

Work as Key to the Social Question

The Great Social and Economic Transformations and the Subjective Dimension of Work



How Can Work Be Organized so That it is More Humane?

A comparison among *Laborem Exercens*, “Traditional” Organizations and the Democratic Mondragón Model

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ABSTRACT

This paper addresses the subjective dimension of human work by examining the effect that traditional autocratic organizations have on human persons and by proposing the Mondragón Corporación Cooperativa (“Mondragón”) democratic model of organizing work as a more humane alternative. The Mondragón model, inspired by Fr. José Maria Arizmendiarieta (“Arizmendiarieta”), a Catholic priest, is closely aligned with the principles outlined in the encyclical letter *Laborem Exercens* and with Catholic social thought. The contents of this paper include some dehumanizing practices in traditional organizations and propose that the Mondragón principles be adopted. These principles foster the dignity of human persons, the dignity of work and solidarity at the workplace. The conclusion includes a call for action to encourage the adoption of the Mondragón principles in organizations.

INTRODUCTION

The recurring themes in Catholic social teaching and in the *Laborem Exercens* encyclical about the respect for the dignity of the human person, respect for the dignity of human work and the practice of solidarity are the focus of this paper. It addresses primarily the world of work as experienced by direct employers and employees and attempts to answer the questions: How can work be organized so that it is more humane? Is there an existing model of work that recognizes human beings as the subjects of work and demonstrates respect for the dignity of the person and of human work, as described in *Laborem Exercens*?

A constructive response to these questions can be found in the experience of the Mondragón Corporación Cooperativa (“Mondragón”), which, as will be shown in this paper, follows principles that bear a striking resemblance to those described in *Laborem Exercens*, while at the same time balancing economic and social objectives of the workers, of the organization and of the community.

To develop this constructive response, the respect for the dignity for the human person, the respect for the dignity of human work and the practice of solidarity will first be grounded in Catholic social teaching and in *Laborem Exercens* statements. These statements will then be used as points of reference to compare the traditional organization with the Mondragón model. Then, for each topic a “traditional” organizational model will be examined, and its typical practices will be critiqued. Next, the Mondragón model will be explored more extensively than traditional organizations, in order to illustrate its principles and their resemblance to corresponding ones in *Laborem Exercens*.

This paper is based primarily in my experience as a practitioner who worked in positions of authority in traditional organizations for 27 years; as a postgraduate in Applied Ethics at the University of Louvain; as a doctoral candidate of Leadership Studies at the University of San Diego; and as a student, teacher, researcher and consultant of workplace democracy based on the Mondragón model for the last six years.

DESCRIPTIONS OF *LABOREM EXERCENS*, A “TRADITIONAL” ORGANIZATION AND THE MONDRAGÓN DEMOCRATIC ORGANIZATION

Three terms used throughout this paper require descriptions: *Laborem Exercens*, “traditional” organizations, and Mondragón.

The *Laborem Exercens* encyclical of Pope John Paul II was written in 1981. According to Henriot, DeBerri and Schultheis (1999), almost all of it was written by the Pope himself and is based mostly on statements written during his years as a Polish prelate and during the first years of his pontificate (p. 76). This encyclical covers a broad range of topics related to the world of work in aspects as varied as politics, economics and the spirituality of work. At the macroeconomic level it delves into issues of international collaboration, planning and economic systems, and into the role of government as an indirect employer. At the microeconomic level, it examines relationships between direct employers and employees, the rights of workers and the practice of solidarity among workers. In brief, this paper will concentrate on three *Laborem Exercens* topics: the dignity of human persons, the dignity of human work and the need for solidarity among workers within the microeconomic and human environment at the workplace which is shared by direct employers and employees.

A “traditional organization” is described as one that focuses on the maximization of economic and/or other benefits for owners or investors, who are usually not the same people as the workers. It concentrates decision making power at the top of the organization, maintains autocratic relationships between employers and employees, gives limited

information to employees, discourages employee participation, engages in adversary relationships between employers and employees, and it decides if it wishes to participate in the welfare of the community or not.[1] The terms “employers” and “management” will be used indistinctly to describe people in positions of power in an organization. The employees or workers are those that work in an organization but do not belong to the power group.

This description of a traditional organization is intended to illustrate some of the general characteristics of autocratic organizations as they exist today, and, of course, it is not meant to imply that *all* traditional organizations have this exact set of characteristics. The traditional organization depicted above is based largely in my direct experience and observations in such organizations, mostly in transnational companies based in the United States, and in their subsidiaries in Europe and Latin America.[2] These organizations employ between 15,000 and 30,000 workers and have a sales turnover of between \$2 and \$6 billion dollars.

Mondragón is the antithesis of a traditional organization. It balances economic and social benefits, requires owners and workers to be the same people and shares economic benefits and decision making with all workers. Mondragón also maintains democratic relationships with all workers, disseminates information openly, promotes worker participation in management, resolves management and worker issues jointly, and contributes economically to the welfare of the community.

Mondragón, with headquarters in the Basque Country of Spain, has 55,500 employees in an international industrial, retail and financial conglomerate of more than 100 enterprises with an annual turnover of \$6 billion dollars and net profits of \$500 million dollars. Mondragón has three research and development centers and an educational system that includes the Mondragón University that houses the Polytechnical School, the Business Administration School, the School of Education and the School of Humanities-based Management. In addition, its Otorola Training Center addresses internal management training needs and education as well as the dissemination of the Mondragón cooperative model.

The “Mondragón experience”, as it is called by its people, was started in 1956 with some 25 people, inspired by Don José María Arizmendiarieta (“Arizmendiarieta”), a local Catholic priest who was their spiritual adviser and teacher. Arizmendiarieta was a remarkable man. He combined clear vision, keen intelligence, pragmatism, and a very strong sense of the human and social aspects of work. Mondragón’s ten basic principles, described in the Appendix, still rest on the moral, social and spiritual foundations of Catholic social teachings, as expressed in Arizmendiarieta’s journals, which were written before his death in 1976, five years before *Laborem Exercens* was published. Due to Arizmendiarieta’s strong influence on the Mondragón experience, each topic will be introduced with excerpts from his journals.

Mondragón is considered an outstanding example of a cooperative democratic organization that succeeds in attending to the social and economic needs of human persons at the workplace and the community while also being successful in worldwide markets. In the words of Tim Morrison: “...the heart of the Mondragón experiment exists outside of the

domain of counting and input-output analysis. At Mondragón, economic success is...part of a social process that results from the cooperators' democratic social choices and that leads to unfolding social benefits" (1991, p. 139). In the same vein, Morrison added four years later: ...[t]he Mondragón system represents more than economic achievement. It is an expression of democratic cooperative entrepreneurship that...through a complex matrix of affinities and relationships...has closed the circle of power between the efforts of working people and the health of their communities, opening the door to community-based development that extends far beyond the economic sphere" (1995, p. 153).

THE DIGNITY OF THE HUMAN PERSON, THE DIGNITY OF HUMAN WORK AND SOLIDARITY

The focus of this paper is on human persons as subjects of work. In order for human persons to be the subjects of work, it is indispensable that their dignity and that of their work be respected. In addition, human persons remain as subjects of work as they act in solidarity with each other. This premise is reflected in the three major topics to be explored in this paper: the dignity of the human person, the dignity of work and solidarity. The following section will explore the concept of the dignity of the human person, as described in *Laborem Exercens*, as applied in traditional organizations and as understood in Mondragón.

