



How one person's vision can transform a community

Mondragon was a poor and decaying town in the Basque region of northern Spain. The arrival of Jose Arizmendi changed all that. With his vision and **leadership** he encouraged a group of local people not to sit around waiting for others to come to the town to give them jobs but instead to set up their own business.



Five locals were persuaded by his arguments to start a small business making oil heaters. They ran the business as a co-operative, sharing the profits between them as they felt it was the fairest way to share the success of their joint efforts. The business was a success and led to others following their example by setting up further small business in the community.

However, to protect the businesses from takeovers and pressure of external shareholders with no interest in the welfare of the local community, the new enterprises were run as worker **co-operatives**.

When the Spanish economy was going through a very difficult **economic depression**, with sales falling and unemployment rising sharply across the country, everyone in the co-operative businesses took a 10% pay cut rather than sack 10% of their own work colleagues and friends. In this way, their co-operative businesses survived the downturn without having to make anyone redundant or contributing to the pain and misery that it can cause to individuals, families and the local community. Any co-operative businesses in the town that did run into serious difficulty received extensive help from the local credit union (which was also owned by the local community). During this difficult economic period, unemployment in Spain was over 25% but in the town of Mondragon it was less than 1%, with no business failures.

The success and confidence the town gained in setting up and running their own community-owned co-operative businesses led to further developments, such as the opening of an enterprise research centre and their own third level college. All the co-operative enterprises also adopted a strong policy of buying goods and services from other local co-operatives. This helps to keep money circulating in the local economy for the benefit of the wider community.

Every new employee in a Mondragon co-operative is required to become a **shareholder** in the business they join. This could cost up to €6000 and is financed as a loan from the business and repaid through regular deduction from pay. When the employee retires, a Mondragon employee must sell their shares back to the business, which by then can be worth €60,000 to €90,000.

Today, thanks to Jose Arizmendi's vision, the town of Mondragon and surrounding area has over 150 businesses – all owned by the employees who run them as co-operatives. These entirely locally-owned businesses support over 50,000 jobs in firms producing a vast range of goods and services ranging from fridges and cookers to car parts and industrial equipment. They are inspired by the motto: "Let us make richer communities, rather than richer individuals."

Recall & Review

1. Explain the underlined terms.
2. Identify two reasons why unemployment remains low in the Mondragon community.
3. Could this approach be applied to business be applied to your own local community? Give reasons for your answer.



Recall & Review

A **local resource audit** is a survey to identify all the local strengths and advantages that could be used to develop new local enterprises. It could include things like a clean river for fishing, mountains for hillwalkers, historic building for renovation or coastal waves for surfing. Identify how each of the following local features identified in a local resource audit could be used to develop a local enterprise:

1. A clean river _____
2. Mountains _____
3. A derelict town square _____
4. A ruined castle _____
5. A flat landscape _____
6. Coastal waves _____
7. Birthplace of a famous historical figure _____
8. An old harbour _____
9. Proximity to major motorway _____
10. Local tradition of singing and music _____
11. Plentiful wildlife _____
12. A windy climate _____
13. Friendly local people _____
14. A disused factory _____

Summary

A strong local economy can help to protect **employment, incomes, services** and **quality of life** for local people. Using a properly planned and a managed approach, every local community can take the initiative and actively develop its own local resources and businesses to create its own future, instead of waiting for outside forces to act.

Failure to develop a strong local community and economy has many adverse consequences, including **unemployment, low incomes, emigration**, low investment in local infrastructure, **closure of local services** such as schools and clinics, increased **crime** and increased incidence of **physical and mental ill health**.

A range of organisations and funding programmes exist to assist local communities prepared to develop their potential, including **County Enterprise Boards, Area Partnership Companies, FÁS** and **Teagasc**.