

# Intercooperation, flexicurity and their impact on workers: the case of Fagor Electrodomésticos

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## **Abstract**

Mondragon cooperatives have used flexible employment, training and labour protection policies to deal with economic crises since the 1970s. These policies were also used in 2013 to alleviate the social consequences of the demise of their biggest industrial cooperative, Fagor Electrodomésticos. This article aims to analyse – through 40 interviews with different stakeholders – the advantages and limitations of wage, working time and functional flexibility policies by framing them under the flexicurity concept. In contrast with previous research on Mondragon cooperatives, this study has found a strong worker-owner resistance to flexicurity policies, mainly before the firm's bankruptcy. The study has also found the main reasons for worker resistance and for some successful Mondragon cooperatives' reluctance to offer permanent relocations to redundant Fagor Electrodomésticos' members. This research will help cooperatives to maintain and improve their flexicurity policies and their resilience. Some findings can be extrapolated to the growing number of firms that aim to implement flexicurity policies without harming their workers' social welfare.

## **Keywords:**

Mondragon, flexicurity, worker-owned firms

**Article type:** Research paper

**JEL codes:** M12, M14, M50

## **INTRODUCTION**

The bankruptcy of Fagor Electrodomésticos (FED) in 2013 and the responses that Mondragon Corporation has given to its redundant worker-members have been a critical test of stress and validity of flexicurity policies. These policies are based on the trade-off between employment security for its members and several forms of labour flexibility (Wilthagen & Tros, 2004). Mondragon's worker-owners have traditionally voted to reduce their own wages, have approved the adjustment of their working hours or schedules to meet their firms' needs, and have shown high levels of functional flexibility (e.g., Logan, 1988; Cheney, 1999; Bakaikoa et al., 2004). Functional flexibility in Mondragon cooperatives implies not only transferring employees to different activities and tasks within each firm but also relocating worker-owners of cooperatives in crisis to those in need of a workforce (Basterretxea & Albizu, 2010).

The literature tends to represent these flexicurity policies as a source of competitive advantage and an element that has allowed Mondragon's cooperatives to adapt to market fluctuations and manage crises relatively successfully (Bradley & Gelb, 1987; Logan, 1988; Whyte & Whyte, 1988; Albizu & Basterretxea, 1998; Ormaechea, 1998; Smith, 2001; Clamp, 2003; Basterretxea & Albizu, 2010; Elortza et al., 2012; Landeta et al., 2016; Errasti et al., 2017; Arando & Arenaza, 2018). Although these studies have enrichingly and faithfully analysed the Mondragon policies, they do not seem to have delved into the negative effects of wage reduction, working time flexibility and functional flexibility on worker-owners' wellbeing and satisfaction. Excluding a few which have referred to Mondragon worker-owners' refusal to relocate to cooperatives far from their homes in the 1980s (e.g., Cheney, 1999; Clamp, 2003), previous studies have neither analysed any possible worker-owner resistance to those measures nor the possible

resistance of successful cooperatives to help and relocate worker-owners of unsuccessful ones. An often-idyllic situation has conversely been presented, in which cooperatives ‘can relocate [their] members rapidly and with a low level of friction among different activities and tasks’ (Albizu & Basterretxea, 1998).

Previous research on flexicurity measures in Mondragon has mainly considered managers’ opinions, overlooking important distortions, such as their social desirability bias (Heras-Saizarbitoria, 2014). Many previous researchers have also presumed that there is an equivalence between Mondragon Corporation’s formal flexicurity policy and its day-to-day internalisation in its cooperatives. While Mondragon defines and fosters flexicurity policies, the corporation has insufficient power to impose them on its 98 cooperatives. The way these policies are thus implemented in each cooperative differs significantly, usually after lengthy negotiations between the corporation and its cooperatives. This decoupling of practices from formally adopted policies, which has been broadly analysed from a neo-institutionalist perspective in Heras-Saizarbitoria’s (2014) research, can also occur because of worker resistance. The present research will add light to conflicts cooperatives face when applying flexicurity policies, their causes and manifestations.

Recent research points to wage reductions and relocations as factors that could partially explain poor responses in satisfaction surveys and increasing levels of absenteeism in some big Mondragon cooperatives (Basterretxea & Storey, 2018; Basterretxea et al., 2019), thus a nuanced analysis of Mondragon flexicurity strategy is required.

The adoption of flexicurity policies as a strategy by the European Union and the increase in studies addressing it (Bender & Theodossiou, 2018; Bredgaard & Madsen, 2018; Bekker & Mailand, 2019) reflect the fact that these policies are becoming more common in a greater number of companies. Some studies also stress that how flexicurity policies are implemented in certain countries, particularly in Southern Europe, leads to increased labour market precariousness (Domínguez, 2012; Fernández-Rodríguez et al., 2012; Gialis et al., 2014; Gialis & Taylor, 2016). This study aims to benefit the companies interested in implementing flexicurity, whether they are cooperatives or not, so that its implementation is cost-effective and has minimal social impact.

Taking these gaps into consideration, this article aims to contribute to the literature in three ways. First, it aims to contribute to the growing flexicurity literature by analysing the case of a firm and a corporation that have adopted flexicurity policies for more than four decades – even before the term flexicurity was invented. Second, it contributes to the study of the resilience of worker-owned organisations and considers both the managerial and worker-owner perspectives in specific circumstances arising from FED’s crisis and bankruptcy. Third, this article contributes to field of labour geography that explores how labour can shape labour markets, either proactively or through its reaction to the growing precariousness and flexibilisation of work.

This paper’s main objective is to analyse the lights and shadows of flexicurity policies, based on the case of FED. The aims are (1) to contrast the validity of academic studies that attribute competitive advantages to flexicurity and (2) to analyse its limitations in social matters, shedding light on different agents’ resistance to flexicurity and their strategies to avoid it.

The paper is organised as follows. The next section offers a brief profile of the case-studied organisation and a review of the literature related to understanding flexicurity policies in Mondragon cooperatives. This is followed by an outline of the research methods and then a summary of the fieldwork results. The final section is devoted to discussion and conclusions.

## **CASE STUDY CONTEXT**

In 1956 five former students from a technical college in Mondragon created FED to produce heating devices and subsequently other home appliances. Three decades of internal growth made FED Mondragon's biggest industrial cooperative and Spanish leader in the white goods industry. In 1989 it began a process of external acquisitions with the takeover of Spanish and European competitors. The biggest acquisitions were those of the Polish firm Wrozamet in 1999 and the French competitor Brandt in 2005 – a company as big as FED itself. In 2006 these acquisitions made FED Europe's fifth largest firm in the white goods sector, employing a total workforce of 10,543. The opportunity to become cooperative members was not given to the workers of its 10 production plants based in six foreign countries.

FED financed its growth strategy through borrowing; and despite the growth of its main markets in the 1996–2007 period, it operated with razor thin margins. When the demand for home appliances in its main markets collapsed in 2008, the company entered a sharp decline that ended in bankruptcy proceedings in November 2013. For a deeper historical review and a broader understanding of the reasons that generated FED's demise, see, for example, Molina (2012), Errasti et al. (2016), Arando & Arenaza (2018) and Basterretxea et al. (2019, 2020).

FED was part of the Mondragon Group – this group is comprised of close to 264 firms, 98 of which are cooperatives and have 81,507 employees and a total revenue of 12,229 million euro (Mondragon, 2020). Power, authority and ownership in Mondragon are decentralised in a *federal* or *inverted pyramid* organisational structure (Basterretxea et al., 2020). This *inverted pyramid* structure of autonomous cooperatives that cooperate voluntarily has an impact on how flexicurity policies are implemented.

Mondragon created Lagun Aro in 1958, which is a social welfare system for cooperative worker-owners. The 26,759 Mondragon cooperative worker-owners are registered in the Spanish National Social Security System as self-employed workers, which means they do not pay social security contributions for unemployment insurance, nor do they receive social security unemployment benefits if they lose their jobs. In order to cope with the unemployment risk, Mondragon cooperatives pay fees into Lagun Aro. These fees are then used to pay unemployment benefits, to provide training to redundant worker-owners, to pay early retirement benefits to worker-members over 55 who are difficult to relocate due to poor training, and to reward and encourage cooperatives to relocate workers of over-staffed cooperatives.

