

# The Worker Cooperative Movement in Spain

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## Preamble

Since the dawn of industrialization in Spain, there have been numerous attempts to resolve the problem of dissatisfaction or alienation of workers to their tasks. These attempts have been pointed out in several specific experiments and in more general approaches through social policy. The above experiments have led to the promotion of cooperatives.

The extension of the cooperative phenomenon in Spain must be understood within the development of the modern social market economy. We will attempt to understand it in its recent evolution, trying to see it in its historical and cultural antecedents, in the role which the state has redeemed in the promotion of cooperatives, in the influence of the education system, in the factors of interest in the promotion of this form of work organization, in the social and political atmosphere which collaborated in its extension and finally in the position of the trade unions with respect to worker cooperatives. We will provide some up to date figures in relation to this scheme and about the recent evolution of work associated cooperatives in Spain and of those equivalent institutions which are the *Sociedades Anonimas Laborales* (Labour Limited Companies - SAL).

## **The Dawn of the Social Economy**

In Spain, as in other European countries, the social historical challenge to look for better forms to organise production has existed since the birth of industrial capitalism. Nowadays it has turned into a dilemma of how to reconcile social justice with economic and political liberty.

The initiatives taken in democratic societies to correct the opposing values of economic liberty and equality, generated spontaneously by the development of market economies, have been of two types. On one side the growing importance of the state in economic activity has been proposed with the double purpose of rectifying the faults of the market and integrating what is 'economic' and what is 'social' through the redistribution of income. On the other hand, from the same civil society, it is said, from 'below', enterprise initiatives have been introduced on behalf of those social groups which are most disadvantaged by the spontaneous evolution of the market. These entrepreneurial initiatives also try to integrate what is economic and what is social while seeking to resolve a collective or social problem, be that of employment, quality of life, housing, consumption, savings and credit, education, health or the defence of agricultural prices through the concentration of offers and the extension of the same concentration to new products.

These initiatives, in addition to their juridical diversity and heterogeneity of functions, are united by a common ethic based on the solidarity and service of members and the general interest. They form a diverse group of companies and institutions which are recognized in the still imprecise concept of a 'social economy', so called because it carries out a new role on the social-economic stage which is now beginning to show

itself in European countries. Cooperatives are its most genuine representatives.

The social economy, when considered as an activity, appears historically close to cooperativism, which is at its heart. Cooperativism appears as a worker reaction to the effects of the industrial revolution while initially intended to mould itself as an alternative system to capitalism. Cooperativism develops, in practice, as a defence reaction, often relating to the present moment as a consequence of the unemployment caused by economic crisis.

### **Historical and cultural background**

When we look at Spanish industrialization in the middle of the 19th century we find a series of problems that postponed the strengthening of the process till the 1960's. The causes for the failure of the industrial revolution in Spain, started but never finished, must be sought in the inability of the social structure to cope with planned economic demand. This pre-supposes a bastardization of agricultural and financial reforms and of reforms in transport and productive structure. In any case we are looking at a process which started early but which developed slowly and which could hardly be called a revolution (Nadal, 1972, p.227).

We may consider the first Spanish worker cooperative to be *La Proletaria*, a textile producer in the Valencia region where there was a proliferation from 1860 onwards to encompass 14 cooperatives involving 290 workers and 35 weavers. Before that there was the Fabril Company in Barcelona, founded by the *Asociacion de Tejedores* in 1848 with practically the same conditions as a cooperative, which had to be sold in 1948 due to

financial problems. In any case, until the end of the 1930's these were isolated and sporadic cases, the search for worker participation not finding any concrete shape in programmes or projects of social or political action.

The Spanish Civil War, however, gave rise on the Republican side to the setting up of the widest-ranging experiment in self-management ever known. The strength of the anarchist movement and of the trade unions as protagonists in the war, and the deeply felt need for some far-ranging reforms in productive structures, pushed forward a process we can consider truly revolutionary. In large areas of Aragon, Catalonia and Valencia, some ideas considered until then to be utopian in libertarian socialist dogma were successfully put into practice. These ideas included: the disappearance of private ownership of productive means, the abolition of money and real equality between men and women. All this was mixed with other ideas which found some cohesion despite the diffuse day-to-day reality of anarchist ideology: an inflamed anti-religious spirit, anticlericalism and sexual emancipation.

The spreading of the collectivist phenomenon came to acquire a dimension that was hard to imagine in republican Spain. At its peak there were more than 1,400 agricultural collectives and several hundred industrial ones. The most conservative calculations refer to some 758,000 collectivists working in agriculture and over 1,080,000 in industry (Mintz, 1977, p.199). Other studies, such as Leval (1977), which put the number of collectivists at around the 3 million mark, may have been carried away with enthusiasm. In any case, one must bear in mind that we are talking about more than a third of the active population which in Republican Spain was put at around 5 million out of a total population of 12 million.

