

Solidarnosc!

Worker-Owned Waves of Change in Pursuit of Utopia

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Themes:

- The Solidarnosc revolution in Gdansk in 1970s-80s inspired other movements toward worker ownership/empowerment, shopfloor participation, & economic democracy worldwide
- 3 cases draw on my last 2 years' field research:
 - USA ESOPs & co-ops were expanded in America in 1980-90s & continue to grow
 - Mondragon system in the Basque country of Spain grew rapidly over 20 years
 - Argentina's financial collapse in 1998-2002 motivated unions there to achieve worker buyouts

Solidarnosc

- The story is well known
- Trade unionists in Gdansk shipyards dreamed of economic democracy
- Led by Lech Walesa, inspired by Pope John Paul II, workers fought for political & economic democracy, the right to control the workplace, & ownership of production
- Their labors led to freedom in Poland, the decline of USSR influence, new political participation & fall of the Berlin Wall

Case #1: U.S. Worker Applications

- Lech, ever the warrior, expanded from the shipyards to rural farmers, professionals in cities, etc.
- American unions helped Solidarnosc using global clout & money
- Some of Solidarnosc's movers & shakers moved abroad to establish support systems (Marek Garzdecki in UK, etc.)
- Their work motivated workers globally to seek systemic change & power over production & the political processes

ESOP:

Employee Stock Ownership Plan

- U.S. Congress created support legislation in late 1974 (ERISA)...expanded greatly as inspired by Solidarnosc arose in Poland
- Workers' trust established: stock held as group, can't be sold by individuals, etc.
- No upfront cost to workers; designed as a second benefit beside wages, healthcare, pension, may be equally allocated or differentiated (more flexibility)
- Buyout by trust upon retirement

ESOP Community Benefits

- Workers have second source of income
- More Americans become "capitalists" ... (hence Dems & Republicans embraced ESOPs: Kennedy & Reagan)
- Economic stability instead of plant closings
- Fewer strikes/lockouts
- More money circulated in the area
- ESOPs create more jobs than typical firms
- Less social problems than when mass layoffs/factory shutdowns occur: spouse abuse, alcoholism, petty crime, diminished tax revenues