## **Literature on flexicurity and flexicurity measures in Mondragon cooperatives**

The main idea behind flexicurity is that labour flexibility and employment security should be mutually supportive and maintain a number of trade-offs, which involve individual

workers, groups of workers or entire workforces, business sectors or national governance systems (Wilthagen & Tros, 2004; Bredgaard et al., 2005; Gialis et al., 2014).

This research follows the three flexicurity dimensions framed in Madsen's (2004) *golden triangle*. To delimit the concept of flexible contractual arrangements of flexicurity (first dimension), this study relies on Casey et al.'s (1999) fourfold definition, which states that labour flexibility can be dimensioned in *numerical, functional, financial* and *temporal* terms. Regarding security, the flexicurity approach advocates a modern social security system and unemployment benefits that guarantee income (second dimension); and active labour market policies (third dimension), such as lifelong learning strategies, that ensure employability and reduce unemployment periods by facilitating the redistribution of unemployed workers (Domínguez, 2012).

After appearing unintentionally in Denmark as a set of social commitments between labour market actors and the political system, flexicurity was implemented into German law in 1999 to benefit the most disadvantaged sectors. In 2000 it was incorporated into the European Employment Strategy, within the Lisbon Agenda for growth and jobs (Wilthagen & Tros, 2004). Since 2008 many governments, guided by the European Commission's (2008) 'mission for flexicurity', have adopted flexicurity policies (Gialis et al., 2014; Gialis & Taylor, 2016).

Southern European countries do not meet the institutional, political, socio-productive and welfare conditions of the countries where flexicurity originated. Thus, their implementation of flexicurity policies breaks the proportionality principle between flexibility and security (Fernández-Rodríguez et al., 2012; Gialis et al., 2014; López et al., 2014; Gialis & Taylor, 2016). In these countries flexibility has overwhelmed the concept of security (Domínguez, 2012), and they are now interchangeable terms (Fernández-Rodríguez et al., 2012).

Among the negative impacts of flexicurity in Southern European countries, researchers consider that it increases temporariness (Domínguez, 2012), leads to the individualisation of labour protection and increases inequality (Harvey, 2006; Keune & Jepsen, 2007; López et al., 2014; Gialis & Taylor, 2016).

The different flexicurity dimensions have been used by Mondragon cooperatives in different crises. This study presents them individually with their theoretical advantages and limitations.

### Numerical Flexibility

Mondragon is permitted to have up to 25% of wage labourers in its 98 cooperatives. These firms have grown internationally since the early 1990s without offering employee ownership to employees in subsidiaries (see Mendizabal et al., 2005; Errasti, 2015). Therefore, only 26,759 of the 81,837 Mondragon employees in 2018 were worker-owners. The remaining 67.3% were wage labourers with no ownership rights.

When the 2008 crisis occurred, Mondragon cooperatives initially reduced the number of employees in subsidiaries, selling some subsidiaries and firing – or not renewing the contracts of – many temporary workers in the parent cooperatives (Errasti et al., 2016). Sometimes even successful cooperatives fire or do not renew temporary worker contracts in order to relocate redundant worker-members of other Mondragon cooperatives (Smith,

2001). Annual reports of Mondragon and its social welfare protection system Lagun Aro offer data on the role of external numerical flexibility for the 2007–2015 crisis period. Mondragon reached its employment peak in 2007 with 103,731 employees (Mondragon, 2008) and between 2007 and 2015 this number was reduced by almost 30% to a total of 74,335 employees (Mondragon, 2015). In the same period the number of worker-owners was reduced much less, by 8.1% (Lagun Aro, 2007, 2015), mainly by not replacing retired older members.

With the exception of Kasmir (2016), most of the Mondragon literature overlooks the role of external numerical flexibility (e.g., Albizu & Basterretxea, 1998; Arando & Arenaza, 2018). When presenting other kinds of labour flexibility – such as functional flexibility, relocations or working time flexibility – researchers also overlook that these types of labour flexibility often involve making many non-members redundant.

### Functional Flexibility and Relocations

Functional labour flexibility is a firm's capacity to employ multi-skilled workers that can fill different positions when needed (Albizu & Basterretxea, 1998). The statutory right to work in Mondragon cooperatives is exercised by considering that a member's main right is the right to employment, while adjusting it to a member's professional competence becomes a subsidiary right (Basterretxea & Albizu, 2010). As a result, each cooperative may internally apply functional mobility of its members in emergency situations or for technological or economic reasons (Albizu & Basterretxea, 1998).

A common solution among cooperatives in the same geographical area or division is the geographical mobility of members from overstaffed cooperatives to others in need of staff, through temporary relocations. Only when the unemployment situation of a cooperative with an excess workforce is irreversible, does Mondragon favour turning temporary relocations into permanent ones (Basterretxea & Albizu, 2010). Functional flexibility and relocations are profusely applied even in times of economic prosperity, thus balancing cooperatives' different staff needs (Smith, 2001; Errasti, 2015; Errasti et al., 2017).

Broader research on functional flexibility and relocations (Martin et al., 2000; Mendenhall et al., 2002; Mignonac, 2002; Sikora et al., 2004; van Dam, 2005) highlights that those processes can generate negative attitudinal responses in employees. The uncertainty particularly created by relocations is highly stressful and creates anxiety (Riemer, 2000) because they can lead to unwanted job changes, a need for retraining, being a greater distance from home or to a change in work environment and roles (Matthiesen, 2005). On the other hand, functional flexibility is often linked to higher satisfaction, mainly when it is combined with job training and job enrichment (Origo & Pagani, 2008). Nevertheless, the literature also considers that functional flexibility can cause emotional burnout, especially in situations of high demand for work or inadequate information (Goudswaard, 2003).

### Financial or Wage Flexibility

In Mondragon the wage policy is subordinate to employment creation and business profitability. In times of crisis, cooperative firms frequently reduce their members' wages by 10%, 20% or even 30% in critical cases (Basterretxea & Albizu, 2010). In the crises of the 1970s, 80s and 90s, this wage flexibility offered a competitive advantage against

its Spanish non-cooperative competitors, see, for example, Bradley & Gelb (1987) or Logan (1988).

Most studies cited on Mondragon's employment policy tend to remark on the positive effects of wage flexibility on competitiveness (e.g., Elortza et al., 2012; Landeta et al., 2016), largely overlooking the possible negative effects on members' attitudes and behaviours. They also stress that worker-members are the ones that vote in their cooperative's general assembly to reduce their salaries, something that is considered as a clear sign of commitment (Logan, 1988; Cheney, 1999). Salary reductions in cooperatives are easier, researchers argue, since the employer–employee agency relationship is eliminated, therefore avoiding the risk of the principal's opportunism and allowing an internalisation process of workers' objectives into the objective function of a firm (Navarra & Tortia, 2014). The cited scholarly literature focused on Mondragon tends to overlook that the decision and discussion processes of cooperatives voting to reduce their members' salaries are often painful and conflictual (Basterretxea et al., 2020). Some recent studies point to wage flexibility as a factor to explain lower satisfaction and higher sick absence rates among worker-owners than among employees without ownership in some large Mondragon cooperatives such as Eroski (Basterretxea & Storey, 2018) and FED (Basterretxea et al., 2019).

### Temporal Flexibility

Flexibilisation of work schedules is a generalised measure adopted by Mondragon cooperatives when their activity decreases in times of crisis (Basterretxea & Albizu, 2010). According to the Displaced and Mobile Work Schedule Regulation (Mondragon, 1998), the cooperative manager – after informing the Social Council (SC) and the workers, and with the approval of the Governing Council (GC) – may reduce working hours or the number of working days per week for its members. In the case of FED, non-worked hours could be accumulated for a maximum of one year. There was an obligation to make up the hours if there was an increase in activity in the following year, with a maximum of 10 working hours per day. If after that time those hours were not made up, Lagun Aro assumed them as *unemployment hours*. Together with external numerical flexibility, this is cooperatives' first resort strategy in a demand crisis (Basterretxea & Albizu, 2010).