The dignity of the human person

***Laborem Exercens* on the subjective and objective meaning of work**

Laborem Exercens emphasizes the respect for human persons as subjects of work, as opposed to persons as objects of work. Human work as a primordial activity is based on the social teaching of the Church that goes back to Genesis: "Man [3] is made to be in the visible universe an image and likeness of God Himself, and he is placed in it in order to subdue the earth. From the beginning therefore he is *called to work*. *Work is one of the characteristics that distinguish* man from the rest of creatures, whose activity for sustaining their lives can not be called work" (p. 5)...As the 'image of God' he is a person...a subjective being capable of acting in a planned and rational way... *As a person, man is therefore the subject of work*" (p. 15.). "Since human beings are the subjects of work, then "work is 'for man' and not man 'for work' " (p. 17).

In addition, *Laborem Exercens* clarifies that there is also an objective sense of work that encompasses the instruments that human beings use to accomplish work. These instruments, including continuous developments achieved by technology and science, aid human beings, as subjects of work, to transform the earth. Work in the objective sense, even in the age of sophisticated machinery that imitates some human characteristics, does not change the fact that "*the proper subject of work continues to be man*" (p. 14).

Traditional organizations and using human beings as objects of work

Traditional organizations fail to respect the dignity of the human person as stated in *Laborem Exercens* mainly because they give primacy to profit maximization to benefit capital investors, who are usually not the same people as the workers. The traditional organization endeavors to reward capital not work, uses work instead to increase the benefits to capital, and utilizes management to ensure profits are maximized. Considering human work in organizations as a vehicle to produce maximum return in an investment makes it impossible to maintain human persons as the subjects of work.

There are many organizational practices that work against the primacy of human beings due to the quest for profit maximization. The drive to improve profits perpetually pushes everyone in the organization to do what is necessary to meet this objective. This paper will address two of the most critical consequences of this pursuit of maximum profits: the firing of workers and the abuse of those who stay employed. When a worker is fired, a chain reaction takes effect, affecting the fired worker and his family by removing their means of support and by punishing the workers that remain employed with higher workloads and an increasing fear of being fired also.

Depriving employed human persons from work. When a worker is fired to satisfy an objective of maximum profitability, he or she ceases being the subject of work. Leslie Wright and Marti Smye (1996) explain that “[c]orporations seeking to reduce operating costs and increase profitability believe that by eliminating workers they can improve profit margins and build up their revenues...The implicit notion that workers are just another production tool, easy to replace or exchange for a newer model, is worrisome as much for what it suggests about our values as for the toll it takes in human and business terms.” (p. 35).

The practice of firing workers has existed in traditional organizations for some time but since *Laborem Exercens* was written there have been many changes in the reasons to fire these workers and in the attitude of managers, communities and the workers themselves. Firing workers used to be practiced at the operational levels, usually due to a reduction in an organization’s workload. In the last twenty years, firing workers has spread to all levels, including management, salaried office workers, as well as front-line workers who have always been the first to lose their job, and the reasons to fire workers are less clear, as explained later in this section. Therefore, the concept of the mutual loyalty between salaried workers, who stayed employed for life, and their employers, who kept workers employed in exchange for dedication and a satisfactory level of performance has disappeared. The lack of loyalty has resulted in a loss of trust, creating a sense of fear in all employees because anyone can be fired for any reason at any time.

As the practice of firing workers of all levels has become more generalized, a new vocabulary has emerged to soften its impact. *Laborem Exercens* recognized “work force” as an impersonal term to describe human persons, but even more dehumanizing euphemisms

have emerged since *Laborem Exercens* was written. Within the last twenty years, organizations have been “restructured”, “rationalized” or “re-engineered” and, according to Wright and Smye (1996), organizations are also said to have been “downsized” or “right-sized,” and workers are “surplused” or “lateralized” (p. 37). All these terms, avoiding a direct reference to the term “human workers” or to the pain inflicted on them, dehumanizes those workers who have been fired as well as those who do the firing.

If this impersonal vocabulary has made it easier for organizations to fire workers, there have been other changes that make the situation worse. Managers in organizations increasingly avoid giving any plausible explanations for firing workers. In the past, an organization had to lose money before it decided to force people out of work. More recently, having a competitor with higher profitability or not achieving an internal profitability objective are considered justifiable reasons for dismissal. There may be a great variety of additional reasons to fire a worker today, including apparently obvious ones such as market fluctuations or business closures, or less obvious ones such as the availability of lower cost candidates or a disagreement with a supervisor’s way of thinking. The power of management to fire workers for any reason has caused workers to adopt an attitude of cynical demoralization, which reflects their expectation of being fired. Wright and Smye (1996) write:

(E)very corporate announcement is greeted with suspicion. Globalization means jobs go to the Third World and people get fired. Takeovers mean somebody else benefits from all the hard work and the people who built the company get fired. Automation means that computers do jobs that human used to do and people get fired. Restructuring by definition means people get fired. (p. 36).

There is an additional motivation for firing workers. Eliminating jobs gives an advantage to employers in the labor market. According to Lester Thurow (1996), the practice of firing sizable numbers of workers is creating a contingent work force of involuntary part-timers, temporary workers, limited-term contract workers and others who work for lower wages than they had when they were employed. Employers benefit because contingent workers accept lower wages and fringe benefits as well as fewer paid holidays (p. 29). This disadvantageous situation for workers allows employers to treat workers as a commodity to be hired and fired to satisfy economic objectives of those in power.

Not only are most managers disinclined to find ways to preserve workers employed but, according to Allan Sloan (1996), these managers, while sacrificing nothing personally, gain prestige as “tough” managers. Referring to massive cuts in Digital, Scott, AT&T and IBM, Sloan asked:

How many CEOs of big, downsizing companies sacrificed some of their pay and perks to encourage a sense of community? Did they apologize publicly to the people they fired? Did they take any personal responsibility for mistakes that helped cause the problems they are solving with lay-offs? No way, that’s not macho.” (Italics in the original) (“Corporate Killers” article, *Newsweek*

magazine, 1995, as cited in Wright and Smye, p. 35)

Sloan's questions address the injustice of firing workers without having to justify the reasons, making workers suffer all the consequences of forces beyond their control. So, if management was incompetent or if the organizational strategy was faulty, for example, and the organization is unable to generate the expected profitability, the workers are the first ones to suffer by losing their jobs.

The abuse of workers who stay employed in an environment of domination and fear

So far the discussion has been about employers firing workers who are treated as objects instead of subjects of work. As mentioned earlier, most workers who were fired twenty years ago were line operators who did physical work. If the volume of work decreased, workers were laid-off or fired according to an established system such as low seniority or upcoming retirement and everyone knew whom those workers were. Other workers continued with a similar workload and had no anxiety about losing their job. It should be noted that this practice was already unjust because the worker, whether due to low seniority or old age, was still in the first line of action to save costs regardless of the reasons that caused the decrease of work load. Nevertheless, within this injustice, most workers continued working as usual.

But, as workers at other organizational levels have been increasingly fired in the last two decades, other negative byproducts have been added. Among the most damaging are the interrelated consequences of additional workload for the remaining employees and working under an environment of domination and fear. When supervisory, office or management workers are fired, the volume of work they used to do does not decrease proportionally, as in the case of line-workers. In fact, it usually stays very close to the previous levels. As a consequence, those who stay employed usually become overburdened with additional work. As the alternative may be to be fired themselves, these employees accept the additional work and the corresponding stress and longer work hours, while working in fear of not being able to carry the additional workload and be fired anyway for this or any other reason. This fear is ever present because there is a fear to complain or act against the employer's wishes and a fear of being fired.