The events of the Spanish Civil War brought about the disappearance of practically all the above-mentioned collectivist experiments even before Franco's troops occupied republican territory. As the communists came to hold more power in the government, they imposed their order, got rid of and even repressed revolutionary utopian experiments which had been set up mostly by the anarchist camp (Mintz, 1977, pp.222-232).

It must be said that the Franco period is not completely devoid of attempts at worker industrial democracy. The combination of social forces which backed the new regime, the nationalist and populist nature of a good part of its economic policy, often with "anticapitalist" reservations, enabled some reformist options to develop in the economic field, such as cooperativism which continues to hold a certain importance in the farming sector. This context allowed and even encouraged cooperatives set up by industrial workers, of which Mondragon is a good example.

### **The Role of the State**

The role of cooperatives has in the Spanish case a necessary reference: the Spanish constitution clearly establishes the usefulness of encouraging production cooperatives (Article 129.2). Since 1991 an autonomous organisation of administrative character has existed in Spain. Under the aegis of the Ministry for Labour, INFES (*Instituto Nacional de Fomento de la Economía Social*) has been entrusted with the responsibility of promoting and coordinating the social economy. INFES is a management organisation of social policy having the following duties:

1. The coordination of different ministerial departments in their attempts to encourage the social economy.

- 2.The entering into agreements with Autonomous Communities, national institutions and local organizations.
- 3.The provision of finance for companies and associations of the social economy and supervision of any loans conceded.
- 4.The carrying out of administrative activities of registration and inscription for cooperatives and other forms of social economy.
- 5.The promotion of and support for programmes of technical assistance and studies which lead to the promotion of the forms of the social economy.

INFES seeks to be the meeting place for the central administration and the representative organizations of the social economy in order to translate stimulating policies into action.

### **Educational system**

One of the classic principles of cooperativism is the necessity to provide a cooperative education. This activity is not very well organised in Spain at any level even though cooperatives dedicated to the teaching activity do exist. The promotion of cooperative activities through education is provided at university level only and by different institutions which spontaneously came about and which carried out their tasks without a great deal of coordination.

There are various university institutions which carry out the activities of cooperative teaching and research.They are in various state universities, in particular in the University of Valencia, in the University Complutense and Polytechnic University of Madrid and in the Universities of Barcelona, Oviedo, Murcia and Seville. This educational infrastructure

provides a stock of specialized libraries and various courses for actual and potential managers of cooperatives.

INFES has promoted some stimulating activities with an aim to encourage the training of members and directors of cooperatives, to spread cooperative principles and to promote cooperative association. It has relied on the collaboration of the different university institutions mentioned above.

At the secondary level of teaching there have been some proposals to introduce a subject which would give the students an introduction to the knowledge of cooperative forms. But there are none so far in existence. Only in the field of the Mondragon cooperatives has an attempt been made in which the students of professional training practise integrating themselves partially in actual cooperative organisations.

### **Personality and Motivation Factors**

Mention has frequently been made of the advantages of democratic leadership in modern society. Ethical, legal, psychological, economic, sociological and political arguments all exist in order to expound the advantages of promoting economic organizations as cooperatives. The most common and concrete arguments are: 1. To help save jobs that otherwise would be lost; 2. To cooperate in keeping the establishment under local and internal control; 3. To increase productivity by increasing motivation; 4. To reduce causes of dissatisfaction; 5. To improve the social environment of the community; 6. To reduce the number of disputes; 7. To reduce supervision; 8. To encourage greater flexibility in matters that require an understanding of the problems involved and sacrifices on the part of all concerned; 9. To permit a reduction of bureaucracy

due to a lesser need for control; 10. To make better use of available resources; 11. To explore the possibilities in the area of cooperation with trade unions; 12. To elicit support from public opinion (Bruyn, 1987; Lucas, 1990).

In the Spanish situation one would have to bear the historic perspective in mind where the remains of old, anarchist and socialist ideas, as we have seen, could have offered a certain environment for the encouragement of cooperativism. On the other hand, the existence in Spain of a known successful experience, like the Mondragon Cooperative Group in the Basque area, could have fuelled a certain demonstration effect, encouraging the initiation of similar experiences in other zones. Nevertheless, one cannot but point out the by-product the nationalist effect (Basque separatism) which is present in the Mondragon cooperatives.

When all this is considered, we can see that in the mid-70's in Spain there was a great change in society, due to the urgent need to meet at least two challenges: the transition from a dictatorship to a democratic regime and the need to overcome the economic crisis catching up with us after 15 years of uninterrupted development.