Some Mondragon cooperatives, instead of reducing working hours in times of crisis, opt to increase worker-owners' working hours without increasing their salary (solidary overtime), thus reducing the need for temporary workers. For example, the retailer Eroski approved to increase working hours of its almost 9,000 worker-owners by 10% in 2009 (Basterretxea & Storey, 2018).

While researchers on Mondragon seem to overlook the possible negative effects of working time flexibility, the following broader literature considers them. When voluntary, working time flexibility helps job satisfaction and mental health (Gregory & Milner, 2009). However, this flexibility guided by market needs (Hildebrandt, 2006), together with the risks associated with overtime, disruption of family and social life (Golden, 2015), and intensification of work (Gregory & Milner, 2009) and stress, leads to a negative work–life balance (White et al., 2003). Nevertheless, the Displaced and Mobile Work Schedule Regulation (Mondragon, 1998), to which this study's authors had access, highlights the advantages that this model provides, not only in times of crisis, but

also in coping with peaks in demand or seasonal demands, such as those in the fridges unit.

As can be seen, labour flexibility measures can lead to employee disruption due to a firm's perceived breach of contract (Rousseau, 1995). This may reduce their commitment (Black & Lynch, 2004); increase their turnover, absenteeism and performance problems (Basterretxea et al., 2019); or provoke a defeatist attitude toward work and a greater desire to leave their job (van Dam, 2003). Moreover, the disappearance of work routines due to labour flexibility leads to psychological, physical and social disruption (Brett et al., 1992).

As Origo & Pagani (2008) underline, the impact of different forms of flexible work arrangement on job satisfaction heavily depends on whether they are freely chosen by a worker or whether they are imposed by employers or by contextual factors. As in many other cooperatives (see, for example, Smith (2001) about La Lega, or Ugarte et al. (2009) about Irizar), flexible work arrangements in Mondragon are decided by worker-members; however, these arrangements are mainly influenced by adverse economic conditions. Mixed effects on partners' attitudes and behaviours are thus expected to be found.

#### Social Security System and Unemployment Benefits

Firms can achieve flexibility without detrimental effects on workers' satisfaction if policies aimed at favouring the use of flexible contracts are coupled with policies aimed at enhancing employment stability (Origo & Pagani, 2009).

Offering employment security to employees increases their commitment, satisfaction, wellbeing and health (Tsui et al., 1997); leads to a better acceptance of relocations and functional flexibility (Ostroff & Clark, 2001); and to an improvement in both their work performance and (indirectly) to company productivity (Freeman, 1978). Unemployment benefits are among the measures to increase workers' perceived job security (Green, 2009). Providing workers with a long-term employment perspective increases their willingness to invest their time and effort in a firm (Hashimoto, 1981).

Since the creation of Lagun Aro, cooperative worker-owners have achieved very high levels of employment security in exchange for their acceptance of labour flexibility. Several researches confirm that employment security is the single most important satisfaction factor for Mondragon cooperatives' partners (Heras-Saizarbitoria, 2014).

#### Active Labour Market Policies and Lifelong Learning

Functional flexibility required in each cooperative and the relocations among cooperatives both demand a high level of multi-skilled capability from members (Landeta et al., 2016). These members are forced to switch to new tasks as well as to new companies and, sometimes, even to a new business sector; so adaptation is easier when members have gone through solid generic training (Basterretxea & Albizu, 2010). Of the relocations that occurred in the 1980s and early 1990s, mainly workers who had obtained at least second cycle qualifications from vocational training schools were able to become permanently relocated; therefore, Mondragon promoted extensive vocational training programmes to facilitate relocations of members with primary education (Basterretxea & Albizu, 2010; Landeta et al., 2016).



In the case of FED, functional flexibility and relocations have been implemented without adequate training support, as can be seen from the fact that a large portion of FED's workforce had no vocational training (Basterretxea et al., 2019). This raises the question of whether it can be called functional flexibility, or whether it should be considered a poor version of it; this question is further discussed in the discussion and conclusions section.

## **METHODS**

Due to the subject's complexity, this paper has adopted an exploratory qualitative methodology (Glesne, 2006), like that of the contemporary case study. The study's nature is holistic, instrumental, exploratory and explanatory.

The quantitative information was extracted from a large amount of longitudinal, internal and public data, close to FED's closing period. The most relevant public information was analysed, coming from journalistic and academic articles as well as Lagun Aro (2007–2019) and Mondragon (2008, 2015, 2020) annual reports. Internal corporate FED and Mondragon management reports and regulations were also compiled, for example, the Absenteeism Report of 2005 (Fagor Electrodomésticos, 2006) or the Displaced and Mobile Work Schedule Regulation (Mondragon, 1998).

The qualitative data was obtained from field work based on 40 in-depth interviews with a representative and reliable pool of FED internal and external stakeholders during its fall and in the relocation stage. Theoretical, purposive and snowball sampling (Patton, 2002), in addition to the recommendation of or allusion to the interviewees, were used to define the sample. Unlike other research that has focused solely on a manager's opinion, these interviews included contributions from 20 former senior FED managers (3 GC representatives and 2 SC members); 13 worker-owners (4 leading SC representatives and 6 members of platforms of those affected by FED's closure); a senior union official who supported non-owner workers through the collapse; 3 senior managers from Mondragon headquarters; 4 senior Basque Government officials responsible for industrial policy; and a researcher from Mondragon University. This increases the richness and reliability of the information collected (Miles et al., 2014), covering the various interests at stake (Glesne, 2006).

A semi-structured script was developed based on the conceptual framework studied, and it was modified as the field work progressed (Denzin & Lincoln, 2008). To obtain more feedback from the interviewees, key quantitative data and input from previous interviewees were presented to them. The interviews lasted between 90 and 170 minutes and were recorded and transcribed verbatim. The study's uniquely academic motivation, the diversity among the interviewees and their anonymity were guaranteed, thus avoiding the participants' organisational silence (Morrison & Milliken, 2000) and social desirability (Nederhof, 1985). Possible methodological biases related to the catharsis involved for the interviewee to deal with a traumatic experience were considered (Heras-Saizarbitoria, 2014). The data collection from the fieldwork ceased at the theoretical saturation point, when the marginal contribution of each interview began to decrease (Miles et al., 2014).

The diversity of information sources guarantees the factors' validity and led to contextualisation and interpretation of the case through abductive reasoning, with an interactive compromise between empirical material and theory (Sinkovics & Alfoldi, 2012). The information was triangulated and analysed as suggested in the literature (Miles

et al., 2014), through an iterative process of categorisation, interpretation, discussion and explanation (Glesne, 2006). An inductive analytical approach was used with great potential for qualitative content analysis of the collected data (Glaser & Strauss, 2017). Key findings were synthesised and representative passages and quantitative descriptive figures were included to better illustrate the object of study. Internal validity is ensured by shared patterns explaining the event. As recommended in the literature (Gibbert et al., 2008), in order to increase the reliability of the study's analysis of the interviews, one peer (who was not a co-author of the paper) independently analysed the interview transcripts and discussed and reviewed the draft paper. With the same purpose in mind, a draft review was also made by a key informant in April 2020.

## **RESULTS**

In the following sections the advantages and limitations that flexicurity has had in dealing with the management of the surplus of FED partners are addressed. The results are divided into the pre (2005–2013) and post (2014–2019) FED closing stages.

### **Flexicurity before FED closure**

#### **Numerical Flexibility**

External numerical flexibility differed according to the different categories of workers employed by FED.

FED reached its worker-owners peak in 2004 with 3,520 members. Between 2004 and 2013 this number was reduced by almost 50% to a total of 1,895 members (Basterretxea et al., 2019). This reduction was achieved mainly through not replacing retired members and promoting early retirement. Since 2010 the early retirement age decreased from 61 to 58. Many interviewees consider early retirement as a precarious measure. Lagun Aro offers 80% of the salary to those members affected by early retirement. Given that salaries were cut by 20% in the years leading up to the firm's closure, members who were affected by early retirement are receiving 64% of the salary they earned before the crisis began.

