four divisions: industry, retail, finance, and knowledge. The financial division includes banking, insurance, and social security, and the knowledge division includes technology centres as well as other knowledge-related cooperatives including a university – this last one is also indicated as the corporate division.

Graph 8 shows the course of Mondragon employment during 1996-2019. The top line (total employment) is the sum of the three bottom lines (divisions).

Graph 8 - Employment in Mondragon Corporation by divisions 1996-2019



Data sources: Compiled from Mondragon annual reports 1996-2019. The figures for the financial and corporate divisions are derived (total minus retail and industrial). The figure for the retail division 2016 has been interpolated because for that year the annual report provides no datum.

5.2. Mondragon’s industrial and retail sales 1996-2019

This subsection provides information on the sales of Mondragon’s retail and industrial divisions. Graphs 9 and 10 show their sales from 1996-2019, focusing especially on the international sales, which in the Mondragon annual reports includes not only exports but

also sales by subsidiaries abroad¹⁶. Throughout this period, many of the industrial cooperatives increasingly opened subsidiary production plants abroad.

As for Graph 8 (employment), the post-2007 period shown in Graph 9 reflects the aftermath of the international banking crisis and the sovereign debt crisis.

Graph 9 - Mondragon's retail and industrial sales (with the latter's share of international sales) 1996-2019



* Industrial international sales regard exports plus sales generated from production plants abroad.
Data sources: see Graph 8.

Graph 10 shows that from 1996-2019 Mondragon's proportion of the industrial international sales (exports, and sales of subsidiaries abroad) in the total industrial sales increases considerably. For exports this trend set in during the run-up to Spain's accession to the European Union (at the time the "European Economic Community") in 1986; foreign subsidiaries were opened from 1989.

Graph 10 – Mondragon's industrial international sales proportions 1996-2019



Date source: Compiled from Mondragon annual reports 1998-2019. Data for 1996-1997 are from the 1998 report. For the year 2007, I used the data as revised in the annual report of 2008.

¹⁶ See, e.g., the annual report (1998: 17).

The Mondragon annual reports provide alas no separate information on the amount of sales (or employment) by cooperatives, as distinct from their subsidiaries. Table 11 collects all the available information in the annual reports on the number of Mondragon cooperatives and subsidiaries (the 2016-2019 reports provide no information on this). Foreign subsidiaries (column 3) regard mainly industrial production plants¹⁷. Home subsidiaries regard mainly retail entities.

Table 11 – Number of Mondragon cooperatives and subsidiaries 1998-2015

	cooperatives	subsidiaries			
		total: national & international†	production plants abroad	proportion foreign over total	proportion total over no. cooperatives
	(1)	(2)	(3)	(4)	(5)
1998	note‡		17*		
1999			23		
2000			26		
2001			34		
2002					
2003			38		
2004			48		
2005	108	138	57	41%	128%
2006	107	126	65	52%	118%
2007	106	136	69	51%	128%
2008	106	129	73	57%	122%
2009			75		
2010			77		
2011	111	143	94	66%	129%
2012	110	147	105	71%	134%
2013	103		122		
2014	103		125		
2015	101◊		128		
2020	96		141		

¹⁷ In 2012 – the last year for which this information is available – the retail division had no subsidiaries abroad; some time earlier, it had 22 establishments in France.

† Some of the national subsidiaries are “mixed cooperatives” – see Flecha and Ngai (2014: 673-676) and Bretos, Errasti and Marcuello (2019a: 16). A “mixed cooperative” is in principle self-governing, but the parent cooperative is a shareholder (which should safeguard its original financial investment).

‡ Luzarraga (2008: 144) mentions that 14 industrial cooperatives were founded during 1956-1966, and 80 during 1965-1983.

* Mondragon’s first production plant abroad dates from 1989 (Luzarraga, 2008: 82). In 1995, there were five (Errasti et al., 2003: 558).

◊ Bretos and Errasti (2018: 5) mention that in 2015 the industrial division alone consisted of 68 cooperatives of which about half controlled a total of 128 subsidiaries abroad, all of which are non-cooperative entities. Bretos, Errasti and Marcuello (2019a: 7) indicate for the year 2016 the same number of industrial cooperatives as controlling 140 subsidiaries abroad.

Data sources: 1998-2015: Compiled from Mondragon annual reports (no information for 2016-2019); 2020: Mondragon (n.d., About us).

Table 11 shows that from 1998-2015 the number of production plants abroad (subsidiaries) increased by a factor of 13 (from 17 to 128), exceeding the total number of cooperatives (industry and retail) from 2013. The table also shows, perhaps more remarkably, the large number of subsidiaries in Spain (column 2 minus column 3), a large amount of which are subsidiaries of the retail cooperative Eroski¹⁸.

Regarding the number of cooperatives in column 1: one main cooperative went bankrupt – Fagor Electrodomésticos – in 2013; other declines in the number may result from mergers between cooperatives, or from cooperatives leaving Mondragon. Errasti, Bretos and Nunez (2017: 4) mention that prior to the Fagor case, the Mondragon group “had an excellent survival record of firms with practically no demise”.

6. Mondragon’s way of employment in face of globalising capitalism’s competition: 2001-2019

This section – the core one of the paper – returns to the Mondragon employment. Its focus is quantitative, complemented by qualitative information from the literature. As before, the quantitative information is mainly based on the Mondragon annual reports. Although in terms of employment (and most of the time also in terms of sales) the retail and industry divisions are roughly the same size, for reasons unknown to me the reports devote relatively minor space to the retail division – also regarding data.

6.1. Types of employment by the Mondragon entities

As an introduction to, and organising framework for, the remainder of this section, Table 12 outlines Mondragon’s main legal entities and their types of employment. The legal entities range from “straight worker-owned cooperatives” and “hybrid cooperatives” to

¹⁸ In 2019, the number of its subsidiaries amounted to 27 (Eroski Group, 2020: 15). In that year, the group encompassed 36% of the total Mondragon employment. (For comparison: this is as much as 74% of the employment of the national and international industry division.)