Table 1: U.S. Worker Involvement in Owning a Firm: Pieces of a Puzzle

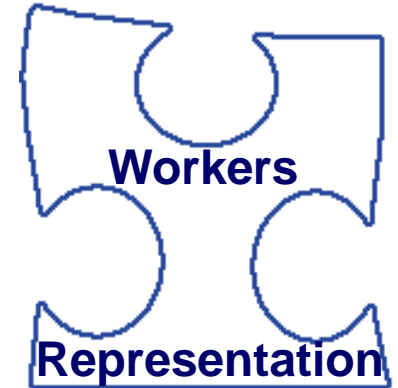
**Collective
Bargaining**



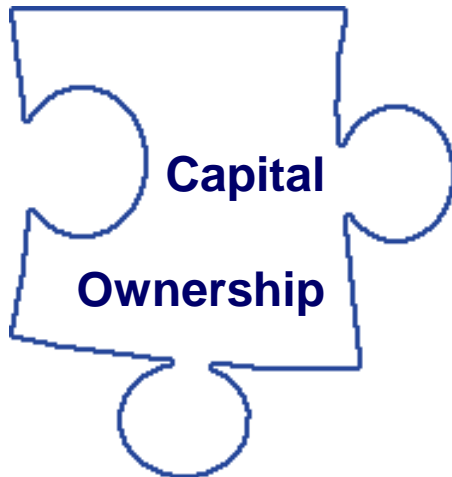
**Direct
Participation**



**Workers
Representation**



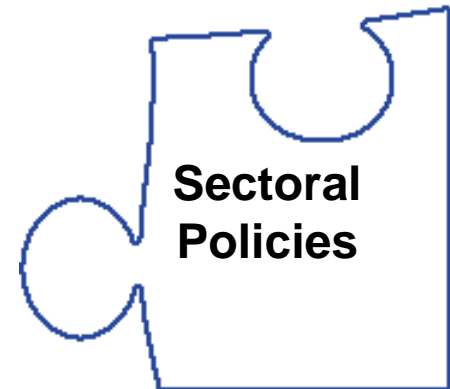
**Capital
Ownership**



Co-determination



**Sectoral
Policies**



U.S. ESOPs Expanded

- 13.1 million U.S. worker-owners today (up from 250 owners when Solidarnosc was launched)
- Approx. 11,000 ESOP companies in U.S. (from 1,600 in 1975)
- \$600 billion in ESOP assets today
- Examples: Lowes, Parsons Construction, hi tech firms, Publix (160,000 employee-owners) & other supermarkets, medical firms, newspapers, etc.
- Replications started overseas: Egypt, UK, & proposals being made for Palestinian Territories, Latin America, etc.

Table 2: Levels of Organizational Participation
Ownership—Stock control
Governance—Co-determination of policy
Management—Administration
Terms and Working Conditions—Labor Agreements

Table 3: Forms of Participation
Individual—Direct
Group—Direct
Organizational—Representative

Table 4: *Range of Economic Democracy*

				Profits Distribution and Investment
			Business Products	
	Day-to day Team Management	Technology and Planning		Control of financial budget and corporate investments: Mondragon, U.S. plywood co-ops.
Word Station Decisions			Worker involvement in the creation of new product lines, socially beneficial products: Scott Bader, Ben and Jerry's, Saturn.	
Collective bargaining decisions regarding job bidding, place of work, speed, etc.	Labor- management committees, quality circles: GM, Ford, Kelloggs.	Socio-technical design, layout of new plant start- ups: Volvo, Saab, Procter & Gamble, General Foods.		

U.S. ESOP Challenges

- Must create ownership culture
- Need to go beyond the financial & legal work
- Training all employees is necessary
- Labor board seats advisable
- Workers' empowerment essential
- Need for participative management
- If done right, the result can be a high commitment/high performance/highly profitable corporation

Another U.S. Worker Alternative: Cooperatives

U.S. Sequence:

- Rise of co-op movement (1800s)
- Accelerated after Solidarnosc (1980s)
- Various types of co-ops: Manufacturing, banking, hi tech, agricultural, housing, etc.

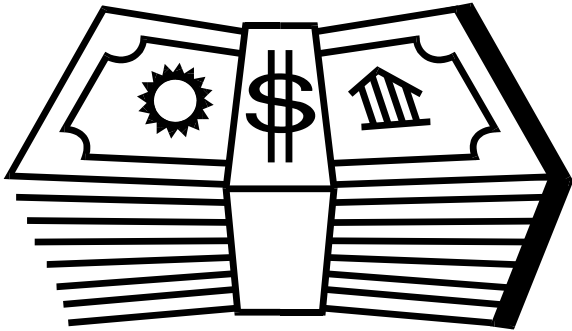
Worker Cooperatives

- Members/not employees
- Democratic management
- Usually smaller than ESOPs
- One person/One vote
- Goal is economic justice, not just jobs or profits
- Studies show 25% more profitable than traditionally-owned firms
- Approximately 30% more productive