There was no union representation of temporary workers in the parent cooperative and given that the majority of them wanted to become members, they were usually docile and quite uncritical when demanding their rights as workers (Amado-Borthayre, 2009). Therefore, not renewing their contracts in Basque factories was less conflictual than in nearby large unionised investor-owned firms.

The peak of employees without ownership rights (7,150) was reached in 2006 after the acquisition of the French competitor Brandt. In 2012 only 3,606 remained, most of them in French and Polish subsidiaries. Other FED production plants around the world in 2013 are shown in Figure 1. For more information on FED's organisation chart, see Basterretxea et al. (2020).

Figure 1: FED's production plants in 2013.



FED had a 30% equity participation in another production plant in Shanghai (China).

Source: Data gathered from interviews.

Interviewees highlight that FED's plans to cut jobs at the French subsidiary Brandt were difficult to implement. Brandt's union culture and French labour legislation were unanimously cited as factors that slowed projected adjustment plans and made them much more expensive. Conflicts, work stoppages and strikes across Brandt facilities happened whenever jobs were at stake (Errasti et al., 2016; Kasmir, 2018). Despite union opposition, close to 2,300 job losses happened in Fagor-Brandt in the 2006–2013 period, via layoff proceedings, non-renewal of temporary contracts, natural and early retirements, agreed withdrawals, dismissals and the transfer of production plants to other firms (Errasti et al., 2016).

French unions sought solidarity with FED's SC members to prevent layoffs and to create integrated trans-spatial strategies of resistance, as unions often do in different sectors (see Gialis & Herod, 2014). They soon found that solidarity was impossible. The special labour agency of FED members, given their dual condition of workers and owners, impeded collaboration.

French unions called me to a meeting in which they proposed to have a relationship with us. I was honest and told them we couldn't have a conventional union relationship because I was a partner. I took part in the decision to buy Brandt. So the relationship that I was going to have with the French union was that of a (owner) member. I told them: 'I can't share information with you because I have a conflict of interest, and I'm going to defend the Mondragon jobs. And if at any given time a Brandt factory has to be closed, however hard it is, it will be closed before a Mondragon one'. (SC Member)

When FED implemented an adjustment plan in its Polish subsidiary in 2008, efforts of the Polish union Sierpen 80 to develop trans-spatial solidarity actions were also rejected by FED's worker-owners, who sought to defend jobs in Mondragon (see also Errasti et al., 2016; Kasmir, 2018).

### Functional Flexibility via Relocation

Even before the 2008 crisis, some FED business units were running at a loss (Basterretxea et al., 2020). In 2005 losses of the business unit producing fridges reached 14.5 million euro; the washing machines unit lost 6.4 million and the dishwashing machines unit 4.2 million (Fagor Electrodomésticos, 2006). A FED manager and SC and GC member reports that heavy losses in the fridges unit forced the company to reduce this unit's staff from 903 workers in December 2005 to 375 in June 2008. These redundant members were relocated to other units and other nearby Mondragon cooperatives. The interviewees in this study highlight that those early relocations and other measures to try to make the fridges unit profitable again were decided by a committee of 70 fridges unit worker-owners. This democratic decision making, and the fact that most relocations of the 2006–2008 period took place in other cooperatives of the same Mondragon town, diminished worker resistance to relocations. Instead, the massive relocations of the 2010–2013 period were slower than planned because of the working member resistance to them. Several interviewees, from managers to SC members, agree that this strong resistance was because many members experienced relocations 'as a drama'. There were four main reasons for this: (1) a culture with a high sense of belonging to each business unit; (2) fear of uncertainty and routine change. Fear was greater when worker-owners were relocated to very different tasks in distant cooperatives that asked for longer commuting time and worsened their work–life balance;

People were alarmed, they said: 'Damn it! My life is going to fall apart! I make fridges. I know what I do. I know how to do it. And now what are they going to do with me? [...] Are they going to relocate me to another cooperative and to a different job? [...] How am I going to do that? Will they respect my schedule? I have young children!' or 'I'm 55 years old and now I have to learn other new jobs? What's going to happen to me?' That's what I sensed, that was the fear, the restlessness. People didn't internalise that 'I have to go where the work is' almost until the end. [...] From the SC we also put up barriers to relocations. They were our last option. (SC Member)

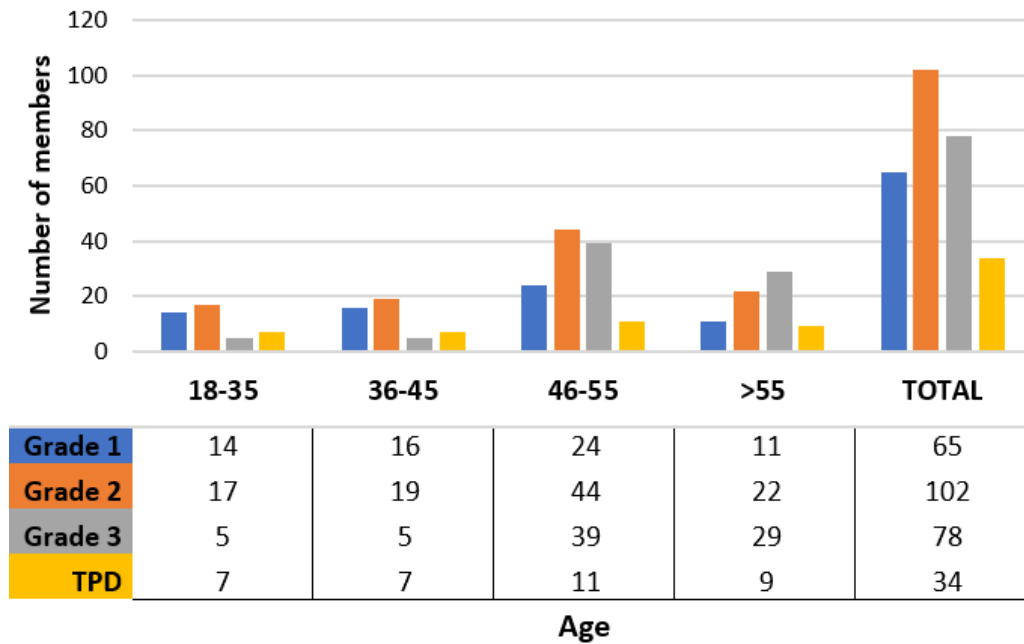
(3) the fact that, according to the interviewees, most FED worker-owners never thought the company could go bankrupt and assumed Mondragon Corporation would never allow its most important industrial cooperative to fail. This false sense of security reinforced individual and collective resistance to relocations; and (4) the fact that when many supervisors had to decide who was to be relocated, they maintained their team's best performers and relocated those worker-members with worse performances. Thus, being named for relocation created a negative stigma.

This kind of attitude was the natural way for members to protect themselves from the ploys of the management to declare relocatable the one they did not like. (FED Manager and SC and GC Member)

Besides active resistance to relocations through worker-owners' representatives in the SC, multiple individual acts of resilience (Katz, 2004) slowed down the relocation process.

Some members avoided being relocated to other cooperatives on the grounds of a work disability. In 2005, 279 FED members (8.1% of the total) had a work disability (Figure 2). According to plant managers and human resources (HR) managers, this made relocations difficult. The percentage of members with any kind of disability almost doubled to 15.6% in 2013. According to the interviewees, those percentages were much higher among blue-collar worker-owners.

Figure 2: FED partners with disabilities by age group in 2005.



Source: Fagor Electrodomésticos (2006).

FED's internal medical service was responsible for evaluating worker-members' disabilities and for providing internal medical documents acknowledging a disability that prevented them from performing certain jobs. These documents were used internally and were unofficially known as *papeles médicos*; they are often mentioned in the interviews.