“non-cooperative subsidiaries”. The types of employment range from those of “worker-members” to various kinds of “temporary employment”.

Table 12 - Main Mondragon legal entities and their types of employment†

	employment by legal entity	possible types of employment					
		full or partially worker-owned					subs.
		(1)	(2)	(3)	(4)	(5)	(6)
		ownership related: worker-members	voluntary non-members	aspirant worker-members on probation	temporary worker-members	other temporary employment by cooperatives	fixed or temporary employment by subsidiaries
	WCs (straight) and hybrid cooperatives						
1	straight worker-owned cooperatives (WCs)	x	x	x	x	x	
2	hybrid worker- and consumer-owned cooperatives: applies to most of the retail division	x	x	x	x	x	
3	hybrid worker-owned cooperative: mixed parent WC-owned and local worker-owned	x	x	x	x	x	
	subsidiaries of WCs						
4	<i>partial subsidiary</i> : mixed ownership by parent WC and other (non-worker) co-owning financiers						x
5	<i>full subsidiary</i> : parent WC-owned						x
6	<i>full subsidiary variant</i> : idem, with local workers' participation in the management						x

† Rows 2 and 3 show the main cooperative mixtures.

Remarks on Table 12.

- *Row 1. Straight worker-owned cooperatives (WCs).* Applies (towards 2019) only to cooperatives in Spain.
- *Row 2. Hybrid worker- and consumer-owned cooperatives.* Applies to the major part of the retail division (Spain), specifically to the Eroski Group, which in 2019 together with its subsidiaries employed 36% of the total Mondragon employment (Eroski Group, 2020: 11 and 15).
- *Row 3. Hybrid worker-owned cooperatives: mixed parent WC-owned and local worker-owned.* Applies currently only to (part of the) cooperatives in Spain. These mixed cooperatives are in principle self-governing, but the parent cooperative is

a shareholder, which should safeguard its original financial investment (Flecha and Ngai, 2014: 673-676)¹⁹.

- *Row 4. Partial subsidiary: mixed ownership by parent WC and other (non-worker) co-owning financiers.* These co-financiers can also be (non-parent) other Mondragon cooperatives. Applies to domestic subsidiaries, though currently mainly to industrial subsidiaries abroad (Arando et al., 2011: 28-29).
- *Row 5. Full subsidiary: parent WC-owned.* Applies to domestic subsidiaries, though from about 2011 predominantly to industrial subsidiaries abroad.
- *Row 6. Full subsidiary: parent WC-owned; variant with local workers' participation in the management.* Regards domestic and foreign subsidiaries, in application of Mondragon's "corporate management model" (Flecha and Ngai, 2014: 676-678; regarding foreign subsidiaries see also Bretos and Errasti, 2018: 10).
- *Column 1. Ownership related: worker-members.* The next two subsections (6.2 and 6.3) expand on the proportion of worker-members.
- *Column 2. Voluntary non-members.* Workers may refrain from membership in face of the capital to be paid in, and other cooperative duties such as payment reduction in an economic downturn. Fixed contracts for these non-members are not excluded (this is practiced in especially the retail division).
- *Column 3. Aspirant worker-members on probation.* This is a functional type of employment, as aspirant worker-members have to fit the collaborative and governance culture of the regarding cooperative (mentioned by Flecha and Santa Cruz, 2011: 161; see also Arando et al., 2015: 6-7). In periods of considerable employment growth (such as from 1999-2007) this category will be substantial.
- *Column 4. Temporary worker-members.* This category was created in 1993. The duration of this membership is a maximum of five years, and no more than 20% of a cooperative's full membership can consist of temporary members. These enjoy most of the same rights as full members (they share in surpluses based on the individual's salary, and may vote for and can serve on elected bodies) – their membership fee is 10% of the full membership fee. However, they do not have job security (Arando et al., 2011: 32; Flecha and Santa Cruz, 2011: 161).
- *Column 5. Other temporary employment by cooperatives – mentioned by, e.g., Barandiaran and Lezaun (2017: 287).* This category, and the following one, has evoked critical attention from inside Mondragon²⁰ and from other commentators²¹.
- *Column 6. Fixed or temporary employment by subsidiaries.* There is an enormous amount of literature on this category. Some of it will be referred to in the next two subsections.

¹⁹ The authors remark that "the creation of mixed cooperatives brings the Mondragon cooperatives closer to their aim of not only expanding their economic activities but also their cooperativist values and culture" (Flecha and Ngai, 2014: 674).

²⁰ Referred to by e.g. Arando et al. (2011: 18-19).

²¹ See the references by Heras-Saizarbitoria (2014: 4), and more recently Kashmir (2016a and 2016b) – see also the comment on her 2016b by Santa Cruz and Alonso (2016).

Generally, a handicap for the current section is that on the column categories above, “precise longitudinal data are hard to come by” (Arando et al., 2011: 17).

The following two subsections take the retail and industrial cooperatives separately. On the two together, the authors just quoted mention that by 1990 non-member workers in cooperatives comprised 10% of the total (p. 18), and that, at least by 2011, these “receive an annual profit share of, at a minimum, 25% of the share a worker-member at the same pay grade would receive” (p. 18).

6.2. Retail cooperatives: worker-members and other employment

Mondragon’s retail division consists of two cooperative groups: the Erkop Group and the Eroski Group²². In face of the available data I focus below on the latter, which in 2019 encompasses about 75% of this division’s employment. Herewith Eroski is the largest cooperative group of Mondragon *in toto* (in 2019 it employed 36% of Mondragon’s total employment). In Deloitte’s world top 250 largest retailers it ranks 193rd with a revenue of 5.3 billion USD in 2018 (Deloitte, 2020: 19)²³. Eroski is a hybrid worker- and consumer-owned cooperative²⁴. Its Governing Council is made up of 12 members elected by the General Assembly; half of these come from the group of consumer-members, and the other half from the group of employees. The General Assembly is composed jointly by 250 Consumer Partner representatives and 250 Employee Partner representatives (Eroski Group, 2020: 26).