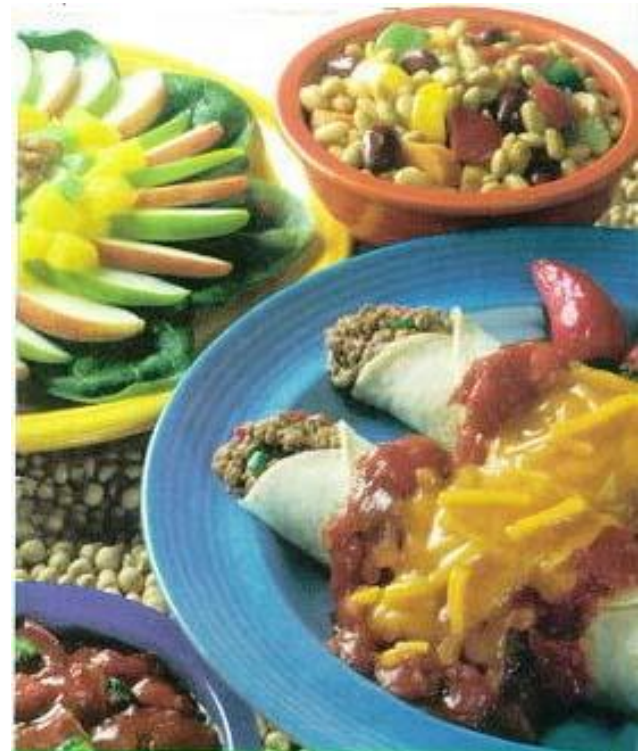
U.S. Co-ops

- National Cooperative Bank
- Lends only to cooperatives

Warner W. & Congressional Legislation \$400 M



Grocery store co-ops
make food & other products
available in less profitable areas
(inner cities & remote towns)
Many new co-ops are
environmentally-based



Co-op Sectors in the U.S. Today

1. Agricultural co-op federations:

42 groups \$69,828,000

2. Grocery 21 federations \$39,196,000

3. Hardware/lumber

7 types \$12,191,000

4. Finance 12 assoc. \$11,794,000

5. Utilities 11 networks \$ 7,945,000

6. Other sectors 7 misc. \$ 7,340,000