In this atmosphere, it is easy to see the importance of attempts at self-government in the economic organizations. The viewing of democracy as a value, a goal or an end to strive for which cannot be restricted solely to the political sphere, leads us to consider the ethics of the rational basis for promoting industrial democracy. In the end, instead of the purely economic viewpoint of maximizing profits one could consider the human being as the central character in the productive process, in order to enjoy it and reap the benefits. Helping the growth of workplace



participation means valuing the person *per se* rather than in terms of his/her assets.

The growing number of examples of economic participation in Spain over the last fifteen years has to be seen in terms of many of the above-mentioned points, but above all in terms of preserving and creating jobs. The persisting economic crisis and the general condition of growing unemployment has meant very often that many workers are trying to hold onto their jobs by seeking new and more flexible forms of organization. The capacity for personal sacrifice, on the other hand, is enhanced in so far as solidarity prevails.

### **Social Atmosphere of the Promotion of Cooperativism**

Let us examine the position of the political parties and social movements in Spain with respect to cooperativism.

In the first place, although we have seen the promotion of cooperatives as a constitutional imperative and for which we could suppose a general acceptance by all political parties, the reality is very different. None of the political parties reject the idealism of cooperativism, but a different enthusiasm in their proposals and in the treatment of the theme is noticeable. It can be said in general terms that the parties of the left support cooperative proposals more than those of the right.

The most left wing political group in Parliament is *Izquierda Unida* (IU, United Left), which attracts the supporters of the old communists and has social economy and cooperativism as important points in the government programme which it proposed in its latest electoral programmes. The Socialist Party (PSOE) also proposes the promotion of cooperatives as does the

Centrist Party *Centro Democrático Social* (CDS) albeit in a weaker form. In the other extreme, the *Partido Popular* (from the right) did not present any direct reference to cooperativism, even though, on being questioned during the political campaign for the elections, it responded that its proposals for the promotion of small and medium sized companies apply equally to the cooperative phenomenon.

With respect to social movements, it is worth pointing out that, in ecclesiastical circles, different initiatives for the promotion of cooperativism exist. These are inspired by the criticism of catholic social doctrine to the capitalist schemes of abandoning the social responsibilities and to the socialists on overvaluing the state. A clear turn by the social movement towards cooperativism has however not been articulated. The exception is the cooperation between the catholic associations and Caritas, a religious association of human promotion which helps in the fight against poverty, whereby some cooperatives as a formula for efficiency and the struggle against unemployment have been set up. Some of the most successful cooperatives in Spain have counted on the collaboration, in directors' positions, of priests and others inspired by strong religious ideas: the case of Mondragon is one clear example. Other social movements have also used the cooperative formula to resolve problems such as housing or ways to make goods cheaper.

### **Interest of Trade Unions in Cooperatives**

In dealing with the position of the Spanish trade unions, one can summarize the conclusions of a seminar held in 1990 at the Complutense University of Madrid. Spanish trade unions were then invited to explain their objectives in the field of participation at work, and particularly their position with respect to worker cooperatives.

In general, the attitude of trade unions is somewhat ambiguous. Possibly, this may be traced to the situation during the Franco regime when promotion and help for cooperatives implied becoming subordinate to political authorities. It could be said that it was difficult to dismantle the Franco structure of the Spanish cooperative movement. 'Softer' cooperativism (cooperatives of consumption, housing, agriculture and credit) was one of the central pillars of the *Movimiento Nacional* through which Franco's regime was helped by means of a vertical, compulsory and unique trade union.

In any case, with the recent advance of democracy since 1975, the political parties have adopted a weak position in the promotion of cooperatives. Within the workers' movement, the democratic trade unions were initially more in favour of the creation of cooperative companies of production even though with the passing of time they realized that it did not suit their interests. In the long term, unions decided that cooperativism would mean that they would lose members.

At the moment there are some worker cooperatives in which there is a real concern for the workers who actively make up its management and participate on representative institutions like social committees. Here, the worker is represented directly and exclusively as a 'worker' Trade unions have a very limited internal role and reality they exercise only external representation.

## Statistics

Although cooperative tradition has always been important in Spain, figures indicate that since 1975 this formula has been

used more often, especially as a means of creating or keeping jobs. Table I reviews the range of cooperatives operating during the last decade. Note that nearly two thirds of the registered cooperative companies are of the worker cooperative type.