Whereas the Mondragon annual reports from 2006 present information on the percentage of cooperative worker-members of the *industrial* division (see the next subsection), the information on worker-members in cooperatives of the retail division is scarce. For this division only four data on the proportion of worker-members are provided (2002 and 2003 each 41%; and 37% in 2005; for 2013 there is one datum on the Eroski group: 34%).

Graph 13 presents – based on other sources – information on the proportion of worker-members in Eroski’s total employment. The incomplete top line of this graph is the sum of the two bottom lines (also incomplete). Before commenting on these, it is relevant to note first that the Eroski Group was heavily hit by the 2007/2008 banking crisis and its aftermath (that applies to most enterprises) especially because of its enormous amount of debt-financed acquisitions just prior to it – the burden of which required 15 years of

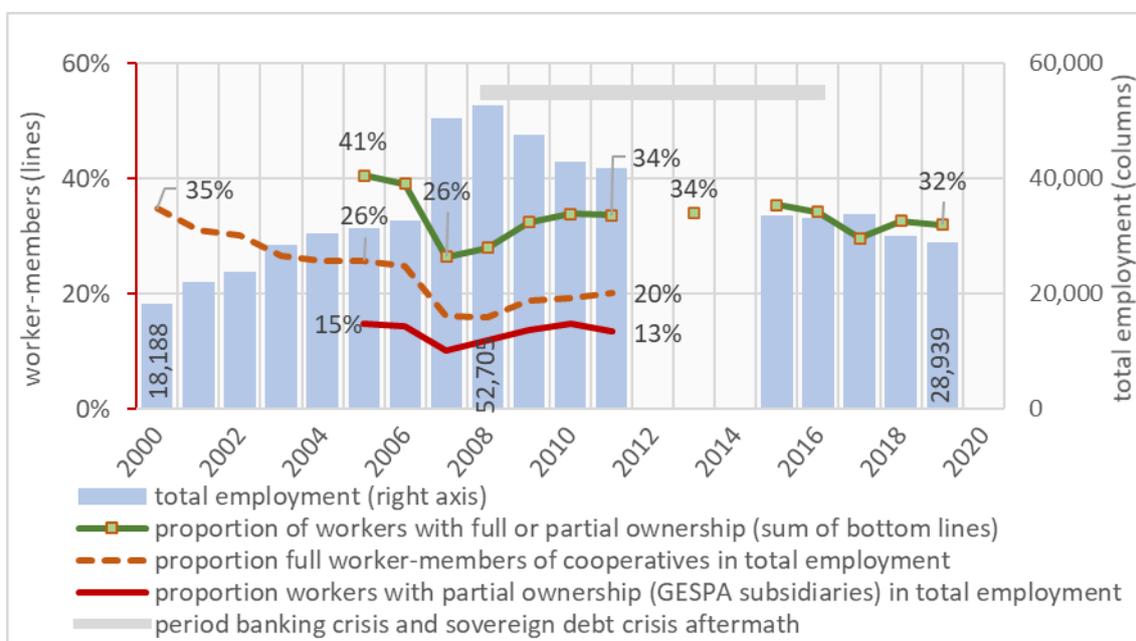
²² In the academic literature that I have seen, there is hardly any information on the Erkop Group apart from that it operates in the agri-food and services sectors. Its website mentions that it encompasses four cooperatives with a total employment of 9,500 persons (<https://erkop.coop/>; accessed 20 February 2021).

²³ In that year it ranked as the 5th largest retailer in Spain. In 2009 it was the 3rd largest in Spain, with a 76th place on the Deloitte ranking (Arando et al., 2011: 9).

²⁴ However, it tends to advertise itself as a consumer cooperative. Which is not odd given that (in 2019) it had next to 9,258 “Employee Partners”, 1,228,830 “Consumer Partners” (Eroski Group, 2020: 24).

continuous restructuring (reflected in the employment downfall shown in the blue columns of the graph)²⁵.

Graph 13 - Proportion of worker-members in the retail division employment: Eroski Group, 2000-2019



Data sources: 2000-2011: Storey, Basterretxea and Salaman (2014: 12); 2015-2019: Eroski Group (2020)²⁶. The 2013 datum is from the Mondragon annual report.

Along with the mentioned acquisitions (mainly non-cooperative subsidiaries) the proportion of the worker-members dropped from 41% in 2005 to 26% in 2007 – see the top line. The acquisitions accelerated in 2007-2008, but had continuously moved up in the period before it – see the blue columns 2000-2006. Arando et al. (2011: 19) mention that the acquisitions (starting in the 1990s) were a “response to competitive pressures, especially from large French chains”, whence “the need to expand quickly and substantially ... was pressing”, and that “Eroski felt it was potentially too slow, risky, and complicated to expand by using cooperative legal structures”.

Next to the regular (full) worker-owners/members of its cooperatives (the dotted line in Graph 13), Eroski established in the late 1990s a voluntary, partial employee-ownership structure – called GESPA (see the bottom line of the graph) – aiming for these to become

²⁵ The debt finance was in 2019 still a big problem. The Eroski annual report (2020: 22) mentions “a restructuring agreement for its financial debt to banks’ giving financial coverage until 2024 ... without the obligation to make divestments”.