Democratic values are at the heart
of co-ops, whether in the the U.S. or
movements elsewhere

My Own State: Utah Co-op Alliance

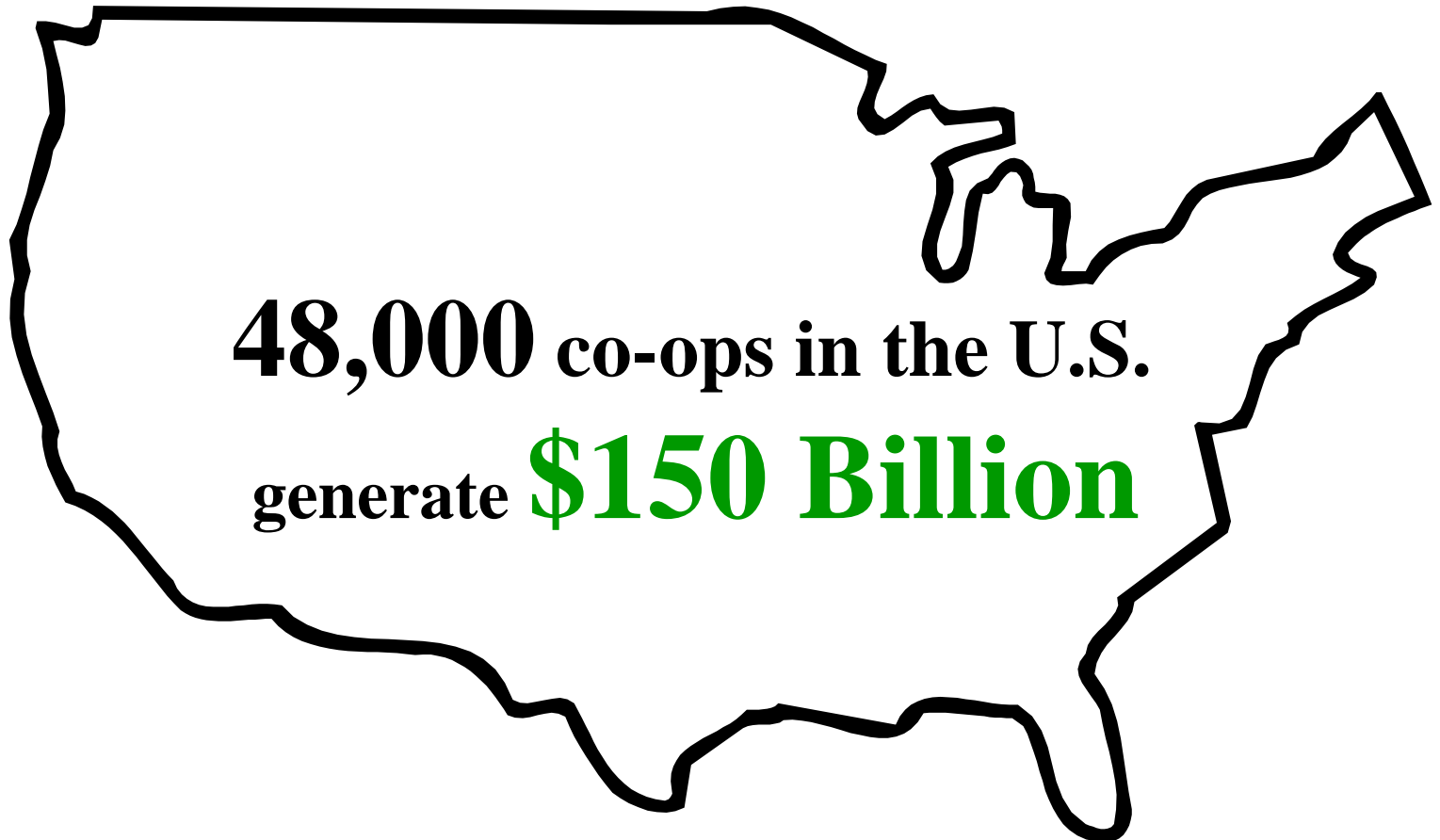
Brought Lech Walesa to Utah. He inspired leaders that included ag cooperatives as turkey marketer Norbest & the Moroni Feed Co-op. The Utah Cooperative Alliance was formed in 2001. It shares information, helps member co-ops network, & generally promotes cooperatives operating in Utah. The alliance represents: 77 agricultural cooperatives, 10 rural electric co-ops, 4 telecommunications co-ops, 134 consumer cooperatives and 21 co-ops affiliated with Associated Foods.