TABLE I

COOPERATIVES REGISTERED IN SPAIN BY TYPE:  
1983-1992

Type	No. of Organisations
Worker (Production)	14,236
Consumer	298
Housing	2,313
Agriculture	1,876
Communal field work	506
Service	654
Maritime	48
Travel	265
Insurance	1
Education	82
Credit	3
2nd level	180
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TOTAL	20,462

Source: Cooperatives Register

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When assessing the data contained in the various tables, we must bear in mind the problems involved in collecting the figures. First, the register of newly entered cooperatives was fairly reliable but the process of administrative decentralization underway in Spain has meant that some autonomous regions

have set up their own register of new institutions (in Catalonia and the Basque region some years ago), with a corresponding delay in the availability of data and the different criteria applied when obtaining them. Secondly, the register of closed down or lost cooperatives does not operate well. Due to the administrative difficulties involved in striking off a cooperative no longer in operation, it is often easier to leave it registered. Hence official calculations indicate that the number of cooperatives actually in operation is a little over half the number registered.

If we focus on worker cooperatives and their evolution over the last few years, Table 2 suggests that the number of cooperatives set up each year has increased steadily since 1975. The same table captures the considerable change in the number of new cooperatives set up as from 1980 and this corresponds to a far more aggressive job creation policy on the part of governing authorities. Since 1986, there has been a slight fall in the membership of cooperative organisations because of the new possibility to set up a society of associated labour (see Table 2).

What stands out from Table 2 is the gradual decrease in the average size of worker cooperatives being set up, falling from 20 people (1975-76) down to 7 (1987-92). This change has been a result of legal requirements which previously stipulated a minimum of 7 members, a figure later reduced to 5. If one can generalize from available data for the Madrid area this shows a gradual reduction in the size of cooperatives, as has also been the case in other types of commercial enterprises.

TABLE 2: WORKER-COOPERATIVES SET UP IN SPAIN

Year	No. of Worker Coops	No. of Members	Work/Coop Ratio
1975	205	4,018	19.6
1976	357	7,162	20.1
1977	420	7,841	18.7
1978	617	9,552	15.5
1979	459	4,986	10.9
1980	1,367	15,095	11.0
1981	1,537	14,680	9.0
1982	1,563	14,264	9.1
1983	1,556	15,158	9.7
1984	1,492	13,546	9.1
1985	1,406	11,715	8.3
1986	2,119	17,654	8.3
1987	1,639	12,744	7.7
1988	1,471	10,969	7.3
1989	1,203	8,499	7.1
1990	969	6,642	6.9
1991	937	6,261	6.7
1992	1,444	8,370	5.8
Total	19,285	189,556	9.8

Source: Cooperative Register

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Having said this, if we consider that officially at the end of 1986 there were 12,298 worker cooperatives in Spain in which 169,560 people worked, and which since 1986 have gained 53,485 members, we can estimate that there are at the beginning

of 1993, with the corresponding falls as indicated earlier, some 15,000 worker cooperatives with about 200,000 members.

### **The Societies of Associated Labour (SALs)**

To deal with worker cooperatives in terms of their attempts to seek industrial democracy would be incomplete without reference to other recent legal forms of economic association. One structure very close to worker cooperatives and in a sense competing with them is the 'Limited Companies of Workers', called in Spanish SALs (*Sociedades Anonimas Laborales*). This new type of enterprise has no legal equivalent in other European countries. Its declared aims include the encouragement of access to ownership of an enterprise by its own workers. It has been set up on the same lines of North American employee stock ownership plans, although there is perhaps a greater emphasis on worker intervention in the firm.

The characteristics of a SAL are:

1. 51% of capital must belong to the workers who offer their complete and permanent services to the firm;
2. No one individual member can own shares exceeding 25% of the total capital, except the state or public bodies which can hold up to 49%;
3. The number of salaried workers cannot exceed 15% if the firm has less than 25 worker-members;
4. A compulsory special reserve fund absorbs 10% of profits;

5. A set of start-up tax advantages and facilities may be availed of, in contrast to regular limited liability companies.

SALs exhibit a greater flexibility than worker cooperatives, hence they have become more popular. The number of new worker cooperatives has however exceeded the number of SAL's since 1990 to maintain the level of employment. Some firms in trouble become SALs with State help, in the hope that giving control of the firm to the workers would give it a new stability.

TABLE 3: EVOLUTION OF SALs

Year	No. of SALs	Initial Members	No Members per SAL
1986	445	3,272	7.4
1987	2,595	20,936	8.1
1988	2,243	15,248	6.8
1989	1,648	10,158	6.2
1990	660	5,042	7.6
1991	593	5,167	8.7
1992	820	5,788	7.1
Total	9,001	65,614	7.3

Source: Register of SALs

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It is interesting to note the recent increase in SALs, especially since the legal reform which took place in 1986. Table 3 shows the progression of the SALs during the last 7 years. More SALs than cooperatives were set up between 1987-1990.



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