²⁶ After comparing the Storey, Basterretxea and Salaman (2014) data for the total employment (columns) with those of the total Retail Division as stated in the Mondragon annual reports (in FTE), it seems that the Storey, Basterretxea and Salaman (2014) data are in “persons” rather than FTE. (For a number of years – e.g. 2008: 29 – the Mondragon reports provide both data, each for Eroski and Erkop separately.) Supposing that the Storey, Basterretxea and Salaman (2014) membership data are also in persons, this may not affect the membership percentages very much.



full members at a later stage (Arando et al., 2011: 20)²⁷. The year 2017 was the last time that in the Eroski annual reports the GESPA category was mentioned (with a minor number of 486), which – given the worker-member percentages of the (broken) top line of Graph 13 – probably means that the former partial members have become full members (as was the intention). Flecha and Ngai (2014: 676) mention that in face of concern about worker participation in its subsidiaries, it was decided at the group’s “General Assembly in 2009, by a vote of 77.5%, to offer all workers at its related capitalist companies [subsidiaries] the opportunity to become worker-owners in mixed cooperatives”. (According to the annual report from 2019, all the Eroski cooperatives are mixed worker-consumer cooperatives.)

I consider that this opportunity for all workers to become worker-owners in the mixed cooperatives is an important principle, one that does not apply to much of the industrial division. Nevertheless the current worker-member percentage of just over 30% seems very low. This may have to do with the branch and with the capital that full members have to pay-in (which in 2009 amounted to about 30% of the average annual remuneration in an Eroski store – Arando et al., 2015: 7). But even if the latter were no hindrance, given that Eroski allows the capital to be paid in five-year instalments, general risk aversion – including possible wage decreases for members amid an economic downturn – might be a hindrance.

Finally, I mention from the annual report 2019 that 76% of the employees had a permanent contract; the salary range of the group was 1:8.2; the minimum salary was 8.6% higher than the minimum inter-professional salary in Spain; and there is no salary difference between men and women (Eroski Group, 2020: 56-59 and 64-65).

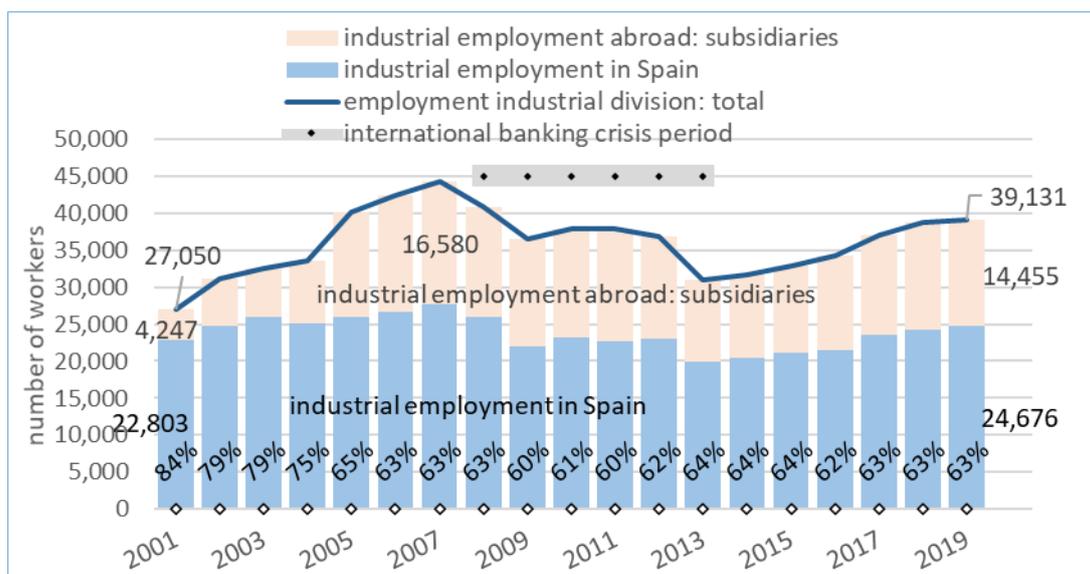
6.3. Industrial cooperatives: worker-members and other employment

In 1989 two of Mondragon’s industrial cooperatives started to locate production abroad and since then their number and the number of foreign locations has steadily increased (Section 5.2, Table 11, column 3). Before getting to the proportion of worker-members in the industrial cooperatives, some preparatory information is provided.

National and international employment of the industry division. Graph 14 shows the national and international employment of Mondragon’s industry division from 2001-2019. The reason why this graph does not (and cannot) provide information on employment within industrial cooperatives will be explained later.

²⁷ Arando et al. (2015: 8-9) mention that the (non-full) GESPA members require a membership capital stake that is about half as large as in a cooperative; this represents about 25% of the average annual earnings for workers in a GESPA store. They also mention that “membership in GESPA, as with membership in cooperatives, provides what is effectively 100% job security – no GESPA members have ever been laid off, and in the few instances of GESPA store closures, members have always been offered alternative employment nearby”.

Graph 14 - National and international employment of Mondragon's industry division 2001-2019



Note: Regarding "Industrial employment abroad", data are available for 2012-2019. However, for 2001-2011 there are data on the total employment abroad. I have used these as a proxy for the industrial employment because the foreign retail employment is relatively minor²⁸.

Data source: Compiled from Mondragon annual reports 2001-2019. The data for the year 2007 are those as revised in the annual report of 2008.

From the percentages at the bottom of Graph 14 we see that in 2006 and 2007, just prior to the banking-induced recession, the international industrial employment share stood at 37% (-63%). During the recession period it increased to a maximum of 40% (2011). From 2017-2019 it is back to the 37% level. Thus, in a way the international subsidiaries modified the recession's employment downturn for Mondragon as a whole (there are quite a few subsidiaries in countries that were not/less hit by the banking crisis) – at least until 2013. From 2007 to 2013 the industrial employment abroad dropped from 16,580 to 11,012 (-34%). In the same period home employment dropped from 27,700 to 19,889 (-28%).

International employment strategy in face of economic globalisation. The total industrial employment increased by 45% from 2001 to 2019. In the same period the national Mondragon industrial employment increased by 8%, and the international employment more than tripled (growth 240%). These figures reveal the employment strategy in this period by about half of the industrial cooperatives, that is, to found or acquire subsidiary companies abroad, with the intention of maintaining the home cooperative employment. This strategy was quite independent of the "great recession", as can be seen from the run-up to the foreign top employment in 2007 (16,580 workers). It was rather the general response – from the last decade of the twentieth century – of multi-nationalising cooperatives to international competitive pressures in face of economic globalisation²⁹.

