

Can Worker Cooperatives Save American Manufacturing?

by Sharryn Kasmir

In October of 2009, the United Steel Workers (USW,) North America's largest industrial union, signed an historic agreement to open union cooperatives in the United States and Canada. Its partner in this effort is the international division of Mondragón Corporation (MC,) the world-renowned system of worker-owned cooperatives headquartered in the Basque region of Spain. For decades, scholars, policy experts, and activists have looked to Mondragón for a socially just and progressive alternative to the standard corporation. In a press release, USW International President Leo W. Gerard explained,

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. We need a new business model that invests in workers and invests in communities... 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.

The Mondragón Corporation began in 1956 in the Basque town of Mondragón. Today, it has approximately 100,000 worker-members in more than 260 cooperative enterprises, concentrated in domestic appliances, metalworking, machine tools, and other heavy manufacturing concerns. It also sponsors its own university, cooperative bank (Caja Laboral,) cooperative supermarket chain, and social security system. It is the seventh largest business group in Spain and the world's largest industrial cooperative. In its Basque setting, MC has succeeded in wedding capital to place and community. However, over the past two decades, the cooperative group has globalized its operations and investments and modified its structure to reflect its global reach. Either partly or wholly owned by MC, most of its new acquisitions are not worker-owned, rather they are standard corporations whose employees work for a wage. This development troubles many in the activist and academic communities who look to Mondragón for a socially just business model. Some lament that democracy and member well-being in the Basque country is now built upon the exploitation of workers in the third world. Others express concern about internal democracy and working conditions in the Basque co-op factories themselves. While every member, regardless of job or position, has one vote in the cooperative general assembly, the governing body that ratifies major business decisions, on the shop floor and in the course of more routine decision-

making, worker participation and democracy are less robust. Critics contend that workers do not have control over their working conditions and that they lack real power. Co-op workers, they argue, need a union.¹

In April of this year, Hofstra Professor Sharryn Kasmir interviewed USW organizer Rob Witherell for *Regional Labor Review*. Rob has been with the Steelworkers since 1999, and he is currently spearheading the co-op project. Rob spoke from his office at USW headquarters in Pittsburgh. He explained that the USW-Mondragón agreement is an important step in addressing concerns about the integrity of the Mondragón Corporation in a global business environment. The USW and MC expect to combine the worker ownership and democratic governance of the co-ops with collective bargaining, pioneering a hybrid union-co-op organization. In this interview, he talks about the union, the economic crisis, green jobs, and the historic USW-Mondragón agreement.

Sharryn Kasmir: Tell me about what's happening these days with the USW. How many members do you have now?

Rob Witherell: Between the U.S. and Canada, we have 1.2 million active and retired members, about 800,000 active. We merged with PACE ([Paper, Allied-Industrial, Chemical and Energy International Union](#)) in 2005, and with that merger we got a whole bunch of members in paper, oil, chemical. We already had members in steel, aluminum, tire, glass and some health care and public sector. So we're a fairly diversified industrial union.

SK: We read a lot about how the recession is affecting the UAW. How is it impacting your members?

RW: If you think about all the industry segments I just mentioned, in terms of steel, aluminum, tire, glass, oil, these are all things that are related to the two major industries that have really been hurt--autos and housing. So, our members have been directly impacted as much as the UAW has. You know, for any car that you buy, if it's made in the U.S., our members are probably manufacturing the steel for that car, the aluminum parts, the tires, windshields. When that demand is cut in half, production by our employers gets cut in half too.

SK: So your members are losing jobs and experiencing lay offs. Is this part of the reason the USW became interested in developing worker cooperatives?

RW: Yes. The USW has been active in employee ownership going back probably twenty years. In late '80s, early '90s, we did a lot of Employee Stock Ownership Plans (ESOPs.) Mainly, it was a way for our members

to invest in their employers, to help them through the downturn of the early '90s. Now, some of that has held fast; there are some small examples where we still have ESOPs, where they're still 100% owned. But most of the ESOP activity from twenty years ago has since been sold out or closed or disappeared.