The high levels of worker-owners with a disability are partially explained by the FED recruitment policy social goals that explicitly promoted the integration of disabled candidates. There is nevertheless an almost unanimous opinion among the interviewees about the hidden fraud behind the use of *papeles médicos* as a barrier against functional flexibility, relocations and flexible schedules. Interviewees also criticise that the internal medical service granted these disability recognitions too easily.

When everything started to fall, they asked for *papeles médicos*. [...] 'Am I going to be relocated? I'll say I've got tendinitis; I'll go to the factory doctor; he'll sign me a *papel médico*, and I will elude relocation. How are they going to relocate me where there's a vacancy if I'm not going to be able to work? [...] They will assign me some simple tasks and then another member will be candidate for relocation'. What culture is being generated, especially at the workshop level?

Well, the next candidate says: 'Me too!', 'The last one is a rotten egg!'. (SC Member)

Interviewees also describe a culture of relocation denial that forced the HR department to relocate partners from more profitable lines:

When trying to relocate partners from deficit lines, you reached a point where you had got to the bottom of the matter. You had already removed [from the list of relocations], those who could retire, those over 55 and those who had taken the reduction in working hours who could not be relocated by regulation. So you had to relocate partners from other lines or chains that were profitable. (FED Manager)

The percentages of members with *papeles médicos* were higher among the direct workforce and in some specific business units. A FED manager and SC and GC member reports that during the first relocations, between 2005 and 2006, 35% of the direct workforce in the fridges unit had *papeles médicos*. These members could not be easily relocated to other tasks and business units, let alone other cooperatives.

According to a SC member, the number of members with *papeles médicos* became such that a section known internally as *Txagorritxu* (the name of a large hospital near Mondragon) was set up with non-relocatable members who carried out simple tasks at a loss.

When FED was closed, more than 250 partners had some kind of disability to work, what we called here *papel médico*. So sometimes we just made up positions for that kind of person. There were loss-making simple assembling and disassembling sections for these people, and those sections got larger and larger. (FED Manager and SC and GC Member)

As previously analysed by Basterretxea et al. (2019) absenteeism rates increased significantly in the last two decades of FED's history, from 4% until mid-1990s to 8.8% in 2010. Sick absence increased significantly in 2009 and 2010 when the firm was implementing massive relocations. According to some interviewees, sick absence was also a way for many members to avoid relocations.

Another barrier some members used to avoid being relocated to other cooperatives was to adhere to FED's *Law on the Reconciliation of Family Life and Work*. When the application of this regulation caused changes in relocation candidates' working hours that the receiving cooperatives could not deal with, candidates remained in their home cooperative.

Many partners chose to reduce their workday when they started seeing storm clouds ahead. When there were rumours of people being made redundant, many said: 'No, I'm taking care of my children. I'm only going to work four hours and that will exempt me from relocation'. (SC Member)

Some interviewees stress that relocation policies were also offered to managers. Firing or demoting underperforming managers or those who repeatedly made poor investment decisions was very difficult because they were cooperative members. Many rank and file interviewees criticise that even these managers, with the most responsibility for FED's

failure, were the first to be relocated to other cooperatives and even promoted to higher positions in Mondragon, where their performance often remains low.

### Financial or Wage Flexibility

FED members agreed to stop receiving interest and extraordinary payments and to reduce their salaries progressively. As Basterretxea et al. (2019, 2020) highlight, the debates on salary cuts in annual general assemblies were highly conflictual and often members voted against reducing their wages or voted in favour of reducing them by steady margins. Nevertheless, salaries were reduced year by year until reaching a 20% salary decrease in May 2013.

There was a kind of unwritten social pact which said: 'I accept salary cuts as an effort, but here there is no lack of work, here nobody gets the sack [...] and nowadays that's a privilege that nobody has'. (SC Member)

In a sign of high inter-cooperation and solidarity, cooperative members of another 110 Mondragon cooperatives voted in May 2013 to reduce their salaries in order to award a 70-million-euro loan to FED. Consequently, most of these cooperatives' worker-members reduced their salaries by 1%, while the Fagor Group cooperatives' reduction was by 6.48%.

Wage flexibility usually affects worker-members at parent cooperatives and does not apply to wage labourers in subsidiaries. That was not the case in FED's Polish subsidiary, Wrozamet, where a reduction of wages was agreed in 2008. Wage cuts were negotiated with the union Solidarity but generated strong opposition from Sierpen 80, strikes, conflict and labour unrest (Errasti et al., 2016).

### Temporal Flexibility

It is noticeable that the use of flexible calendars became the flexicurity tool that received most support from FED members and the SC between 2007 and 2013. According to the regulations in force, Lagun Aro covered 80% of the salary corresponding to the hours not worked and not subsequently made up (Bradley & Gelb, 1987). In the 1970s, 80s and 90s crises, flexible schedules had been a source of competitive advantage for cooperatives because members recovered the hours not worked in the months and years after the crisis, see, for example, Whyte & Whyte (1988) or Clamp (2003). That was not the case this time; the prolongation and deepening of the crisis from 2007 until the disappearance of the company in 2013 meant that the hours not worked (but paid) could not be recovered in following years. Some interviewees point out that some business unit partners, such as those of Fagor Mueble, owed more than 1,000 hours of work per capita. Working time flexibility should be used to alleviate transitory difficulties, not to perpetuate a firm's structural problems, interviewees argue.

We voted to reduce our working hours, close the factories two weeks in Easter instead of one, 45 days in summer instead of one month, or even not to work on Fridays for a whole year. Those non worked hours were paid even if we were often unable to make them up. These working time flexibility measures are fine as a solution for short crises like the ones in the past. But for one as long as this it is a mistake because you are just postponing a decision you have

to make, because otherwise these measures will lead to closure and vitiate people. (SC Member)

### **Situation of flexicurity after the closure of FED**

In October 2013, the 5,600 workers that remained at FED fell into three categories: 1,895 worker-members and 200 temporary workers on short-term contracts in Spain, and 3,500 workers in international subsidiaries.

The different agents (former FED members, host cooperatives, Mondragon Corporation and Lagun Aro) took different positions and measures to protect FED's 1,895 unemployed members. In contrast, the jobs and incomes of temporary workers and subsidiary employees were unprotected. Foreign subsidiaries were closed or were bought by competitors (Cevital bought Brandt and Bosch-Siemens bought Wrozamet) only to reopen with severely reduced workforces (see also Kasmir, 2016; Errasti et al., 2016).

#### Mondragon's Protection of Former Members

Mondragon prioritised the management of partners' positions and designed an immediate action plan.

#### *Social security system and unemployment benefits of Lagun Aro*

Fees to cover unemployment in Mondragon cooperatives have been historically lower than the fees conventional Spanish firms contribute to the National Social Security, providing a long-term competitive advantage via lower social costs over capitalist companies (Whyte & Whyte, 1988; Ormaechea, 1998; Basterretxea & Albizu, 2010). Before the crisis, in the 2000–2007 period, the Mondragon cooperatives' unemployment insurance fee remained at an average of 1%, far below the 7.05% unemployment insurance fee for workers affiliated to the Spanish National Social Security System (Basterretxea & Albizu, 2010). As Table 1 shows, this competitive advantage has narrowed since the 2008 financial crisis, and, particularly, since FED's bankruptcy in 2013.



Table 1: Unemployment payments and benefits in Mondragon (in thousands of euro).

Year	% Fees	Fees	Interests	Benefits	Annual balance	Accumulated balance
2007	1.00%	6,635	1,690	3,226	5,099	68,067
2008	1.00%	7,023	1,869	7,448	1,444	69,511
2009	1.00%	6,992	1,261	23,209	- 14,956	54,555
2010	2.00%	11,909	167	18,043	- 5,967	48,588
2011	2.00%	13,812	86	21,492	- 7,594	40,994
2012	2.00%	13,742	1,193	19,006	- 4,071	36,923
2013	3.00%	18,712	1,559	30,438	- 10,167	26,756
2014	6.50%	43,831	325	43,502	654	27,410
2015	6.50%	43,687	134	32,528	11,293	38,703
2016	6.50%	43,783	469	25,666	18,586	57,289
2017	6.00%	41,640	1,659	23,150	20,149	77,438
2018	5.50%	23,415	- 1,150	22,265	-	77,438
2019	5.50%	38,350	2,770	21,870	19,250	96,688

Source: Lagun Aro (2007–2019). *Annual Reports*.