²⁸ Moreover, I have adopted the information by Bretos and Errasti (2018: 5) that there are no Mondragon cooperatives abroad (only subsidiaries). However, at least in the annual reports this is never explicitly stated (nor denied).

²⁹ Two cooperatives multi-nationalised in 1989, and in 2006 their number had grown to 25 (Luzarraga, 2008: 81-82). In 2015 "about 30 industrial co-ops (out of a total of 68) are multinational companies that control 128 productive subsidiaries abroad, all of which are non-cooperative firms" (Bretos and Errasti, 2018: 5).



Ugarte, the former president of Mondragon International, remarks on it in a 2015 interview: “We have compared our companies that invest abroad with the companies that stayed in the Basque country. Our multi-localised companies increased all their figures, and the companies that did not multi-localize lost employment at home”³⁰³¹. When asked about the salaries of these workers abroad, Ugarte replies: “For the worker salaries, we pay higher than the local society norm. We always pay higher than the prevailing wage” (Interview by Pizzigati, 2015: 4).

The objective of the Mondragon international employment in service of the parent cooperatives’ employment is often stated as a distinguishing characteristic in comparison with multi-nationalising mainstream capitalist enterprises – the latter being indifferent as to where workers produce the surplus that capital owners appropriate. Obviously, worker-owners of cooperatives are not indifferent, as relocation would affect their job (the same applies for workers in mainstream enterprises, but they do not decide).

Ugarte: “Employment creation and preservation, at whatever scale, is deeply embedded in the culture of coops. When workers are owners, closure of any operation – even one with limited profitability – is a last resort, pursued only when a facility endangers the survival of the larger enterprise. ... When opportunities arise in another country, Mondragon’s strategy is not to relocate an existing facility there, but, instead, to maintain the Spanish operation and to acquire or build a new facility abroad. This is quite different from the behaviour of US and UK companies, for example, which have been moving domestic operations overseas for decades” (Interview by White, 2015: 3-4). Errasti, Bretos and Nunez (2017: 8) confirm that for the most part only production that was no longer profitable or feasible in the parent cooperative was transferred to foreign subsidiaries. Similarly, Bretos and Errasti (2018: 8) indicate that “unlike the offshoring model practiced by many capitalist multinationals, the Mondragon cooperatives have expanded ... [in] new emerging markets, without that meaning the closure of plants and the destruction of jobs in the Basque Country”. On this multi-national employment strategy, see also Luzarraga (2008: 408-424), Flecha and Ngai (2014: 668-669), and Bretos, Errasti and Marcuello (2019b: 5-6, 10-11, and 17).

Non-cooperative international subsidiaries. In principle, multi-nationalising parent cooperatives might have, for the legal structure of the foreign settlements, the four options indicated in rows 3-6 of Table 12 (Section 6.1). It is understandable that worker-owners of the parent cooperative (these decide on a foreign settlement) wish to safeguard their original financial investment. That might be the case when the settlement’s legal structure has the form of a mixed cooperative that is jointly owned by the parent cooperative and the local workers (row 3 of Table 12) – which would contribute

³⁰ Flecha and Ngai (2014: 670) mention that between the periods 1990-1995 and 2005-2010 employment in non-internationalising cooperatives decreased by 11%, whereas it increased by 170% in the home cooperative of internationalising cooperatives.

³¹ It will be seen later that in 2006 the proportion of worker-members in industrial cooperatives was 82%. In reference to Ugarte’s statement of the relative performance of multi-localising cooperatives it is very interesting that Luzarraga (2008: 178) finds for this year (the single one studied) that the multi-localising cooperatives outperform the non-multi-localising ones in worker-membership: 84% versus 75%.



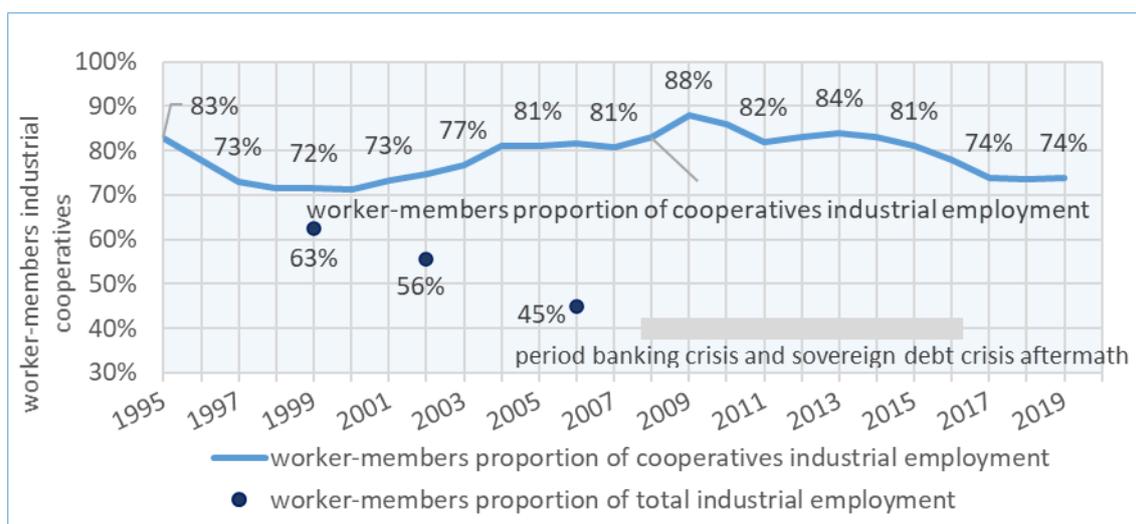
to the Mondragon principle of “development of the international cooperative movement” (Section 3.1, 9th principle).