There is extensive literature about the detrimental consequences of living in an environment of fear and domination that is relevant for this paper. In an organization that encourages a culture of fear, employers are able to control workers' workloads and behavior through domination. Gareth Morgan (1986) offers a historical perspective on the practice of domination of the powerless by the powerful, which has been a characteristic of organizations for a long time:

Throughout history organization has been associated with processes of domination where individuals or groups find ways of imposing their will on others.... Whether we are talking about the building of the pyramids, the

running of an army, a multinational corporation, or even a family business, we find asymmetrical power relations that result in a majority working for the interests of the few.... Organization, in this view, is best understood as a process of domination.... (p. 275).

Blaine Lee (1997) addresses the pain and fear of non-compliance with those in positions of authority, who acquire a disproportionate amount of coercive power, and

[use] fear as its instrument....The coercive person...induces pain and makes us feel bad about ourselves. We end up complying with [that person's] demands, even temporarily, because we are afraid of what might happen if we don't. We might lose something important to us, such as our job or possessions (p. 52).

Wyatt and Hare (1997) write about the loss of the employee's ability to act as a free person:

People subjected to authoritarian control must act against their will, often against their best judgment or their own interests, and without considering their personal responsibility for outcomes....[D]irective power means coercion or manipulation of the many by the few; it includes the implied threat to withhold what people need....Such power over time decreases people's self-esteem, creativity, responsibility to others, and ability to act without direction. (p. 89)

Furthermore, as long as workers have to work in a culture of fear, Wright and Smye (1999) asserts that fear causes persons to feel diminished because fear robs human beings of their dignity: "Fear permeates our entire being. Fear turns courage into cowardice, our passion into pain, our truth into lies, and our creative, fertile mind into a wasteland. It can slay our souls and kill our ideas." (p. 6)

Max Weber refers to the loss of freedom in organizations. When he studied bureaucracy in organizations, he concluded that they "...presented a very great threat to the freedom of the human spirit and the values of liberal democracy, since those in control have a means of subordinating the interests and welfare of the masses" (As cited in Morgan, p. 276).

The level of stress, fear and work overload of workers who stay employed in an organization that fires workers frequently drive many of them to seek relief. According to Wright and Smye (1999), stress levels become so high that "those who are spared often wish they'd been let go too, because in an abusive company they have to do several jobs without any increase in pay or support." (p. 36).

With the way work is structured today, it will be difficult to change the culture of fear and domination, the practice of treating workers as objects, firing them at will, burdening them with extra work and making unreasonable demands of them. A regrettable fact is that the loss of a job has become so commonplace that government, institutions, the community, and even workers themselves expect it and are not surprised when it happens. Nobody is asking

questions any more about alternatives to firing workers at will, making it difficult to reverse this practice in the near future. Wright and Smye (1999) express their perception of the traditional corporate organization today:

The picture we get of modern corporate life is not a pretty one: stockholders focused only on the bottom line; executives pressured to serve short-term shareholders interests, without the tools, support, or motivation to carry out long-term goals; managers, fearful of finding themselves unemployed, sacrificing their ideals to jockey for position in a fast-paced game of professional musical chairs; and employees toiling long hours at their jobs while watching their backs. (p. 39).

Mondragón principles and human persons as subjects of work

As mentioned earlier, it is helpful to start the Mondragón section for each topic with Arizmendiarieta's social thought. Unless otherwise indicated, the following entries are from Arizmendiarieta's journals since he never wrote anything for publication. Excerpts from these journals have been published by Mondragón's Otorola in a book called *Pensamientos* and translated into the English language as *Reflections*.

Arizmendiarieta believed that human beings were co-creators with God, his writings are filled with references to this belief, and his teachings to the young people of the town of Mondragón were in line with his reflections on this topic. He wrote: "Work is the attribute that gives a person the highest honor of being a cooperator of God in the transformation and fertilization of nature and in the resulting promotion of human well-being..." (p. 116). And addressing the primacy of human beings, Arizmendiarieta wrote: "If we have learned anything in life it is that the primary factor in everything is the human being, as well as his or her quality and spirit." (p. 26). And, alluding to human persons being wrongly perceived as objects of work: "If one desires that economic activity attain its human objective, multiple reforms and, better yet, a change of mentality, are indispensable. It is definitely the human person who is the author, center, and end of all economic and social life." (p. 24).

Based on Arizmendiarieta's teachings, and on the practical experience of the Mondragón worker-owners for the last 45 years, they have institutionalized a system of work that follows Arizmendiarieta's line of thought. Mondragón is organized as a principle-based worker-owned and managed cooperative organization,^[4] which makes the worker-owners the subjects of work and prevents dehumanizing practices such as firing, overburdening or threatening to fire workers.

The democratic Mondragón model is based on ten institutionalized principles that are closely interrelated. The three principles that are most closely related to the respect of the dignity of the human person as the subject of work are: Democratic Organization, Participatory Management and Open Admission.

Democratic organization. This is one of the most important Mondragón principles because it inextricably links capital and labor thus distributing the power equally among workers and managers and preventing the abuses derived from power concentration at the top of the organization. This principle “proclaims the basic equality of worker-members with respect to their rights to be, to possess and to know, which implies the acceptance of a democratic organization of the company...” (Ormaechea, 1993, p. 144). Mondragón worker-members have the ultimate power to make major decisions through a vote in each cooperative’s General Assembly, which is formed by all worker-members. Day-to-day decisions are made by the cooperative managers, who are elected among the worker-members of each cooperative. At the General Assembly, worker-members elect their own Governing Council, which selects the General Manager; the Social Council, which is primarily concerned with the social aspect of the organization and acts as a counterbalance to the economic activities of the enterprise; and the Audit Committee, which audits the financial activities of the cooperative.

The “right to possess” through joint managers and workers’ ownership of the means of work ensures that human persons are the subjects of work. Joint ownership is consistent with *Laborem Exercens* suggested “*proposals for joint ownership of the means of work, sharing by the workers in the management and/or profits of business, so-called shareholding by labor, etc...*” (p. 36). Joint ownership and participation have also been proposed in the Encyclical Quadragesimo Anno (1931) and the Second Vatican Ecumenical Council, *Gaudium et Spes* (1966). (*Laborem Exercens*, p.65).

Mondragón places capital and labor in right relationship by owners being workers, and workers being owners. This is also consistent with *Laborem Exercens* statement that capital and labor can not be separated or opposed (p. 31). That is, since it is human work that has produced the advances in technology and science through the ages and it is accumulated human labor that has produced capital, labor and capital are intimately related, the latter being a fruit of the former. Consequently, as *Laborem Exercens* states, a labor system can be right, if it “*overcomes the opposition between labor and capital*” (p. 31). Worker ownership guarantees the primacy of human beings over capital resources because there are no outside investors with the sole interest of maximizing profits and because in principle all workers [5] participate in ownership with all its rights, responsibilities, risks and rewards.

Furthermore, at the human level, all workers are in a position of equality, whether they work as managers or line operators, because each worker-owner contributes with an equal capital investment by purchasing only one share and having only one vote. This principle avoids the injustices to workers mentioned in *Laborem Exercens* (p. 20). In brief, dehumanizing traditional organizational practices mentioned in the last section (depriving workers from their means of livelihood by firing them, overburdening remaining employees with additional work, managing workers through fear under the threat of being fired) are impossible in a democratic workplace such as Mondragón.