Today's Worker-Owned U.S. Co-ops

- Growing presence in some sectors: Food, healthcare, forestry, etc.
- U.S. National Co-op Bank now is a major supporter of retail sector, housing, insurance, manufacturing, etc.

Impacts of Cooperatives....

One-third of Americans are Directly Served
by Co-ops



Case #2: Mondragon Cooperatives Accelerated after Solidarnosc



- Solidarnosc ripple effects in the Basque Country of northern Spain
- Innovation & social justice
- Bottom-up strategy for change
- Built off Catholic social doctrine (somewhat like Solidarnosc), but with a difference, as well: Basque culture

Mondragon in Spain Expanded Greatly after Solidarnosc Arose

It demonstrates that co-ops can:

- Generate significant wealth
- Enable superior business competitiveness
- Retain higher levels of capital internally to reinvest for growth
- Serve as models for ingenuity globally

Mondragon Today

200 industrial co-op businesses: Machine tools, furniture, home appliances, electrical equipment

2nd degree co-ops: Banks, supermarkets, insurance, schools, R&D centers, hospitals & medical care, custodial services, housing, agricultural, fishing, private social security system, etc.

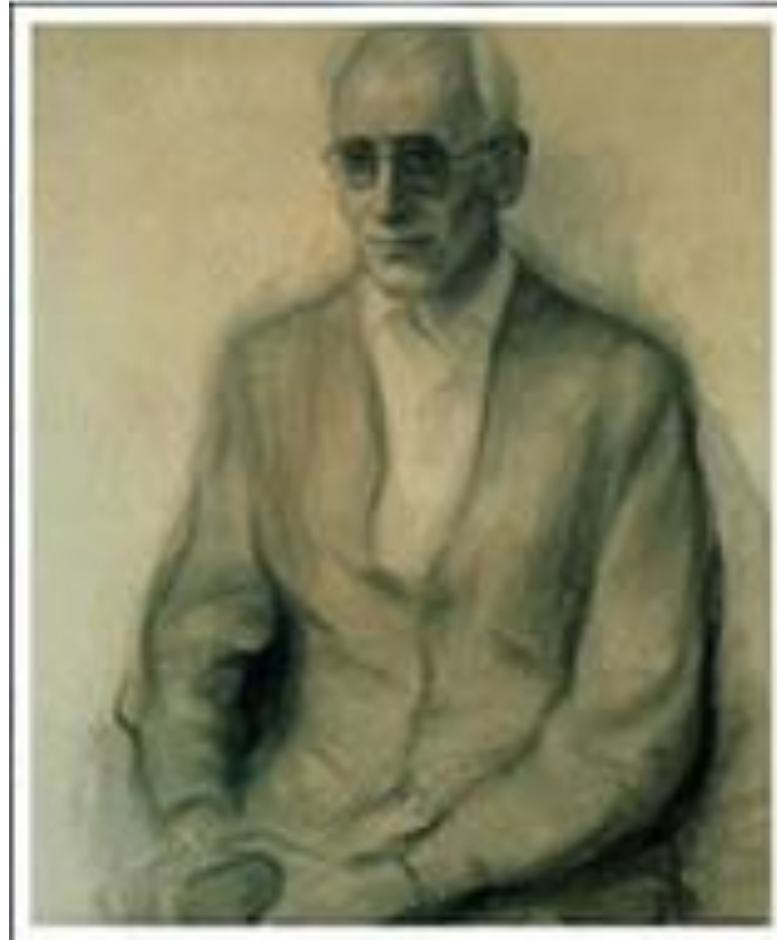
- \$18 billion in assets
- 74,000 employees
- 650 member cooperative congress
- Workers on boards of directors
- Recent data: + 4.3% sales
- 12% increase in profits (\$750 million)
- Spain's 7th largest corporation

Mondragon Range of Industrial Products

Agricultural Hardware	Components for manufacturing furniture
Aluminum Casting	Assembly of Aircraft Components
Aluminum Injection & Machining	Assembly & Welding Installations
Assembly of Automotive Components	Automatic Bending Machines
Automation Equipment for Doors	Casting Moulds & Modules
Body Assemblies	Autotransformers
Brake Housing & Suspension Arms	Punching & Sheet Metal Machines
Bicycles	Coach Manufacturers
Camping Equipment & Tools	Grinding Machines & Machine Tooling
Clinical Material	Wind Powered Generators
Table Top Crimping	Standard High Speed Steel Drills
Plastic Injection Molding	Laser Cutting Machines
Industrial Appliances	Sanding Machines & Sanding Plants
Food Preparation Products	Fork Lift Trucks
Medium Powered Transformers	Plastic Extrusion
Vertical Transport Systems	Pine Boards & Planks
Prefabricated Elements for Construction	Casting parts for car industry
Manufacture & Repair of Lifts & Escalators	Auto Clutch Housings
Engineering	Manufacturing & Assembly of Metal Structures

Mondragon Facts Summary

- Based on my latest visits & research interviews Mondragon Cooperative Corporation (MCC) is now facing new challenges. It started in 1956 with nothing but hope & visionary leadership, much like Solidarnosc started.
- In recent years MCC became a business group with:
 - 74,600 people
 - working in over 200 related cooperatives in manufacturing, service, banking, insurance, education & retail
 - assets worth 22.5 billion euros
 - total annual sales of 13.4 billion euros w/ retained earnings of 677 million euros
 - Mondragon Bank administers 12.3 billion euros in assets
 - Worker members own 2 billion euros in assets
 - 861 worker members sit on governing bodies
 - Engineering university, schools & social service system



Don Jose Maria Arizmendarrieta

Key Features in Mondragon Success

- Like Lech Walesa's role in Solidarnosc, Fr. Arizmendiarieta's **grand vision** of the future (beginning with individual dignity) & his influence over students & disciples when implementing his ideas.
- **People are given priority over capital.** This results in a high level of worker involvement in the company, through direct participation in both capital and management - creating a positive atmosphere of consensus and collaboration.
- A **decidedly business-like approach** to the co-operative phenomenon, in which company profitability and planned, rigorous and demanding management efficiency are seen as basic principles.
- **Re-investment of** practically all **resources** generated.
- Ongoing **adaptation** to the changes in the environment.
- Creation of efficient **inter-cooperation** instruments: in finance, social welfare, innovation, R&D, coordinated job management & situations of crisis.
- **Highest level of importance attached to training**, including formal education at MCC University Faculties and Professional Schools and Lifelong Training linked to professional refresher courses and advanced courses.