And, certainly there has been an interest in co-ops within the union. One of our former international presidents, Lynn Williams, is from Canada, and certainly the folks in Canada have a lot more experience and exposure to the cooperative concept, and he has been interested in figuring out ways that we could work more closely together again. There are other folks for example, Steve Hunt, who is our Director for District 3 in the western provinces of Canada, he serves on the Executive Board of the Western Labor Worker Co-op Committee. So there's a lot of interest in co-ops throughout the union.

SK: How did the USW begin to think about partnering with the Mondragón Cooperatives?

RW: We became interested in Mondragón when I worked with Michael Peck, the North American delegate for Mondragón. He also does the external relations for a company called Gamesa, which is a wind turbine manufacture in Pennsylvania that is headquartered in the Basque region, in Bilbao. He and I got to know each other working on Gamesa stuff. They have two manufacturing plants in Pennsylvania, which we organized in 2006.

We have had a pretty good relationship with Gamesa over the last few years since we organized the plants. At Gamesa's request, I was in Bilbao in 2008 to speak at an economic development meeting, where the Basque regional economic development agency and Gamesa were encouraging Gamesa's suppliers to expand into the U.S. and to locate their operations alongside Gamesa here in Pennsylvania. That way Gamesa would have quicker access to its suppliers. They asked me to come and talk about the union and the potential for wind energy in the U.S. and to help encourage folks to come over.

While I was in Bilbao, Michael gave me a call and said, "Hey, while you're there, you should go talk with somebody at Mondragón. I think you have a lot in common." So I took a long cab ride from Bilbao to Mondragón and met with the President of Mondragón International. And we had a pretty interesting conversation, and we found that we have a lot in common, and that led to more conversations over the next year with other folks here, including Leo W. Gerard, and the more conversations we had, the more we thought, "Well, we should do something together, work together here in the U.S."

Part of what we discussed was, well, we can work behind closed doors and try to find the ideal project for us to work on, and then we can announce it when it's all done. But we didn't want to do that. Instead, we announced that we are going to work together because we think it's a pretty important

concept to get out there, and then we'll go from there and see what opportunities present themselves. We will use the announcement as a starting point rather than an ending point.

SK: In the agreement signed in October of 2009, both parties talk about building a next-generation hybrid co-op-union. What might that look like?

RW: In the Mondragón co-ops, they have one worker, one vote, and they have a general assembly that elects the board of directors. And the directors appoint some managers. But, one thing that they have to make sure is that workers have appropriate representatives. So they establish social councils, and through the social council, members are represented for each department or whatever the break down is within the co-op so that they are a representative group. Within the co-ops, to some extent these social councils act almost like a union. They advise management on issues of wages, benefits, that kind of stuff. But it's only an advisory role. Our expectation for the U.S. and Canada is, if we took that model and implemented it here, that the union's bargaining committee would serve in the role of the social council. The union's bargaining committee would actually bargain an agreement.

If you look at what the co-op model is, it means that everybody is supposed to be equal. But, a standard practice is unquestioned, that the co-op should be able to elect a board of directors who may appoint management. So, essentially the workers elect a board to be advocates for the business. And that's not questioned. Why not let the workers also elect people to be advocates for the workers? But that doesn't mean that you're going to have non-stop conflict. It just means that you really need to have different perspectives and interests even within the co-op, and it would serve a co-op better and the workers better if you had those different interests represented and figured out a way to balance them.

SK: Do you have any plans for a business, or are you looking at any worker buyouts or investment opportunities?

RW: There are a handful of projects that we've looked at to feel our way forward, to serve as examples. Okay, what would we need for these types of projects? Whether those specific projects go forward I'm not sure at this point, but it has been definitely helpful in terms of thinking about resources. Because the point is not just to have a co-op, but to have a co-op that could be affiliated with Mondragón that will benefit from that affiliation in terms of being better positioned for growth.

SK: What sort of an investment arrangement do you envision with MC or the cooperative bank Caja Laboral?

RW: I think initially MC has certainly had their share of acquisitions, and those have not necessarily gone well.

SK: None of them are cooperatives, right? They're all standard firms?