In the previous crises of the 1980s and 1990s, relocations and flexible calendars were prioritised, and early retirement was the last resort due to its economic impact (Bradley & Gelb, 1987; Landeta et al., 2016). That was not the case in the 2008–2015 crisis. Due to the Taylorist production systems at FED, training requirements for basic blue-collar positions were scarce and hundreds of FED worker-members did not have a vocational training qualification (Basterretxea et al., 2019). A result of this has been that relocations to other cooperatives have been difficult, especially the relocation of older members. Thus, as Table 2 shows, early retirement is the biggest cost of Lagun Aro’s employment policy between 2007 and 2019. The second most costly measure is that of unemployment benefits and benefits for those members affected by flexible schedules who were unable to make up hours not worked. In opposition to previous crises, voluntary redundancy of members has been promoted with more than 13 million euro.

Table 2: Expenditure in Mondragon flexicurity and employment policy benefits 2007–2019 (in thousands of euro).

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Unemployment & flexible schedule benefits	201	3,236	10,745	1,021	4,882	2,887	11,280	15,415	5,023	3,448	1,892	2,024	2,573	64,627
Temporary relocations	299	376	2,191	2,778	1,423	1,464	2,229	7,160	6,597	5,076	4,756	5,347	5,188	44,884
Permanent relocations	609	109	297	607	3,919	3,150	5,695	6,065	1,433	3,639	4,805	5,174	5,486	40,988
Early retirement	1,985	3,263	9,015	10,520	10,881	10,682	10,261	14,594	14,662	12,472	11,126	9,057	6,850	125,368
Severance pay	132	464	961	3,117	437	823	973	169	4,605	855	439	608	1,758	15,341
Vocational retraining plan	-	-	-	-	-	-	97	97	198	177	133	56	10	768

Source: Lagun Aro (2007–2019). *Annual Reports*.

In addition to relocating members in other cooperatives, 350 former FED members were hired in 2014 by a Spanish competitor, CNA-Cata, that continued to produce white goods products in some of FED’s former factories and to use the Fagor brand (Arando & Arenaza, 2018). CNA-Cata failed to make this relaunch profitable and most relocated worker-members re-joined Mondragon in 2017 and 2018.

Arando & Arenaza (2018) used data on the number of former FED members affected by different flexicurity measures to highlight the adequacy of these policies in providing solutions for redundant former FED members. Through information gathered from several interviews, we see how, by early 2021, flexicurity had provided a response to 1070 former members in terms of relocations, and to 881 former members in terms of retirement, early retirement, voluntary redundancies or unpaid sabbatical leaves.

To make relocations possible, Mondragon created an employment office and an instrumental cooperative, called Udalaiz. The employment office was represented by members of the Mondragon HR department, the FED personnel department and a Lagun Aro representative. Its tasks were to (Arando & Arenaza, 2018):

- Classify unemployed partners based on their attitudes and skills.
- Analyse the supply and demand for employment in the cooperatives and look for jobs that match these partner profiles.
- Create jobs in other cooperatives and new value-added activities, such as the after-sales service cooperative Sareteknika in October 2014, which employed 21 former FED members.

- Encourage the relocation of members with social, functional or training problems through retraining programmes and the subsidy of their salary costs subject to their consolidation.

The instrumental cooperative Udalaiz was established at the end of 2014; it welcomed former FED members as its own members, allowing them to receive their payroll and the aid from Lagun Aro. In addition, it manages relocations by administering the curricula vitae and histories of the members and assigns them to the cooperatives that require workers (Arando & Arenaza, 2018).

*Perception of former FED partners toward the protection of Mondragon and the consolidation of inter-cooperation*

Thanks to flexicurity measures, only 56 former FED members remained unemployed in early 2021. Far from being critical of some aspects of the flexicurity measures in general, and relocations in particular, most interviewees highlight that those measures are much better than unemployment:

I've lived through a company closure and haven't been unemployed at all. I haven't missed a single month. [...] I've been able to feed my family. [...] I have not gone through 700 interviews. [...] Before the closure of FED I went to the personnel department and asked if they needed people in another cooperative of Mondragon. They said: 'Of course, give me your CV'. [...] They interviewed me at the other cooperative and I went in the first time. That's a strength. (SC Member)

The interviewees also highlight that high levels of inter-cooperation among Mondragon cooperatives have helped to mitigate the social cost of FED's bankruptcy.

Some interviewed managers consider the flexicurity policies and their results as a complete success story, which is in line with previous researchers such as Arando & Arenaza (2018). Nevertheless, many interviewed rank and file worker-owners, their representatives in the SC and also several middle line managers are much more critical. They highlight that by early 2021, more than seven years after FED's demise, about 40% of the mentioned relocations were still of temporary basis.

There is a lot of demagoguery about this in Mondragon, they say: 'We have provided a solution for 2,000 workers.' But many solutions have been early retirements, voluntary leaves. [...] The number of definitive relocations is not that great. It is not enough to be proud of or to say in a press conference or an interview that 'the Mondragon cooperative system is strong and powerful because it has managed to relocate all those who have left FED'. (SC Member)

In addition, a SC member criticises cases where, if a former member – due to the delay in their relocation – finds work outside the Mondragon Corporation, Udalaiz notes it as a new success story.

The interviewees point out the existence of worse working conditions in the host cooperatives for those temporarily relocated members, who feel as if they are working for a temporary employment agency:

Being the Temp Agency of Mondragon is not a solution. Maybe it's a better solution than staying home unemployed, but you can't say it's a solution. (FED Manager and GC Member)

There is a great feeling of unhappiness among temporary relocated former FED members. The Mondragon cooperatives that temporarily relocate them think: 'I don't have the obligation to consolidate you in my staff. I have you as a temporary employee and if tomorrow the workload goes down, the day after that you ain't coming', as in any Temp Agency. [...] Inertia leads to giving the worst jobs to relocated partners. (SC Member)

Many former FED members are relocated for several months to one cooperative, then are unemployed for several months, and afterwards are relocated to the same or an alternative cooperative. Interviewed relocated members fear that many members will consume the maximum two-year unemployment benefit that Lagun Aro provides.

If you are relocated temporarily for six months and you are unemployed for another three months, it is like *Chinese water torture*, little by little, one day you have wasted the two years. (SC Member)

Some of the interviewees have been temporarily relocated for up to six years in the same cooperative. They argue that relocated members suffer underpaid inequity, often they do not receive salary increases linked to performance evaluations and also suffer inequities when it comes to sick absence and overtime pay.

Some permanent solutions, such as pre-retirement and early retirement, are also criticised by interviewees, given that they suppose a sharp reduction of income.

#### End of Former Partners' Resistance to Relocations

The interviewees consider that after FED's fall, there was a change in the scale of values of many members who had previously resisted relocation. Likewise, Lagun Aro began to sanction, with a three-month cut in salary, any former partner who refused to be relocated.

Interviewed managers point out that many members who had used their *papeles médicos* and their supposed disability to avoid relocation, voluntarily asked to have their *papeles médicos* removed. Udalaiz also commissioned an external medical team to analyse all partners who had a recognised disability at the closure of FED to see which ones had a real limitation that prevented them from being relocated.

When FED was closed, we had more than 250 members who could not work, and one of the first decisions we made was to have an external medical check-up. [...] After that medical examination, the number of members who really had some kind of disability went from 250 to 51. [...] This is a fact that tells a lot of things. (FED Manager and SC and GC Member)

80% of the members who claimed to have a disability have experienced a *miraculous cure*, and I'm very happy that now they have another approach to life! People who for many years said they couldn't do many jobs, now do any job, any shift. (FED Manager)

## Barriers of other Cooperatives to Relocation after FED's Fall

Senior managers and SC members expose a resistance to the consolidation of temporary relocated members into permanent ones by some host cooperatives. The main reasons for this are summarised below.