The “right to be” guarantees worker-owners that they can voice their own ideas, personal objectives and concerns about working conditions as well as ensuring that worker-owners can participate in the life of the organization through their work, opinions, and vote. George

Cheney defines workplace democracy, as practiced in Mondragón, as follows:

[Workplace democracy is] a system of governance which truly values individual goals and feelings (e.g. equitable remuneration, the pursuit of enriching work and the right to express oneself) as well as typically organizational objectives (e.g., effectiveness, and efficiency, reflectively conceived), which actively fosters the connection between those two sets of concerns by encouraging individual contributions to important organizational choices, and which allows for the ongoing modification of the organization's activities and policies by the group. (p. 133).

The “right to know” refers to the worker-owners’ access to accurate information. Mondragón management has the responsibility to provide transparent information about its activities and results to worker-owners, and chooses to provide ample information also to their customers and the community. Internally, in an effort to improve the quality and quantity of participation, Mondragón strives not only to make information available but also to actively disseminate information concerning all relevant aspects of the state of the cooperatives. At the individual cooperative level, internal information that may be interesting to its specific worker-owners is made available too. This information includes topics ranging from sales, profitability or accounts receivable to job classifications, pay rates and management salaries. In addition, in larger cooperatives, Intranet systems have been developed to publish internal key information to worker-members.

In marked contrast, traditional organizations limit information to external or internal stakeholders to the minimum level possible. That is, externally, “[traditional] corporations presume a right to withhold information about dangers posed by their products [and] deny customers access to information that would allow them to make informed choices about products they buy...” (Korten, p. 44). Internally, traditional organizations usually distribute information in a “need to know” basis and keep most information about the business confidential. In some traditional organizations employees are even penalized if they divulge their own salary or fringe benefit levels.

Participatory management. But worker participation in a democratic system is more than sharing economic risks and rewards, giving opinion freely and participating in decision making. Greg MacLeod, referring to the growth of human persons, writes: “...[P]articipation in a creative process confers on the worker the dignity of being part of something bigger. The worker becomes more of a person by actualizing inner potentials. As a person, the worker has not only mechanical abilities but intellectual and moral capacities.” (p. 63)

Applying MacLeod’s observation to Mondragón, it is important to notice that, different from other participatory organizational schemes, it goes beyond a mere participation of worker-members in economic benefits and risks, considering participation as a vehicle for personal development and self-management. According to Arizmendiarieta, “[t]he self-managed society will be that in which all of us, with our education and willingness to participate, are able to realize accomplishments” (p. 57) . Ormaechea, focusing

Arizmendiarieta's statement to participation at work, writes: Mondragón "believes that the democratic character of the Cooperative is not limited to membership aspects, but that it also implies the progressive development of self-management and consequently of the participation of members in the sphere of business management..." (1993, p. 158). This is because democracy at Mondragón is not meant for worker-owners to be *allowed* to participate. Instead, participation is a privilege and a responsibility, so worker-members are *expected* to use their decision making power to participate in decisions. Therefore, worker-members are encouraged to improve their education in order to participate competently in all aspects of work, as members of the governance structures, as representatives of worker-owners groups in these structures, as informed voters, and as vocal participants in Mondragón cooperative groups or General Assemblies.

In contrast, schemes that allow participation in traditional organizations usually are limited to economic rewards such as bonuses for performance or profit sharing, and in some cases, to participatory schemes such as representation in management groups or in boards of directors. However, unless there is workplace democracy, workers in these cases can not change a management decision. Whyte and Whyte (1991), referring to American organizations, write: "[t]here is a marked contrast between the Mondragón cooperatives and U.S. private companies regarding participation and governance." In the few cases in which workers participate in U.S. firms, "...they constitute a small minority and have little influence. In Mondragón, all major policy changes are subject to final decision by a majority of the vote of the members." (p. 228).

As stated in *Laborem Exercens*, participation in decision-making at the workplace, at any level, contributes to the human development of workers, to more just decisions and to a more humane working environment.

Open admission. A brief mention of this principle is important because Mondragón adds an important element to non-discrimination. There are some countries, such as the United States, that have laws to avoid many kinds of discrimination when hiring workers. Many others, including Spain, do not have such legislation or if they do it is not enforced. Mondragón has voluntarily adopted a policy of no discrimination, declaring itself "...open to all men and women who accept [the] Basic Principles and prove themselves professionally capable of carrying out the jobs available...*the only requirement shall be respect for its internal constitution.*". (*Italics added*) (Ormaechea, 1993, p. 141).

Stating that the respect of the Mondragón principles is the sole requirement to work in Mondragón reflects the seriousness accorded to these principles by worker-owners. It is also interesting that, along with no discrimination due to gender, religious, political affiliation or ethnicity, Mondragón's Open Admission principle includes non-discrimination due to *socio-economic* level. That is, if a potential worker-owner is capable of carrying out an available job but has no economic means to contribute with the original capital contribution to buy one share, the Mondragón bank (Caja Laboral) will loan him or her the required amount to be paid back through monthly installments for three years. This provision recognizes the worthiness and equality of all human beings at the personal level, as created equal in the image of God. It also expresses the primacy of the human beings by considering

a person's capacity to do work to be more important than his or her availability of capital.

The dignity of human work

***Laborem Exercens* on the world of work**

The previous section emphasized *Laborem Exercens* priority for human beings as the subjects of work and distinguished their role as opposed to that of tools, which are used by human beings to accomplish work. It then illustrated how traditional organizations convert human workers into objects of work and introduced some Mondragón principles that guarantee the primacy of human beings as subjects of work, as described in *Laborem Exercens*. This section will address closely related topics but applied more specifically to the world of work. These topics will address the relationship among human workers, capital and other tools to do work; the consequences of confusing human workers with working tools; the dignity of all types of work; and the issues of remuneration for human work.

Relationship among human work and tools to accomplish work. As stated in *Laborem Exercens*, resources that are available to human beings can only serve them through work as they are found and transformed but are not created by human beings. These resources are “*the gift made by ‘nature’*, that is to say, in the final analysis, *by the Creator*. At the beginning of man's work is the mystery of creation” (p. 29). *Laborem Exercens* explains that human beings endeavor to acquire knowledge to discover and modify these resources for their benefit but the tools of production that human beings employ to transform natural resources, what is commonly called capital, is “*the result of the historical heritage of human labor*.” That is, computers, new products, scientific advances, “*everything that is at the service of work...is the result of work*” (p. 30). As such, these “things” are “mere instruments subordinate to human labor indicating a “*primacy of man over things....Everything contained in the concept of capital in the strict sense is only a collection of things*.” (p. 31).

A reversal of the order of values of work. However, if human beings are wrongly perceived as mere instruments, along with economic resources, technology and science, then human work, along with capital, becomes one more resource to accomplish work. *Laborem Exercens* calls this the “*error of economism*, that of considering human labor solely according to its economic purpose”. This is coupled with the “*error of materialism...[which] includes a conviction of the primacy and superiority of the material, and directly or indirectly places the spiritual and the personal (man's activity, moral values and such matters) in a position of subordination to material reality*” (p. 32). *Laborem Exercens* states that this view reduces human work to some kind of “merchandise” that the employee “sells” to the employer, who owns the capital. If work is considered a “merchandise”, then human work (often called “work force”) is relegated to being a requirement for production, and therefore, as traditional economic theory calls it, a “factor of production”. This view of human work “gives prime importance to the objective dimension of work, while the subjective dimension remains on a secondary level” (p. 18).

As a result, “Man is treated as an instrument of production” (p. 18) instead of “with the true dignity of his work—as subject and maker, and for this very reason as the true purpose of the process of production” (p. 19).