Nevertheless, towards the end of the second decade of the twenty-first century, no foreign settlement has a cooperative form (Bretos and Errasti, 2018: 5). Apart from the possibility that some cooperative might not care for the 9th principle, two issues might hinder the foundation of a hybrid worker-owned cooperative (row 3 of Table 12). The first one is that many countries lack legal cooperative structures similar to those that apply to the Mondragon cooperatives’ ownership and governance. The second – in case the first does not apply – is that in a culture where worker-cooperatives are rare, the paying-in of capital and the possibility of wage decreases in an economic downturn (and other cooperative duties) pose even more of an obstacle than for many workers in a culture where worker-cooperatives are common, such as in Spain and, specifically, the Basque Region. (On each of these hindrances, see Flecha and Ngai, 2014: 671-672; Barandiaran and Lezaun, 2017: 286-287; Bretos, Errasti and Marcuello, 2019b: 15-16.)

Cooperative worker-members in the industrial division. Graph 15 shows the percentage of worker-members in industrial cooperatives from 1995 to 2019. The annual reports of Mondragon from 2006 mention these percentages under its “basic data” (for reasons that are unknown to me, these are not given for the retail division). However, the amount of employment in cooperatives is never stated (the same applies for the employment in subsidiaries), and therefore the proportion of worker-members in the total industrial employment cannot be calculated (comparable to Graph 13 for the retail division). Of the literature on Mondragon that I have seen, Luzarraga (2008) is the only author to trace the amount of employment in industrial cooperatives for a couple of years between 1999 and 2006. Combining this with data on the amount of worker-members (Luzarraga, Aranzadi and Irizar, 2007), the resulting three odd data are given at the bottom of Graph 15³². Given that in 2006 and 2019 the amounts of each of the Mondragon industrial employment in Spain (-7.5%) and abroad (-8.2%) do not deviate that much, the graph’s 45% of 2006 might be used as a very rough indicator for 2019.

³² Luzarraga (2008: 144) mentions that in 1994 (not shown in Graph 15) 85% of the total industrial workforce consisted of members.

Graph 15 - Proportion of worker-members in industrial cooperatives 1995-2019 (with an indication of their proportion in the total industrial employment)



Data sources: Top line 1995-2005: Arando et al. (2011: 19); 2006-2019: Mondragon annual reports 2006-2019. Data for “worker-members proportion of total industrial employment”: compiled from Luzarraga (2008: 70) and Luzarraga, Aranzadi and Irizar (2007: 21).

Regarding the top line of Graph 15 (the complement of which is the proportion of temporary workers and perhaps workers with a fixed contract), Arando et al. (2011: 19) note that during the 1990s, the industrial cooperatives group “began to emphasize the importance of minimizing the use of temporary workers and set a goal that a minimum of 85% of the coops’ internal work force should be made up of worker-members”³³. This goal was reached in 2009, but it is not unlikely that this was triggered by the “great recession”-induced redundancy of temporary workers instead of their adopting membership (from 2007 to 2009 the division’s employment in Spain dropped by 21% – cooperatives plus subsidiaries)³⁴. By 2017 the percentage of worker-members was back to the 2002 level, well below the intended minimum level of 85%.

Both from the side of the Mondragon federation and from the side of quite a few individual cooperatives, the amount of temporary workers in cooperatives as well as the legal form of subsidiaries has been seen to conflict with Mondragon’s initial cooperative values, or at least as a second-best practice in seeking to find a modus between competitive pressures and the maintenance of employment within cooperatives (see for example Bretos, Errasti and Marcuello, 2019a – for an overview, see their table on p. 9).

³³ At the time, the authors’ last datum was for 2009, whence it was understandable that they observed a “steady if modest improvement in the membership ratio beginning early in this decade and continuing through 2008, when the group approached its 85% membership goal” (p.19).

³⁴ As indicated, the annual reports never mention the amount of employment in cooperatives; however, from 2001 the total industrial employment in Spain (cooperatives plus subsidiaries) is either directly mentioned, or it can be derived from other data. (It runs from 22,803 in 2001 to 24,676 in 2019.)

6.4. Comparative employment performance of Mondragon, Spain, and the aggregate of OECD countries: 2001-2019

This subsection compares the employment performance of aggregate Mondragon entities with Spain's employment performance. Many commentators assert that Mondragon has on average succeeded in maintaining the employment in its cooperatives (cf. the heading "International employment strategy" of Section 6.3). Although this is plausible, the Mondragon annual reports provide no quantitative evidence for this thesis. It is most remarkable that these reports, as mentioned, never state the amount of employment in cooperatives. They state the amount of employment of the sum of the cooperatives and their subsidiaries for each of the retail and industrial divisions. For a quantitative analysis this absence has many repercussions (as mentioned, one regards the amount of worker-members). Because only for a restricted period (2001-2019) the reports mention the amount of Mondragon employment in Spain (cooperatives plus their subsidiaries), this period is taken as a basis for the comparative performance.

Table 16 - Comparison of the Mondragon employment in Spain, with that of Spain and the aggregate of OECD countries: 2001-2019

	(1)	(2)	(3)	(4)
employment†	2001	2019	growth	Mondragon's minus Spain's growth
1 Mondragon: Spain & foreign subsidiaries	60,200	81,507	35%	pro memory
2 Mondragon industrial: Spain & for. subs.	27,050	39,131	45%	pro memory
3 Mondragon: Spanish (sum rows 6,8,10)	55,191	67,052	21%	-2%
4 total Spain (x 1000)	16,146	19,779	23%	
5 total OECD (x 1000)‡	503,068	592,656	18%	
<i>employment by Mondragon's divisions</i>				
6 Mondragon retail (Spanish)*	30,158	38,878	29%	10%
7 Spain retail (x 1000)	1,597	1,908	19%	
8 Mondragon Spanish industrial	22,803	24,676	8%	28%
9 Spain industrial (x 1000)	5,053	4,041	-20%	
10 Mondragon financial and corporate div.	2,230	3,498	57%	

† All Mondragon figures are in FTE and those of Spain and the OECD in persons. (Spain and OECD figures are in persons x 1000.) The relevant data for row 7 of this table are only available from 2001-2019.