### *Fear of loss of staff flexibility*

Many interviewees underline that staff flexibility is an important argument of other cooperatives which are not willing to consolidate temporarily relocated FED members into their workforce:

Uncertainty is the main issue. Many Mondragon cooperatives have workload problems. The fall of FED helped them to understand that they have to be very careful when increasing staff and there is such a psychosis [...] So for them it's worth having a temp worker instead of a consolidated member. (SC Member)

### *Dismissal of temporary employees*

According to managers and SC members, Mondragon's request to the cooperatives to give unemployed former FED members the vacancies covered by temporary employees and candidates for membership has generated some situations of rejection in the receiving cooperatives.

Imagine that your son is 20 years old and has studied mechanics. He can't find work in the area, so you think: 'He may get hired in the cooperative because there's a place for him [...]'. And then you are told: 'Your son's gonna stay out of the cooperative because we're gonna host a relocated FED member'. Then you say: 'Relocated members suck'. This is very easy to perceive. I've been relocated for almost seven years now, and I still have to hear these things. (SC Member)

Some successful cooperatives demand to cover only half of their eventual positions with FED relocated members and to keep the other half free for their eventual workers. A manager in one of these cooperatives justifies this:

In many host Mondragon cooperatives, relocations have not created jobs, but have changed their nature. [...] Relocations are our commitment to Mondragon. [...] But we also have a commitment to the region where our cooperative is located, where there are unemployed people. That has to make the difference. (Mondragon Manager)

### *Negative attitude of former FED partners*

FED suffered high absenteeism levels for a long time and a complacent culture made shirking easier for many members (Basterretxea et al., 2019). The poor perception that many members of other Mondragon cooperatives had about FED's culture has made relocations more difficult. A manager of a cooperative relocating many former FED worker-owners illustrates it:

We have had our very, very big doubts and suspicions about the people coming from FED. We've met some very good people and some very bad people. We

have expelled 11 relocated people from FED because they were not meeting minimum commitments. Some cases have been very representative of the 'FED Model', like a member faking sickness absence. [...] They would do that at FED anyway, but not here. (Mondragon Manager)

From the other perspective, former FED SC members have spoken about their perception of being rejected in other cooperatives where they have been relocated to:

We have just closed down a company, and on top of that we have asked the whole Mondragon Corporation for money, we have indebted other cooperatives, [...] everything in vain, finally closing down FED. We were in meetings [with members of other cooperatives] and people said: 'These fucking FED members, they have closed one company and now they are coming here to close another one. [...] Fucking relocated people, why don't they go home? [...] And, besides, they come here now to take our jobs? [...] We don't want suckers here'. [...] So you have a stigma on your back for being relocated and not being like them. (SC Member)

Interviewed former middle-line technicians and managers have found it easier to get a permanent relocation in other cooperatives. They nevertheless share the idea that many former FED members, mainly in blue-collar positions, have not been well received in many cooperatives. Some managers criticise that other Mondragon cooperatives are blaming former FED members and their attitudes as an excuse to not relocate them.

#### *Low educational profile of former FED partners*

Given its Taylorist production chains, FED employed many low skilled worker-members (see Basterretxea et al., 2019). Low education requirements made it easy to relocate other cooperatives' worker-owners in the 1980s and 1990s crises:

In the 1990s [...] hundreds of relocated people arrived at FED from other Mondragon cooperatives on buses, [...] people whose training was not evaluated. The last and largest relocation station was FED because it had assembly lines, and in the chains any trainee is able to work with a little help and skill. (Mondragon Senior Manager)

The same low training requirements, which made FED a good company to relocate other overstaffed cooperative members to in the past, became an impediment to relocation when FED was the overstaffed company. According to interviewed FED managers, six years after the fall of FED, approximately half of the former members who were still temporarily relocated had no vocational training and many had no compulsory secondary education. This undermines the foundations of functional flexibility and prevents members from aspiring to permanent relocation in many Mondragon cooperatives.

Many former FED worker-members have been reluctant to take part in vocational training courses. This reluctance has been perceived even by interviewed Basque Government officials, who offered vocational training programmes to FED members when the company went bankrupt:

We met with FED's SC and [...] what surprised me most was that [...] when we mentioned the importance that training has for the success of the relocations,

people were reluctant. Although they can be relocated to a job and there may be a plan to improve their training, it seems like they don't want it. [...] Even though it is beneficial to both them and the cooperative. [...] In addition, we saw that there were people with very low qualifications, and a strong relocation effort was needed, together with institutions such as Lanbide (Basque Employment Service). There was a big problem with this. (Senior Government Official)

### *Mondragon's response*

Mondragon and Lagun Aro do not have executive authority to impose relocations, thus relocation policy depends on the goodwill of the cooperatives that have vacancies (Arando & Arenaza, 2018). As Table 2 shows, besides relying on goodwill, Lagun Aro gives important economic incentives in order to increase permanent relocations.

According to interviewees, Lagun Aro pays 82,000 euro to its cooperatives for each temporary relocated member who is older than 50 and who is offered a permanent relocation; the aid amount is 66,000 euro if the member is younger than 50. This is all under the condition that, if the activity of the receiving cooperative does not sustain the employment of its members, the first to leave may be the last to be relocated, at no additional cost. Even so, the already mentioned fear of the loss of flexibility in the workforce leads many host cooperatives to reject the agreement.

In 2013 Mondragon and Udalaiz, with funding from the Basque Government and Lagun Aro and through agreements with their training centres, also provided vocational retraining for 340 former FED members with permanent relocation difficulties because of low or inadequate qualifications (TU Lankide, 2015). Arando & Arenaza (2018) expose that this plan was preceded by one to obtain the compulsory secondary education diploma. The objective was that these former partners could obtain an official degree in mechanics or mechatronics – studying four hours, from Monday to Thursday during a three-year period – in order to achieve permanent relocations. Lagun Aro facilitated the leave of absence with a single payment protection. In addition, the training hours had an impact on unemployment benefit and 50% of these hours were returned once the training was completed. During the 2014–2015 academic year, only 52 of the aforementioned 340 former FED members agreed to enrol in the first course of the educational programme. In the 2016–2017 academic year, only 35% of these 340 members took the training, among which 41 were already in the third course (Arando & Arenaza, 2018).

However, according to interviewees, these measures should have been taken before FED's closure. Other cooperatives in the Fagor Group took interim HR management measures as early as the 1980s.

When their training plans are something they establish when there is no other solution, they don't work. [...] It had to be done long before FED was in trouble, when the problem started to show. [...] Now, if they propose a training plan to me from Udalaiz, in my receiving cooperative they will say: [...] 'You are not my partner, [...] I don't give a damn if you study or not, fend for yourself to study, do it in your free time. Now, do I have to give you free time? No, not at all'. Udalaiz proposes that you stop working and start studying, but you lose your job. They help you; they make things easier for you, but it is still a risk to start studying. (SC Member)

## **DISCUSSION AND CONCLUSIONS**

This paper adds evidence, at a corporate analysis level, to the studies that link poor implementation of flexicurity policies and increased labour market precariousness (Domínguez, 2012; Fernández-Rodríguez et al., 2012; Gialis et al., 2014; Gialis & Taylor, 2016). In fact, some flexicurity policies applied to face FED's crisis – temporary relocations seven years after the firm's closure, long-term wage cuts, or functional flexibility and relocations of workers without proper multi-skill training – could be labelled as *flexiprecarity* (López et al., 2014).

FED's case also shows that the negative effects of flexicurity policies on satisfaction and commitment increase when these measures are driven by contextual factors, consistent with previous research (Origo & Pagani, 2008).

As in the past, Mondragon's flexicurity mechanisms have helped to lessen the employment crisis effects generated by FED's collapse. Nevertheless, the findings of this research suggest that the competitive advantages flexicurity gave to Mondragon cooperatives have been significantly reduced since the 2008 financial crisis.