The dignity of all types of work. Another aspect of the human heritage that affects the dignity of human work is the way it has been categorized through history. As expressed in *Laborem Exercens*, from ancient times work has been classified according to the skills required, leaving physical work to slaves because it was believed to be unworthy of free human beings. But Christianity brought a new dimension that changed this concept of work, for Christ, the Son of God Himself, dedicated most of His life to manual work as a carpenter. Therefore, a “Gospel of Work” emerges establishing that “...the basis for determining the value of human work is not primarily the kind of work done but the fact that the one who is doing it is a person” (p. 16).

Remuneration, wages and social benefits. *Laborem Exercens* emphasizes that one of the most important relationships between a worker and a direct employer is the just remuneration for work done. Remuneration is a practical means to have access to goods, whether from nature or manufactured, that are meant for the common use. If this remuneration is just, it will provide for sufficient wages to support a family and will be supplemented with other social benefits for workers including health care, the right to rest at least on Sunday, a yearly vacation and the right to a pension and to insurance for old age (p. 46-47).

But, if there is a lack of understanding of the primacy of human work over capital, a misconception of the role human beings play in the world of work is formed. The consequence of this misconception is an exploitation of workers because “the workers [labor] put their powers at the disposal of entrepreneurs [capital] and these, following the principle of maximum profit...establish the lower possible wages for the work done by employees” (p. 27)

Traditional organizations, the reversal of values and its consequences

Having profit maximization as an overriding objective results in the devaluation of the human person because workers become a means (labor) to an end (rewarding capital). In this case, management sees workers as one more object to be used in the pursuit of profits.

Seeing workers wrongly as tools of production is reinforced by economic theory and by the writings of contemporary economists. Traditional economic theory contributes to the perception that human persons are objects instead of subjects of work, by considering human persons to be one of the “factors of production”, as admonished in *Laborem Exercens*. A description of these “factors of production” in Richard Lipsey et al’s standard textbook of economics states that “[e]conomists call all gifts of nature, such as land and raw materials, *land*; all physical and mental contributions provided by people, *labor*; and all manufacturing aids to further production, such as machines, *capital*. (p. 178). Other

discussions in economic theory about human labor are expressed in similar terms. As an example, Lipsey et al explain: “We begin our study of capital by exploring an important *complication* that arises because factors of production are durable—a machine lasts for years, *a laborer for a lifetime*, and land more or less forever” (emphasis added) (p. 357). It is difficult to perceive the sacredness of the human person, co-creator with God of this earth, when reading in economic textbooks such a concept of human beings.

This negative view of human work is further emphasized by comments from management thinkers and economists recognized internationally. Two examples follow. Peter Drucker, referring to the way managers should behave, writes that they “must always, *in every decision and action*, put economic performance first....This, whatever the economic or political structure or ideology of a society, means responsibility for profitability.” (p. 40). According to Barry and Irving Bluestone, Milton Friedman, Nobel Prize in Economics, “...once remarked that the drive for profit in a competitive economy is so compelling that any firm engaged in philanthropic activity should be the first target for federal antitrust action....A dollar given to charity was a dollar that could not be reinvested in the firm to assure that its technology and the quality of its products would be the second to none.” (p. 115).

In contrast, the perception by management that human labor is an object of production is condemned by well-respected international educators and social critics such as Paulo Freire, the well-known Brazilian educator who dedicated most of his life to the study of systems of oppression.. Using strong, but quite descriptive, language when referring to those in positions of power as the oppressors and those who are powerless as the oppressed, Freire wrote:

For the oppressors, ‘human beings’ refers only to themselves; other people are ‘things’. For the oppressors there exists only one right: the right to live in peace, over against the right...of the oppressed to survival. And they make this concession only because the existence of the oppressed is necessary to their own existence.” (Freire, p. 39).

Consequences of a reversal of values: lack of respect for all types of work and unjust worker remuneration. The lack of respect for a multitude of human working occupations is evident in the acceptance of the inequity created by disproportionate remuneration systems in Western countries, and especially in the United States, which are determined by market forces instead of by respect for human work. The acceptance of this inequity is most obvious in the world of entertainment, in which high value is placed on the performance of popular actors or singers who receive exorbitant earnings because they are in high demand. The other extreme of this market-based remuneration system is the low value placed on the work of caregivers, social workers, teachers and others who tend to human needs yet are paid low salaries because they are in high supply.

The acceptance of a remuneration system that exalts some types of work and devalues others is reflected in the world of organizations in which executives, who are considered the most able to maximize profitability for shareholders in the short term, are paid extremely

high salaries. In contrast, workers in the lower levels of the organization, who are as necessary to accomplish the required work as the executives, are paid the lowest possible salaries. This system has escalated executive salaries to an unreasonable degree so that, according to Albert, “the general manager of a large American company earns as an average 110 times what the *average* worker earns.” (p. 80). It should be noted that, even within an unjust system of remuneration, it is possible to improve workers pay and benefits if executives are willing to moderate their own remuneration in order to pay higher wages to workers in the lower-paid levels of the organization. But because of a lack of respect for some types of human work, especially physical labor or that of the uneducated, executives with disproportionately high salaries justify their exaggerated income pretending that their work is worth more than one hundred times that of the aforementioned workers.

The quest for maximum profitability makes it easier for these executives to rationalize not only the injustice of the remuneration system but the ruthless firing and abusing of workers mentioned in the last section. Having determined that the main task is the enhancement of the shareholders return on their investment, executives have an incentive to improve profits through cutting costs by also paying the lowest possible salaries.

The above practices are again directly opposed to *Laborem Exercens* by giving profit maximization priority over the primacy of human work, with the consequent unjust remuneration. *Laborem Exercens* refers to these unjust practices with the assertion that worker rights can not be determined by a system “guided chiefly by the criterion of maximum profit” (p. 42).

Mondragón principles and the dignity of human work

Arizmendiarieta had a high respect for the worthiness of human work. He wrote: “God makes the human person a member of His own enterprise, of that marvelous enterprise called Creation. People, through their activities, transform and multiply things” (p. 114). And: “Is work not a more noble, ancient and human element than capital, and, as such, worthy of a greater esteem? Could the aspiration to the primacy of work be considered an unjustifiable ambition?” (p. 118). And also: “Work is not God’s punishment but instead proof of the trust God gives humans by making them fellow collaborators.” (p. 113). And again: “Work is a path toward personal and communal self-realization, individual perfecting and collective betterment; it is the exponent of a more unquestionable social and humanistic consciousness” (p. 117).

Three Mondragón principles relate to the dignity of human work: The Sovereignty of Labor over Capital, The Instrumental and Subordinate Character of Capital, and Payment Solidarity. There is a close relationship among these principles and the three mentioned in the last section so the former will be expanded upon only briefly.

The sovereignty of labor over capital. This principle states that “labor is the principal factor for transforming nature, society and human beings themselves...” (Ormaechea, 1993, p.

148). As with decision making, worker-owners are the protagonists at the workplace, not far-removed capital investors. After a trial period as new workers, they contribute capital and participate in an equitable sharing of profits (or losses) in their cooperative group, according to their job classification and hours worked. The reward is for work done not capital invested. In addition, worker-members relinquish their share of the profits until retirement. These funds are invested in the Mondragón bank, enabling the cooperatives to employ more workers.