RW: Well, I don't know if all them are, but almost all of them are not cooperatives. And, yeah, it really is an acquisition of the business but nothing more than that. So there are internal discussions in Mondragón about what can we do about that, because people who have been in this Mondragón culture a long time see this as a problem, because they want everybody to be owners. But pragmatically it's difficult in terms of the distance between the co-ops and the different cultures, and how do you make that work? So they passed a resolution, three years ago or so at their annual cooperative congress, where they said that they weren't going to go outside Spain unless they found a partner that they could work with and bring their model with them, that it was important for them to implement as much of their model as they possibly could. But they also recognize that with cultural issues and whatnot it would be some type of hybrid of the model. So that was the starting point.

SK: Would your business be formed the same way as any new Mondragón co-op, that is, would it be financed by the cooperative bank, be a member of MC, and would the workers contribute to the a capital account to fund their ownership share? Is that how you envision things?

RW: Well, the examples that they've used have been in Spain. Say, a family-owned business, and the owner wants to sell the company to the workers. Usually the workers can't afford to buy it. Even when they are able to come up with the money for the ownership buy-in, that amount is not enough to cover the whole business. Maybe figure it's like \$20,000 apiece. If you have 50 workers, that would get you a million bucks, but that's usually not enough to buy a business.

So they have financing from Caja Laboral, and they have looked for investments from existing co-ops within the Mondragón Corporation. And they have pieced it together, with those as the three main pieces. And I think that is something that we would probably be looking at here in the U.S., piecing together a whole bunch of different sources. So whether that means concessions from workers to finance their ownership, or loans for workers to finance their ownership, plus maybe minority investors. You know, it's going to be a bunch of different pieces to put it all together.

SK: What do you think about some of the criticism of the cooperatives? The idea that they're investing in firms outside of Spain or in third-world countries from which they're deriving profits but where they don't have members. Or that they're non-union in their home environment, or that

they rely heavily on temporary workers to stabilize a core group of worker-owners? From the perspective of a union person, what do you think of those sorts of criticisms?

RW: To be honest, I would say there are folks in the Steelworkers who were concerned, definitely, that Mondragón does not have a union in its home base, and what that means. That is certainly a concern. But we also have some ties with the unions in Spain, and our overall impression has been, there hasn't necessarily been a history of conflict, the unions and co-ops tend to be natural allies, not naturally in conflict.

SK: And what about temporary workers?

RW: Certainly, as a union, temporary workers are something that concerns us, but I think if you look at any of our employers, there aren't a whole lot of employers that don't use temporary workers to some extent. And we bargain ways to keep that under wraps in our contract, because sometimes there are ups and downs seasonally in the business. You know, it could be that. It could be specific projects. So, it's a concern, but it's not something that's completely unknown to us, we deal with that on an everyday basis.

SK: I recall reading that since the agreement was signed, you've gotten calls and e-mails every day from people asking for your help. Tell me about some of those communications.

RW: I got an e-mail from a UAW member in Minneapolis saying the board is scheduled to close their plant next year. Is there anything that can be done? I got a call from somebody who's unemployed in North Dakota who is interested in doing cooperative stuff and was willing to volunteer to do whatever he could, but ultimately was looking for work. I got a call from somebody who had an invention that they were willing to lease out, but they wanted to do it with a group that was going to do it as a cooperative.

SK: Have you heard from any unions?

RW: No, I wish, but I haven't.

SK: The USW has been making efforts to move into green jobs, and you have helped to found the Blue-Green Alliance. Could you say something about those efforts?

RW: The Blue-Green Alliance was the culmination of a couple decades of work that our union had been doing with folks from the environmental side, and going back to reports we wrote in 1969, predating the Clean Air Act. We were talking about clean air and global warming back then. Our issue has always been, of course, that our industries are dirty industries, but our workers tend to live in those communities and are directly impacted by that.

And in 1990, the union issued a report called "Our Children's World." The introduction was something along the lines of... We used to think that smoke meant jobs, and if that meant the air was dirty and the lake was polluted, well, that just meant you lived somewhere else or went somewhere else for the weekend or for a holiday, to get away and do that stuff away from where it was polluted. But, pollution was the price of economic progress. And we said that we realize that we can't just have one or the other. You have to have a clean environment and good jobs. You're either going to have both or you're going to have neither.