The long-term competitive advantage via lower social costs (Whyte & Whyte, 1988; Ormaechea, 1998; Basterretxea & Albizu, 2010) has been diminished. The fees that Mondragon cooperatives pay to finance unemployment coverage have grown significantly and are, nowadays, close to the fees non-cooperative competitors pay to the social security system. The types of benefits have also changed. Almost three quarters of the benefits paid in the 2008–2015 period have been devoted to goals that do not offer greater labour flexibility: unemployment benefits, early retirement and severance pay for voluntary redundancies.

In the 2008 financial crisis and in the pre- and post-failure of FED, relocations have been more difficult because the crisis affected many cooperatives in different industries at the same time. Furthermore, a large part of FED's workforce was difficult to relocate. Many older redundant members with low vocational training certifications were offered early retirement. Flexible schedules did not offer the same competitive advantage of the past either. In fact, a great part of the unemployment benefits paid in the 2007–2018 period was paid to cooperative members affected by flexible schedules who were unable to recover non-worked hours. Flexible schedules work well and give competitive advantages in short crises, when hours not worked can be easily made up in following months. In a long crisis, such as the one that affected FED from 2007 to its demise in 2013, flexible schedules act as a way to delay harder decisions and perpetuate a firm's structural problems.

Conventional Spanish firms' labour flexibility, which has increased since the 2012 Spanish labour market reform (López et al., 2014), also explains why flexicurity policies are less important sources of competitive advantage for Mondragon than in former crises.

These findings also add evidence to the growing body of labour geography, by studying how workers can play important active roles in shaping the way labour markets function and in refusing worse employment conditions. This is accomplished by analysing the role of FED's three-tier spatially segmented workforce – worker-members in the Basque country, temporary workers in the Basque region and in Spain, and wage labourers in international subsidiaries.



Drawing on Katz's (2004) disaggregation of agency into acts of resistance, reworking and resilience, FED's wage labourers in international subsidiaries resisted external numerical flexibility measures through trade union collective action, work stoppages and strikes. The French and Polish unions' efforts to escalate conflict and develop French–Spanish or Polish–Spanish solidarity actions against austerity and downsizing measures failed. The study findings show that developing trans-spatial solidarity actions between traditional unions and workers' representatives in cooperatives is unfeasible given the special labour agency of worker-members.

In contrast with previous research on Mondragon flexicurity policies, this research shows that, in the specific case of FED and the context related to its fall, there is a strong resistance to relocations and functional flexibility. There were many reasons why former FED members resisted functional flexibility and relocations before the company's demise: strong sense of belonging to the business unit they had been working for historically, fear of uncertainty and change of routines, false sense of security and the need to avoid the stigma of being relocated.

The response of worker-members to austerity measures differed significantly from that of wage labourers in foreign subsidiaries, since they were the ones who voted in favour of labour flexibility measures in the general assembly and cooperative regulation forbids strikes over workplace grievances. Active agency resistance actions took place in the various general assemblies where austerity measures decisions were made. The SC also actively opposed and slowed down some flexicurity measures, mainly relocations. This study also offers evidence of strong passive agency of worker-owners. The collected quantitative data and interviewees' opinions suggest that FED worker-members used individualistic 'scrappy acts of resilience' (Katz, 2004) to avoid being relocated to other cooperatives, such as pretended medical disabilities, sick absence and reduced leave schedules.

The opposition to relocations raises the question whether the nature of cooperatives neutralises the moral risk of labour relations (Navarra & Tortia, 2014). Given cooperative members' dual condition of workers and owners, Mondragon's official discourse often transmits that their workplaces are free from labour–capital and management–labour conflicts. Some researchers echo this official discourse, even arguing that Mondragon eliminates the basic agency dilemma, since principals are agents and agents are principals (Mathews, 2003). In sharp contrast with this idyllic view, these findings add evidence to other studies that highlight the risk of conflict and 'free-riding' (Basterretxea & Storey, 2018; Basterretxea, et al., 2019; Bonin et al., 1993; Klein, 1987; McCarthy et al., 2010; Pendleton & Robinson, 2010). Future research in this field would be necessary to clarify the true perception of members without management responsibilities toward their relationship with managers and with the cooperative itself.

Moreover, although this study focuses on flexicurity policies applied mainly to rank and file workers, as previous researches did, it also makes a relevant contribution to the literature on FED's failure by mentioning the application of these policies to managers, something not previously addressed. Even low performing managers, who were the most responsible for FED's failure, were given priority to be relocated to other cooperatives and even promoted to higher positions in Mondragon. This employment security for cooperative managers raises questions about its efficacy in dealing with crises as well as ethical questions, which open up a new fruitful path of future research.

These research findings also highlight another factor largely overlooked by previous Mondragon literature: host cooperatives' barriers to permanently relocate other cooperatives' redundant members. Despite economic incentives to convert temporary relocated members into permanent ones, more than 400 former FED members are still temporarily relocated more than seven years after the firm's demise. There are several reasons for not offering permanent relocations: (1) fear of a loss of staff flexibility; (2) refusal to fill posts belonging to temporary employees of the receiving cooperative with relocated FED workers; (3) perception of poor work ethics among some former FED members; and (4) the low educational profile of many former FED members.

A lack of preventive training by FED led to a negligent application of functional flexibility, which requires workers capable of occupying many positions (Albizu & Basterretxea, 1998; Landeta et al., 2016). As recommended by Fernández-Rodríguez et al. (2012), a more preventive focus is proposed for future crises. Each cooperative firm must have its own process to systematically identify worker groups at risk of de-professionalisation. Some Mondragon cooperatives ask for vocational training qualifications for all candidates willing to become worker-owners. These training requirements facilitate potential future relocations and future retraining programmes. In the case of FED, the vocational retraining programmes began in 2014, once the company had disappeared and almost ten years after the first massive FED relocations took place at the fridges unit. In the early phases of future crises, vocational retraining programmes should be promoted.

Wage flexibility is also considered by interviewees as a proper measure of cooperatives to face short time crises. When used for many years, as in FED, it generates many negative attitudinal and behavioural outcomes as already found in previous studies (Basterretxea & Storey, 2018; Basterretxea et al., 2019). The competitive advantage of cooperatives through wage flexibility has decreased in relative terms. After the 2008 financial crisis, legislative changes in Spain have also increased wage flexibility of other non-cooperative companies.

It has been found that former FED members positively perceive the job security provided by Mondragon. Nevertheless, they feel they have become part of Mondragon's temporary employment agency. Although the partners' concern about their employability has disappeared, the poor conditions related to relocations that the interviewees have exposed seem to be a concern of the same calibre.

Some of this study's findings also have implications for managers of non-cooperative firms adopting flexicurity policies. Sadly, the Covid-19 coronavirus crisis implies that some of those policies must be applied on a large scale in the whole economy. Flexible schedules have been imposed by force in most Spanish firms during the coronavirus lockdowns. All workers in non-essential jobs have been paid recoverable leave from 30th March 2020 until 9th April 2020. Those workers will have to gradually make up the hours not worked during this period, in a way that is agreed with their employer. Similar lockdowns in other European, American and Asian countries will also force the adoption of working time flexibility. Following the lessons of FED's case, flexible working time will help to alleviate transitory difficulties in firms operating in industries with fast V-shaped recovery. Firms with large L-shaped crises probably will not make up not worked hours. Similarly, wage flexibility can also be a good short-term policy for firms with rapid recoveries, while it can generate long-term negative attitudinal and behavioural responses in firms with a long-term crisis.

Some conclusions drawn from this paper should be considered within the specific case of FED's culture circa its fall; it was never intended for them to be extrapolated to the rest of the Mondragon cooperatives. While Taylorist production systems and low education requirements to become blue-collar worker-members in FED have made functional flexibility and relocations difficult, it is necessary to underline that most Mondragon industrial cooperatives have been adopting much more flexible forms of working, such as mini-factories, with higher educational and multi-skill requirements. Many other firms will also have to adapt their products to new market demands, and as in the case of Mondragon cooperatives, those with already high functional flexibility and a multi-skilled workforce will find it much easier.

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