The instrumental and subordinate character of capital. This principle states that “capital [is] to be an instrument, subordinate to Labour, necessary for business development...” (Ormaechea, 1993, p. 153). Following Catholic social teaching and *Laborem Exercens*, this principle states unequivocally that capital is an instrument to accomplish work and that the subjects of work are human beings. This principle reinforces the previous one referring to The Sovereignty of Labor over Capital. IN addition, this principle also points out that, although the role of capital is exclusively that of an instrument, it is necessary to accomplish work. Therefore, capital is “worthy of remuneration” which is: “just, in relation to the efforts implied in accumulating capital; adequate, to enable necessary resources to be provided; limited in its amounts, by means of corresponding controls; and not directly linked to profits made.” (Ormaechea, 1993, p. 153).

Payment solidarity proclaims “sufficient and solidary remuneration to be a basic principle of management” (Ormaechea, 1993, p. 164). This principle is based mostly on solidarity among worker-owners and will be explained in more detail in the next section. However, it also has a component related to the dignity of work. Ormaechea adds that

amongst the motives which inspired the [Mondragón] experience ...was the reduction of the gap in the enjoyment of wealth generated by work. The payment differential in [traditional] companies was enormous and discriminatory and...salaries were insufficient at lower levels, with the result that workers had to live in want (p. 164).

Although a differential in remuneration at Mondragón is justified by the complexity of the skills required and the corresponding responsibility, the remuneration gap among different jobs is limited because the work performed by *all* worker-owners is interdependent with all others. Work is not a commodity and therefore remuneration levels are not determined solely by market supply and demand but by an appreciation of the value and dignity of work anywhere in the organization.

The reduction of this remuneration gap prevents accumulation of monetary resources by managers at the top and yields multiple opportunities to utilize the unused funds to provide higher remuneration to lower-paid workers. This topic will be elaborated further in the next section.

Solidarity

***Laborem Exercens* and Catholic social teaching on solidarity**

The word “solidarity” has diverse meanings, depending on whether the context is political, social or economic. Solidarity in *Laborem Exercens* is expressed primarily as a means to defend worker rights and promote justice in a dehumanized workplace. In direct language, *Laborem Exercens* explains the reason worker solidarity arose:

The degradation of human beings as subjects of work, the exploitation in the field of wages, working conditions and social security gave rise to a just social reaction and a great burst of solidarity among workers. This call to solidarity and common action addressed to the workers arose among those engaged in monotonous and depersonalized work in industrial plants in which machines tended to dominate the workers that operated them. (p.21).

Laborem Exercens then unequivocally supports efforts of solidarity among workers:

There is a need for ever new movements of solidarity of the workers with the workers. This solidarity must be present whenever it is called for by the social degrading of the subject of work, by exploitation of the workers, and by the growing areas of poverty and hunger. The Church is firmly committed to this cause...so that she can truly be the “Church of the poor”....And the poor appear in various forms, as a result of a violation of the dignity of human work, either due to unemployment or because of a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his family.” (p. 22).

In the same vein, *Laborem Exercens* explicitly states why labor unions were formed by workers: “...[M]odern unions grew up from the struggle of the workers to protect their just rights vis-à-vis the entrepreneurs and the owners of the means of production.” (p. 48).

A broader kind of solidarity. Solidarity, however, as understood in traditional Catholic Social teachings has a broader meaning than the support among workers in an organization. Solidarity, as described in *Sollicitudo Rei Socialis* (The Social Concerns of the Church), an encyclical letter written by Pope John Paul II in 1988, is much broader. According to this document, solidarity is “a firm and persevering determination to commit to the common good...to the good of all and of each individual, because we are really responsible for all” (quoted in Pilarczyk, p. 23). This broader description will be used to explore solidarity in traditional organizations and in Mondragón.

Traditional organizations and solidarity among workers in an adversarial relationship

Solidarity among human persons according to the description in *Sollicitudo Rei Socialis*

(The Social Concerns of the Church) encyclical letter given in the last section is not present in traditional autocratic organizations. If solidarity among human persons is inclusive by definition, the pursuit of profit maximization is exclusive. That is, traditional organizations do not see their role as one of commitment and responsibility to pursue the good of all people in the organization or the community. Instead, as illustrated in Drucker and Freidman statements mentioned earlier in this paper, the main, and sometimes only, objective of traditional organizations is the maximization of profits to reward capital investors. Under this premise, objectives such as giving priority to customers, producing quality products or avoiding environmental pollution can only be justified if in the end these objectives enhance profitability.

Furthermore, due to the opposition of labor and capital in traditional organizations, not only is there no feeling of management commitment or responsibility for the wellbeing of the workers but also an antagonism between them and management. Barry and Irving Bluestone (1992) state that

it is precisely for this reason that management has traditionally been in conflict with its own employees when they have attempted to organize. The goals of managers and workers, at least at one critical level, are incompatible. Those who manage corporations would like to pay the lowest possible *wage for a given quality of labor*; workers obviously would like to have the largest paycheck and the most extensive set of job benefits consistent with a modicum of employment security. The adversarial relations between worker and boss stem from this basic conflict of interest (p.117).

This adversarial relationship prevents solidarity at the overall organizational level, limiting it to the kind proposed by *Laborem Exercens*: solidarity among workers. Furthermore, the continuous pressure from management to improve profitability at the expense of workers' wages and benefits results in workers associating in solidarity, not to solve common problems, but mostly to defend and improve worker rights, either directly or through government intervention.

But management, unwilling to relinquish its position of power over the workers, often affects the larger society by not accepting labor proposals. According to Barry and Irving Bluestone (1992) "managers have historically resisted the encroachment of both labor and government into what they have seen as their managerial prerogatives. As a result, management associations have opposed socially desirable legislation that is nearly universal today: child-labor laws, compulsory free education, the eight-hour day, workers' compensation, unemployment compensation [and] social security..." (p. 116)

The result is that solidarity among workers focuses on trying to preserve the dignity of workers, their work and the pay they receive for it. In an adversarial relationship, this approach is somewhat successful but not entirely satisfactory because management reacts to worker solidarity also defensively, creating problems for the workers and society at large.

Mondragón and solidarity within the workplace and with the community

Along with democracy and participation at the workplace, solidarity is one of the most important concepts that promote the dignity of the human being and the dignity of work at Mondragón. *Laborem Exercens* expressed solidarity among workers to defend their rights and improve their conditions in a traditional organizational environment in which capital and labor were opposed and which exhibited a reversal of values, giving priority to capital over labor. As practiced in Mondragón, solidarity is better aligned with its broader sense, as described in *Sollicitudo Rei Socialis* (The Social Concerns of the Church) encyclical letter earlier in this section. Mondragón's kind of solidarity seeks the common good both within its cooperatives and with the human community beyond.

Arizmendiarieta embraced the broader concept of solidarity contained in Catholic social teaching and understood the need for solidarity at the workplace, as stated in *Laborem Exercens*. Arizmendiarieta wrote extensively about solidarity. First, about solidarity at work: "Those who with a conscience of solidarity have accepted their own integration into a cooperative know that effective solidarity exists to the extent that each one can yield some of what is theirs in honor of the common good" (p. 137). And, as written by Ormaechea (1993): "A constant in cooperativism, both theoretical and practical, is solidarity" (p. 164). Second, about the relationship with others, Arizmendiarieta states: "Being in solidarity is accepting others, not only as they are, but also as they should be; tolerating their limitations and defects, but not renouncing to the impulse of welcoming them to overcome them with our service..." (p. 134). Third, about finding strength in solidarity: "Unity is the strength of the weak. Solidarity is the powerful lever that multiplies our strengths." (p. 133). Fourth, referring to the pursuit of the common good: "The test of an authentic feeling of solidarity is precisely that which each one contributes to the common needs..." (p. 137). And, finally, as a transforming agent of society: "For me, solidarity is the key, even the atomic secret that will revolutionize all social life. Collaboration of class, collaboration of theory and spirit, and the collaboration of the people with their authorities and of the authorities with their people, is the secret of the true social life and the key to social peace." (p. 132).