And we've worked on a number of those issues, and we worked with the Sierra Club informally on a number of issues, and so we came out and made the relationship formal, with the founding of our Blue-Green Alliance in 2006, which also coincided with a followup to the 1990 report. The 2006 report was called "Securing Our Children's World."

SK: The Blue-Green Alliance is between you and the Sierra Club?

RW: It was initially between the United Steel Workers and the Sierra Club. Since 2006, when it was founded, the National Resources Defense Council joined from the green side, and a whole bunch of other unions have joined in from the labor movement, SEIU, Laborers, CWA, Teamsters... If you add up the green NGOs and the labor unions, I think we came up with over seven million members of the participating organizations. They did their first "Good Jobs, Green Jobs" conference here in Pittsburgh two years ago. They expected 500 people to show up, and 900 did. And then they did one in D.C. last year. They expected 2,000 people to show up and 3,000 did. And this year they're expecting about 4,000 people.

SK: What would you like to see the Obama Administration do to support green jobs and to support cooperatives?

RW: On green jobs, the biggest issue we're dealing with right now is domestic content. And going back to you can't have a green environment without good jobs, and you can't have good jobs without a green environment, using wind as an example, the American Wind Energy Association has been advocating for a renewable energy standard, but they haven't been able to get enough support to get that passed in Congress. Part of the reason that they don't have the support right now is because there's nothing that ties it to creating any jobs in the U.S. With 10% unemployment, jobs are the number-one issue that people are facing right now.

If we had a renewable energy standard with a domestic content requirement, it would do both. It would create manufacturing jobs that are going to be better-than-average jobs here in the U.S. It's also

going to put the turbines up and reduce our dependence on fossil fuels and hopefully meet our energy needs without depending on foreign oil, too.

I'll give you a specific example of how that worked positively. Gamesa, as I mentioned, has two plants in Pennsylvania. One makes the nacelles--the rectangular housing at the top of the tower that house the generator and the gears. All that stuff is up there. That's where the spinning of the blades actually creates the electricity. They assemble that out in Fairless Hills. And then they make the blades for the wind turbines in Ebensburg. Well, right before Thanksgiving last year they had to lay off about half of the plant in Ebensburg because they didn't have the orders they thought they were going to. Generally, to build a wind farm, the developer puts a lot of cash up front, with a long lead-time for all the permits and acquisition, so it's a fairly big financial risk if you don't have guarantees that you're going to have a buyer for the electricity. What happened was the developers couldn't get loans anymore because of the financial crisis, and so the developers, even if they had put money down and committed to buy the turbines years ahead of time, they couldn't make those purchases. With sales agreements terminated and deliveries cancelled, Gamesa no longer had the customers they had planned on, so they had to cut production and ultimately a bunch of people got laid off.

So back in February, Governor Rendell awarded the \$22 million the state had from the Stimulus Act for renewable energy. He awarded that for three wind farms in Pennsylvania. But to qualify for that money, the wind farms using local content were given preference. The three developers that got the money all committed to use locally produced Gamesa turbines. So that meant that these guys at Gamesa all went back to work.

SK: You want to see something like that at a federal level?

RW: Exactly.

SK: And what do you think the Obama Administration could do to support cooperatives?

RW: That's a big question, because if you think about how the biggest cooperatives in the country were formed, the biggest cooperatives are the rural electric cooperatives. Those were formed by Roosevelt in the '30s. And that was a pretty big act of government there to create those. These were not things that just kind of grew by themselves; to go that big, you're going to need some type of assistance.

On a smaller scale, I know that Senator Bernie Sanders with Sherrod Brown, Pat Leahy, and Robert Menendez have co-sponsored legislation in the Senate to create an ownership bank and to create employee ownership centers in each state (S.2914 - United States Employee Ownership Bank Act.) But the ownership bank is supposed to have \$500 billion, I think, to lend to businesses that are doing employee ownership. So,

in terms of what we're trying to do with Mondragón, the idea's there, the business model is out there, but I think the biggest hurdle we're going to face is going to be financing. And so if there was a publically funded mechanism to help with the financing, I think that would be a great investment of our tax dollars.

SK: You'd like to see an ownership bank plus other kinds of incentives?