‡ Excluding countries that were not members in 2001 (Chile, Colombia, Estonia, Israel, Latvia, Lithuania).

* From 2012 the retail division had no subsidiaries abroad; earlier it had 22 establishments in France.

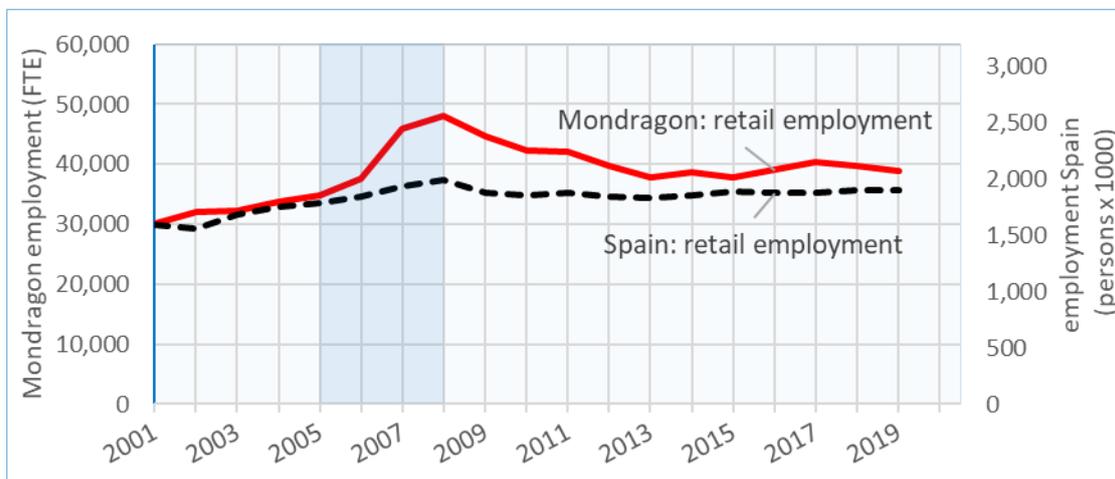
Data sources: Columns 1-2. Rows 1-3, 6, 8 and 10: compiled from Mondragon annual reports 2001-2019. Rows 4-5 and 9: OECD Statistics: <https://stats.oecd.org/> (accessed 13 May 2021): Labour/Labour force statistics/Annual LFS/Summary tables/Employment. Row 7: Eurostat: 2001-2007: <https://ec.europa.eu/eurostat/databrowser-backend/api/query/1.0/LIVE/xlsx/en/download/49f69dfc-567b-4306-ad80-d0abd794a5c4> (last updated 26 March 2020, accessed 23 February 2021); 2008-2019: <https://ec.europa.eu/eurostat/databrowser/bookmark/17e0d63c-bfe6-48b6-b832-e7ab333bf2ee?lang=en> (last updated 11 November 2020; accessed 23 February 2021).

Table 16 (and two more specific graphs that follow it) shows the results – the long-term perspective was shown in Graph 7. The period 2001-2019 covers one "normal" cyclical recession (2001-2002 – for Spain a relatively minor one with no employment fall) and the "great recession" (2008-2013) with, in the EU, its sovereign debt crisis aftermath.

Comments on Table 16. Row 1 regards the total Mondragon employment, which includes foreign subsidiaries, whilst the total of Spain and the OECD do not include the employment of corporate subsidiaries. For the comparison, therefore, the Mondragon Spanish employment has been used (rows 3-9). The comparison of rows 3-4 (Spain and Mondragon Spanish) is only moderately relevant because of the sectoral differences between Spain and Mondragon. Rows 6-9 therefore focus on Mondragon and Spain's retail and industry sectors. This comparison shows (column 4) that Mondragon did much better than the Spanish averages, especially for the industrial division.

The following two graphs show in more detail the development and comparison of the retail and industrial divisions in the period covered by Table 16. Note that in Graph 17 and Graph 18 Spain's variations are less visible than Mondragon's because its employment scale is 1,000 times larger than Mondragon's.

Graph 17 - Comparison of Spain's retail employment with Mondragon's: 2001-2019



Data sources: see Table 13.

The shaded area in Graph 17 marks what later turned out to be the choking acquisitions of the Eroski Group – mentioned in Section 6.2. Note that not all of the employment downfall resulted in layoffs. Part of the acquisitions were sold, and for another part Eroski developed a franchise system (in 2019, on top of the graph's employment, franchise holders employ about 3,400 people).

It can be seen from Graph 18 that Mondragon's industrial employment outperformed Spain especially in the four recession years 2010-2013. One main reason is that during recessions, cooperatives foremost tend to adapt wages, and only adapt employment if unavoidable.

In 2019, the retail division's employment is back beyond the 2006 level and the industrial division's employment in Spain is back at the 2004 and 2008 level.

Graph 18 - Comparison of Spain's industrial employment with Mondragon's industrial employment in Spain: 2001-2019



Data sources: see Table 13.

7. Concluding summary

The first two points below are on worker cooperatives in general, and the others relate to the Mondragon cooperatives.