Cooperativism as a measure of solidarity. The agreement of Mondragón worker-owners to organize as cooperative organizations is in itself a strong statement of solidarity. Cooperative work requires working closely with others, taking time to participate, compromise, negotiate and often to accept decisions with which some worker-members may not agree but the worker-owners know that the reward of cooperativism is living with dignity as human beings and as workers. Mondragón was founded on "the firm conviction that solidarity is the best way to insure that all workers can live with dignity and justice; the struggle to refrain from the hedonistic impulse to think only about oneself; the pursuit and satisfaction of common interests and needs; and the imagination to conceive new forms to manage social processes to make justice possible" (Ormaetxea, 1997, p. 15). Arizmendiarieta's ideas about solidarity at all levels are embodied in most of the Mondragón principles. There are three that are particularly pertinent for this paper: Social

Transformation, Payment Solidarity and Intercooperation.

Social transformation. The most evident demonstration of solidarity by Mondragón worker-members is contained in this principle, especially demonstrated in the willingness to incessantly create jobs. Ormaechea (1993) expresses this principle as: Worker-owners agree that Mondragón is “to [manifest] its will to extend the options for work to all members of society”. (p. 148).

Actually, Mondragon reaches beyond the responsibility of a direct employer, as described by *Laborem Exercens*, which distinguishes between the responsibilities of the direct and indirect employers. Direct employers contract work directly with each worker but it is the responsibility of the indirect employers, understood as those who are in a position to act against unemployment by creating jobs, or, if employment is not provided, to provide unemployment benefits (p. 43). The clearest example of an indirect employer is the government. Mondragón is a direct employer but, by acting against unemployment through job creation, it performs the task assigned by *Laborem Exercens* to indirect employers such as the government. In addition, Mondragón acts as an indirect employer by protecting temporarily displaced workers through a fund that pays 80% of their income until they are retrained and relocated.

The financing scheme to create more jobs shows the commitment and ingenuity of the Mondragón worker-owners.[6] Mondragón is a profitable democratic organization and its worker-members could elect to accumulate capital, as investors would in traditional organizations. Instead, a majority of the cooperatives' profits are invested in the creation of new cooperative jobs, as well as in community projects. Mondragón worker-members make most of their profits available to the Caja Laboral bank “on the understanding that this socialises profits, strenghtens the company technologically and accumulates the financial means to enable the development of new activities and jobs.” (Ormaechea, 1993, p. 151). As a result of the pursuit to create cooperative jobs, Mondragón has grown from 28,000 in 1995 to 53,000 worker-owners in 2001, an increase of 25,000 jobs or 90%.

Payment solidarity. There are other tangible actions taken at Mondragón in the pursuit of solidarity. Reacting to the low salaries being paid to workers in local enterprises, this principle “gives priority, over any other formulation or scope of application of the concept, to sharing in the needs of others.” (Ormaechea, 1993, p. 164). Payment solidarity, a concept not easily understood in traditional organizations, places a cap on the remuneration level at the top of the Mondragón organization, thus moderating the remuneration gap of all workers at all levels. The forfeited remuneration at the top is utilized to improve salaries of those at the bottom of the remuneration scale and to increase the profitability that will be distributed to all. The present scale, considering internal solidarity and external remuneration for similar jobs, allows a 1:8 ratio between bottom and top salaries, although there are a few exceptions with ratios of 1:15. The average in all cooperatives is 1:5. Payment solidarity has resulted in a 13% higher remuneration level than traditional enterprises for jobs at the bottom of the scale and a similar level of remuneration for technical and office jobs. To accomplish these levels, managers at the top of the organization accept the ratios decided by worker-owners and a market-related cap of 70% of the average pay for similar jobs in

traditional organizations.

Intercooperation. This principle considers among other factors, “the pooling of profits [and] controlled transfer of worker-members.” (Ormaechea, 1993, p. 169). The pooling of profits among five to seven Mondragón cooperatives absorbs the variation of market conditions, providing a more stable profit sharing to all worker-members. The controlled transfer of worker members again protects worker-members from market fluctuations by providing for the relocation of workers among cooperatives. Mondragón has an institution dedicated to re-training and relocating surplus worker-owners who have been displaced. In addition, if a worker-owner is relocated, he or she maintains the previous wage level. As previously mentioned, *Laborem Exercens* states that human persons have a right to work and that “the poor are also those that appear because of the lack of opportunities to work [and] the scourge of unemployment...” (p. 22). At Mondragón, a job is sacred and protecting a worker-member from losing a job is vigorously pursued. The principle of intercooperation allows Mondragón to have a no-layoff policy. That is, no worker-owner has ever been fired in Mondragón. Workers displaced due to market-related causes, are retrained and relocated. Workers who need to be relocated due to personal or performance-related reasons are able to do so, after a process of evaluation. That is, at Mondragón it is assumed that an able and willing worker may be ineffective if assigned to an unsuitable type of work for his or her skills but that there is work somewhere in the organization where this worker can perform adequately. In brief, at Mondragón, “work is ‘for man’ not man ‘for work’ ” (*Laborem Exercens*, p. 17).

A CALL FOR ACTION: EDUCATION AS A MEANS TO EFFECT A PARADIGM CHANGE THAT WILL ALIGN THE WORLD OF WORK WITH *LABOREM EXERCENS*

The need for education

As explained throughout this paper, the elements necessary to make the world of work more humane do not exist in traditional organizations characterized by the profit maximization objective, the autocratic mode of leadership and the adversarial relationship between capital and labor. These characteristics evoke the concept of “structures of sin”, understood for the purposes of this paper, as those institutionalized organizational policies or practices that perpetuate economic and social injustice and violate the dignity of human persons. The aforementioned characteristics drive organizations to continue the degradation of human beings to things; the firing, mistreatment and low remuneration of workers; and the lack of mutual concern among employers and employees.

Present and future organizations can become more humane through engaging in an educational effort of present and future employers and employees. The type of education needed is not only academic instruction but also formation in moral and community values grounded in a balance of individual self-interest and solidarity with others. The Mondragón experience and other cooperative endeavors have always started with education. Frank

Adams and Gary Hansen quote Jaroslav Vanek, an early researcher of workplace democracy in Europe: “Education, and more generally, the transformation of the human consciousness, is the precondition and lifeblood of any successful and lasting effort to bring about self-management and economic democracy” (p. 157).

Arizmendiarieta believed that education was crucial to human transformation and liberation and the key to a paradigm change in the workplace and in society. He advocated education in all dimensions in order to become more human, more liberated, and more competent at work. According to Tim Morrison, Arizmendiarieta was an educator with a fundamental commitment to social change and with an entrepreneurial spirit that led him to create, together with the people of Mondragón, a liberatory social system. (1991, p. 140). Morrison added: “Education was to be technical, moral, political and social...for the development of the good society.” (p. 141). “Education”, Arizmendiarieta wrote, “is an indispensable element in the authentic emancipation of the worker” and “[m]any times we say that we ought to fight against social injustice, against the exploitation of the wage earner, against excessive accumulation of wealth, etc., etc., but have we understood that the principal servitude, the first and most serious enslavement is the poverty of the intellect?” (p. 84). He also believed that “[k]nowledge must be socialized so that power can be democratized.” (p. 82). And that “[I]t is necessary to distribute wealth, but the socialization of education is more urgent if we intend to have an authentic humanization of work”. (p. 87). Referring to the influence of education in the larger society, Arizmendiarieta wrote: “Human beings are made human through education. Civilization progresses at an increasing pace only through formative and educational action along the searching path for human and social values” (p. 80). He added: “Education is the natural and indispensable point of support for the promotion of a new social order, humane and just.” (p. 87).