Mondragon Results

- Hard data: More productive, low turnover, high retained earnings, superb productivity levels, no layoffs, 25 % more profitable than average firms in Spain
- Entrepreneurial startup spirit/few failures
- Emphasis on capital-intensive, value-added jobs
- Goal to create employment, not downsize
- Continuous improvement/learning

Don Jose Maria Arizmendiarieta as Catalytic Leader

- Poor Catholic Priest in Mondragon, Spain.
- Launched educational program for youth
- Established small industrial co-op, 5 boys
- Democratic: one person/one vote
- 100% worker-owned and controlled
- Egalitarian: Salary ratio 3:1 for decades...has adjusted somewhat since 2002 to 7:1

Mondragon Management

- *Charismatic*: Provides vision and a sense of purpose, gains respect & trust, instills pride.
- *Individualized consideration*: Gives personal attention, and treats each person individually, as well as coaches the group.
- *Intellectually stimulating*: Promotes learning, encourages rationality, uses careful problem solving.
- *Inspirational*: Communicates high performance expectations, uses symbols to focus efforts, distills essential purposes.
- *Create a cause*: Has an organizational mission

Case #3: Argentine Workers' Power

1998 Economic Collapse

- Decades of dictatorships generated huge financial problems: Anti-labor unions, Falklands War, explosion of foreign debt, corruption in high places, etc.
- The country defaulted on foreign debts: Some were U.S. vulture funds
- Caused a national Great Depression/Government fell
- Inflation exceeded 200%
- Economy shrank 27%; real wages fell 50%; GDP down
- End of peso's fixed exchange rate with U.S.
- 18% jobless; half the people became officially poor
- People started printing their own currencies to trade
- Argentina only fully emerged from crisis in 2016

Our of Turmoil: Social Change

- At first was a rush on the banks
- Next: Protest marches/riots in the streets
- Police vs. public violence
- 3 new presidents in quick succession
- Capitalists closed their firms & fled

Worker Takeovers: Utopianism in the Trenches

Argentina Workers Initially Drew on Rochdale Cooperative Movement

England (1840s)

Consumer co-op:

PRACTICES

equaled

PRINCIPLES:

- 1 person/1 vote
- Power shared
- Dignity
- Model for future



Early Argentine Crisis:

Occupations, takeovers, legal tools, etc.

- Bauen Hotel now owned/run by 200 employees
- Zanon Ceramics Factory - 330 workers
- Aguas Bonaerenses Sociedad Anonima (ABSA): Against Enron & G.W. Bush's brother, Marvin (against privatization of BA public water system by U.S. firm...now it's worker-owned)
- Brukman Clothing Co. - 270 owners

Warner to finish Argentina...per articles...updates on these
other articles saved on jump drive.....

Much has Changed in Poland Since Solidarnosc

My tentative conclusions:

- After Lech Walesa's presidency, the dream seems to have changed
- Not so much emphasis on self-management, worker ownership, or trade unions
- Political shift to the right, as with many other nations
- What will happen in the coming years is unclear

Today's Solidarnosc Utopian Applications?

Is Worker Ownership Relevant in Today's Global Crisis?

Issues:

- What's the contemporary rationale?
- Which structures or models may work best currently?
- Does economic democracy apply to today's inequality crisis?
- My hopes & dreams to reduce greed & inequality:
 - Greater global unionization
 - Need to nationalize big banks
 - Give board seats to workers & public
 - Offer stock to public & employees (ESOPs)

Whatever Occurs in the Future...

- Poland's legacy of Solidarnosc will continue to inspire many around the world
- New generations will pursue a better world
- Example: Surveys show that young American Millennials want socialism over capitalism
- Utopias will be dreamed of, implemented, & strategized long after ugly dystopias like that of Donald Trump are buried in the dust storms of time

Thank you!

Q&A?

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