- i. Worldwide data on the number of, and the employment by, worker cooperatives (WCs) are scarce. A 2016 dataset of 156 countries on all types of cooperatives includes information on WCs for only 51 countries. In these 51 countries 12.4 million people worked in WCs (Section 1.2, Table 1). However, even in the top 5 countries qua relative WC employment (Italy, Malaysia, Sweden, India, and Spain) the WC employment ranges around 2016 from no more than 3.9% to 1.0% of their labour force (Section 1.2, Table 2).
- ii. Nevertheless, WCs outperform conventional capitalist enterprises (CPs) not only in their institutional democracy (mainstream enterprises are governed by way of capital-crazy), but also on the following main points, each of which regards empirical comparisons between WCs and CPs in the period 1950 to 2010 by Pérotin 2012 (Section 3). (a) On average WCs are larger than CPs, and they survive at least as well. (b) WCs are at least as productive as CPs, and more productive in some areas. (c) WCs outperform CPs in the generation and preservation of employment. (d) When faced with demand shocks CPs primarily adjust employment, whereas WCs primarily adjust remuneration.
- iii. In 2019 the approximately 100 Mondragon cooperatives employ over 81,000 workers, including in 140 production plants abroad (Section 2).
- iv. The capitalist criterion for success is ultimately rather simple: profit measured over capital, and amount of profit increase via the accumulation of capital. Labour

- employment is an inevitable means for this end. The Mondragon cooperatives reverse the capitalist aim and its instrumental means – as made explicit in the Mondragon 1987 principles (Section 3.1).
- v. In comparison with CPs, the core characteristic of the Mondragon cooperatives is – as for all WCs – the democratic decision-making at enterprise level by the workers, that is, the worker-members (Section 3.2). (On non-members see point viii.)
 - vi. The very moderate (in comparison with CPs) intra-cooperative income differences are remarkable – by 2019 a before tax ratio of a maximum 1:9, and for individual cooperatives on average about 1:5 (Section 3.3).
 - vii. The Mondragon cooperatives' survival record of almost 65 years is outstanding – the major exception being the 2013 bankruptcy of Fagor Electrodomésticos (Section 5.2).
 - viii. The following three issues (points 8-10) – mostly gradually emerging or increasing in the period 1990-2019 – in part result from international competitive pressures. Both from the side of the Mondragon federation and from the side of some individual cooperatives, these issues are considered to conflict with Mondragon's initial cooperative values, or are at least seen as second-best practices in the face of trying to find a modus between competitive pressures and the maintenance of employment within cooperatives (end of Section 6.3).
 - ix. A considerable amount of workers *within cooperatives* are non-members (Graphs 13 and 15 of Section 6.2 and 6.3); for the rest of the current point and the following one, see Table 12 (Section 6.1) and the remarks on it. In quite a few cases, the non-membership is voluntary in face of the capital to be paid in, and other cooperative duties such as payment reduction in an economic downturn. In case the non-membership is involuntary, it makes a difference whether these workers have the prospect of membership within a set reasonable time. This is usually the case for aspirant members on probation, but the prospect of membership is also relevant for other workers who aspire to secure membership. Without this prospect they are in fact temporary workers (perhaps on a limited fixed contract). For these workers it again makes a difference whether they receive wages similar to worker-members as well as a share in the profits. If they do, the motive of worker-members is probably their own job guarantee if the cooperative were to run into bad market conditions. If they do not, the aforementioned motive may be in play, but they also appropriate part of the surplus produced by these workers. (The aspiration by many cooperatives to restrict the proportion of temporary workers lessens the effects just mentioned, without undoing them.)
 - x. Mondragon cooperatives can found or acquire subsidiary companies. At best these have the legal form of a "hybrid worker-owned cooperative" with a mixed ownership by the parent cooperative and by the local workers (Section 6.1, Table 12, row 3). Other cases regard "partial or full subsidiaries" (idem, rows 4-6); how



the workers are treated in these cases depends on the parent cooperative. At best most of the latter workers have a well-paid permanent position. For these, as well as for temporary workers, the same applies as stated in the last four sentences under point viii.

- xi. This point refers to 2019. Of the total employment by the retail Eroski Group, 32% regards cooperative worker-members – Section 6.2, Graph 13. (Eroski encompasses 75% of the total retail employment and 36% of the Mondragon total employment.) Of the industrial cooperatives 74% regards cooperative worker-members; a very rough estimate (2006-based) is that worker-members make up 45% of the total industrial employment – cooperatives plus subsidiaries (Section 6.3, Graph 15).
- xii. Generally, members of worker cooperatives are far better off than workers in mainstream capitalist enterprises, and non-members are on average better paid than workers in mainstream capitalist enterprises³⁵.
- xiii. The comparative quantitative employment record of Mondragon is impressive. From 1983-2019 its total employment grew by 335%, and its comparatively relevant employment in Spain by 258%. In the same period Spain's employment grew by 75%, and that of the aggregate of OECD countries by 41% (Section 4, Table 6 and Graph 7).
- xiv. In view of many, but not all, points above, some enthusiasm about the Mondragon worker cooperatives is appropriate in my view. Because they have to function within capitalism, their non-capitalist reach is limited. A 2020 *New York Times* article on Mondragon was headed "Coops in Spain's Basque Region soften capitalism's rough edges" (Goodman, 2020). This seems a good way of putting it³⁶.

³⁵ The last phrase of this sentence is based on little information – see the respective quotes in Section 6.1 (last paragraph); Section 6.2 (last paragraph); Section 6.3 (heading International employment strategy, quote from Ugarte).

³⁶ Goodman observes, among other characteristics: "In a world grappling with the consequences of widening economic inequality, cooperatives are gaining attention as an intriguing potential alternative to the established mode of global capitalism. They emphasize one defining purpose: protecting workers. (...) They elevated workers into owners – partners is the term of art – with each gaining a single vote in a democratic process that determines wages, working conditions and the share of profits to be distributed each year. (...) In the United States, the chief executives of the largest 350 companies are paid about 320 times as much as the typical worker (...). At Mondragon, salaries for executives are capped at six times the lowest wage. The lowest tier is now €16,000 a year (about \$19,400), which is higher than Spain's minimum wage. Most people earn at least double that, plus they receive private health care benefits, annual profit-sharing and pensions".

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³⁷ Sector organisation of the [International Cooperative Alliance](https://www.ica.coop/) (ICA).

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