RW: Right. In Canada, cooperatives have tax advantages that we don't have in the U.S. The other thing that is really intriguing to me in Canada is that they have labor-sponsored investment plans. In Quebec, the largest such plan is the Solidarity Fund, in which anybody can invest up to \$5,000 each year.

SK: Is it like an individual 401(k), but labor-sponsored and directed towards select industries or businesses?

RW: Right. But it's better than that, because upon putting it in you get a 15% tax credit from the province, and you get a 15% tax credit from the national government. And then eventually you get your interest on the investments, as well. And the Solidarity Fund has, I think, averaged about a 7% annual return. The Solidarity Fund chooses what to invest in. They do the standard stuff like any investor, but they also do a social audit. They make sure that if you're coming to them for investment funds, they do an audit of all your practices to make sure that you're not anti-union, you're not a polluter, that you're making community-friendly investments.

SK: That's interesting, because we have social choice funds in the US...

RW: Right, right, but then there's no solid framework on how that gets invested. So even if you think of the big pension funds, like CalPERS (California Public Employees Retirement System,) there's no framework for them that says that they're going to invest in stuff that makes sure that there are jobs in California to support public workers. Which would make sense, because it's the state retirement fund.

SK: Instead it's Wal-Mart, because they decided to go green.

RW: Right, right. One of our allies in all this is Tom Croft, Executive Director of the Steel Valley Authority here in Pennsylvania. And he's been interested in figuring out how to make this work for a while. He came out with a book last year called *Up From Wall Street*, which identified friendly investment funds and he's trying to raise the question of how to ensure that our workers' pension funds are used for the benefit of workers, not for Wal-Mart investments.

SK: In a paper you wrote, you said that you didn't want to see business as usual in the labor movement, you want to see the labor movement change and move forward. What are your thoughts about that? What do you hope to see in the next decades?

RW: We're seeing too many years of losing members, of workers not having enough power to make gains. When the financial crisis first hit, the USW did a lot of education with our members, and there was a presentation that talked about how has this really affected us. You go back and chart real wages in terms of adjusting for cost of living and you chart productivity, you see that productivity and wages of workers went up pretty much hand in hand until the 1970s. And then productivity kept going up, up, up, and workers' wages stagnated, because as a whole, workers just don't have as much bargaining power as they used to.

So how do we regain that bargaining power? How do we bring the union to people who really want it but can't get it? Because joining the union is probably the hardest thing that people will ever do in their lives. You know, weeks of harassment and intimidation from their employer, from their coworkers if they try to join the union. And so, yeah, we're shrinking, but it's not for a lack of interest on the part of working people. So how do we turn all that around?

I'd like to see us think about ways that we can be more pro-active. Can we create our own jobs? Can we grow? What do we do to help our employers grow who are friendly to us? And how do we sustain those jobs?

SK: And do you see cooperatives as part of this picture?

RW: We're still in the very early steps of trying to figure that out, but we're trying to create something that has a potential to be a real alternative. And the more success we have in doing that, the more viable it becomes for other folks. The idea of why we're doing the cooperatives is because, we've seen plant after plant be boxed up and shipped offshore, and workers laid off and stock prices go up and unemployment increase. We've got to figure out a way to create jobs that are sustainable and that are accountable to the workers and the communities, not just to the invisible shareholders.

SK: Right. Is there anything you would like to add?

RW: The one thing that I would add is that Leo just taped an interview with the Tavis Smiley Show on NPR where he talks about bringing some people from Mondragón's cooperative development group, LKS, here to Pittsburgh to help us move this forward. So that's the next step in terms of being on the ground, looking at the nuts and bolts.

SK: That's interesting. Twenty years ago you wouldn't have imagined capital flow going in this direction, from what was a small cooperative business group to the world industrial center...

RW: Right.

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1 For a focus on these concerns, see Sharryn Kasmir, *The Myth of Mondragon*, SUNY Press, 1996. For an introduction to structure and history of Mondragon see William Foote Whyte and Kathleen King Whyte. *Making Mondragon: The Growth and Dynamics of the Worker Cooperative Complex*. ILR Press, 1988. For discussion of the corporate business structure in the context of the emerging global market see George Cheney, *Values at Work: Employee Participation Meets Market Pressure at Mondragon*. ILR Press, 2002.