The need for change

Although everyone in an organization could benefit from an educational process that would encompass human, social and moral values, it would be most helpful if those in power at the higher organizational levels openly accepted this type of education first, so that they gained an *awareness* of these values. This new awareness could result in a change in materialistic objectives and dehumanizing practices in organizations. Making this change would require the willingness of employers to abandon their relentless pursuit of ever-higher economic objectives, to relinquish their unconstrained positional power and to embrace solidarity. To effect this change would also require awareness that organizations inherit, practice and perpetuate unjust working systems in which the sole objective of accumulating economic benefits results in oppression, abuse and dehumanization.

The change of managers’ mindset as expressed above is possible but not likely, as explained by Paulo Freire (1997). He pointed out that one of the major barriers to change a relationship of oppressors and oppressed people is that the oppressed *as well as the oppressors* are trapped in this system to the extent that the oppressors also believe it is normal to live in such an environment. To the oppressors, the pursuit of materialistic

objectives, mainly money, is justified, and to the oppressed the impossibility of resolving their dire economic situation seems hopeless. Thus, everyone contributes to their own dehumanization and that of others. Freire refers to the oppressors with these words:

In their unrestrained eagerness to possess, the oppressors develop the conviction that it is possible for them to transform everything into objects of their purchasing power; hence their strictly material concept of existence. Money is the measure of all things, and profit the primary goal. For the oppressors, what is worthwhile is to have more—always more—even at the cost of the oppressed having less or having nothing (p. 40)...The oppressors do not perceive the monopoly of *having more* as a privilege that dehumanizes others and themselves. They do not perceive that...they suffocate in their own possession and no longer *are*; they merely *have*. (p. 41).

Therefore, it is optimistic to believe that a change in behavior of those in power will be easy, since they are trapped, as noted above by Freire, in a structured system that makes them insensitive to the dehumanization of others as well as of themselves. Furthermore, it is probably not very effective either to encourage the powerless to perpetuate an adversary system by organizing to fight for higher wages and benefits with the frequently unsatisfactory results attained by negotiation. I propose that a more realistic hope for the future is to cease tinkering with a structurally flawed system and to seek instead a paradigm change in the world of work.

Hope for the future

A hope for the future is that people, *and especially the young*, everywhere realize that there are alternatives to the way work is organized today. Embracing a new paradigm to create a more humane workplace aligned with Catholic social teaching and *Laborem Exercens* is possible. Young people need to learn that work can be organized differently so that they have the option to change this paradigm and prepare themselves for a life at work lived with dignity and with the freedom and responsibility that comes with principle-based work based on economic and social justice, collaboration and solidarity.

There are some signs that nurture the hope that a paradigm change at the workplace is possible. Several researchers have studied and published books and articles supporting a paradigm change modeled after the Mondragón experience. Within the literature in the English language, in chronological order, Bradley & Gelb (1985) proposed Mondragón as a new model of industrial relations in Western countries and of rapid industrialization in developing countries. Adams and Hansen (1987) developed a practical guide to establish a worker-owned organization, departing from the traditional U. S. cooperative model, but grounding it on the Mondragón model. Whyte & Whyte (1988) saw Mondragón as a sound alternative to the prevailing options of state and individual private ownership. Morrison found Mondragón to be a successful democratic, labor-managed social system worthy of emulation (1991) and suggested it as a model for an emerging ecological and participatory

democracy (1995). MacLeod (1997) regarded Mondragón as a model of sustainable community economic development and has endeavored to find and develop successful adaptations of the Mondragón model in America. Barker referred to Mondragón as the new organizational model for the twenty-first century (Hesselbein, Goldsmith & Beckhard, Eds., 1997). Gates (1998) mentioned Mondragón as a workable combination of ownership and civil society.

Also, within Spain, two management authors considered Mondragón as an example of an emerging and increasingly unavoidable participatory organizational model that is becoming necessary to gain competitive advantage in the global economy. Vázquez (1998) referred to Mondragón as the prime example of a convergence of organizational objectives and personal freedom of worker-owners. Álvarez de Mon (1998) described Mondragón as being different from the prevailing top-down employee empowerment model, being instead a model of natural, free and willing participation of all persons that have a stake in the welfare of the organization.

And, according to MacLeod (1997), Arizmendiarieta believed that a change at the workplace and society was needed and that working people would reach that conclusion on their own. Arizmendiarieta

propose[d] a reform of the traditional corporation as the first step in the reform of the total society....He was optimistic that people would realize the need for a new form of business corporation that would be his idea for a new model, much more in keeping with a post-industrial society and adapted to human development. His idea of a new model, what he call[ed] cooperativism, *is not a particular structure; it is rather a spirit* which is permanent although the concrete structures are variable. (pp. 79-80)
[Emphasis added]

Jesús Larrañaga, one of the Mondragón founders, confirms that Arizmendiarieta saw that a change to a more humane workplace was inevitable. Larrañaga, concerned with the great changes in the world of work, once asked Arizmendiarieta: Will cooperatives be able to survive in the globalized world? His answer [was]:

You would have to ask if the [Mondragón] experience contains or not the attributes of the future: Will organizations not be more participative? [Will the] integration of persons be more complete? Remember that the work of the future will be of the literate, technically and culturally educated, and those can not be led as sheep. (Translated from Larrañaga, 1998, p. 141).

It should be pointed out, however, that in spite of all the support for a more democratic workplace from many thinkers, sociologists, writers, management authors and others mentioned in this paper, there has been widespread skepticism in traditional circles and in the corridors of power about the viability of the democratic work model. But the facts are clear. As stated by Jáuregui et al (1998):

In a world in which it continues to be considered that the management and organization of work are an exclusive prerogative of capitalistic entrepreneurs, the humanistic and cooperativistic spirit of the “Mondragón experience” is a rotund refutation to an ingrained prejudice: that organizational success in a market economy can only be based in the primacy of capital, individualism and the money incentive (Transl. from p. 141).

A proposal to build a hope for the future

A proposal to build a hope for the future consists of three steps. First, to become aware and accept that the work system in traditional organizations is oppressive, unjust and dehumanizing and that, regrettably, it is bound to stay that way. Therefore, trying to improve a system that is structurally designed to perpetuate the assault on the dignity of human beings and human work will most probably be ineffective.

Second, as more people in organizations become aware that traditional organizational systems are unjust, the educational task becomes to make these people aware that it is necessary, as well as possible, to change to a more humane organizational paradigm. Matthew Fox (1994) describes this need for change as follows:

The system is not working. That is how a paradigm shift begins: the established way of seeing the world no longer functions... We are being challenged today—in light of ...one billion unemployed adults, the billions of despairing young people who see no guarantees of either work or jobs...to redefine work. Our times need...a change of ways...Changing our ways include changing the way we define work, the way we compensate work, the ways we create work. A paradigm shift requires a shift in the ways we think about, talk about, undergo work. (p. 5)

The third step of this proposal is to introduce a paradigm for work that follows *Laborem Exercens* principles. Shifting consciousness towards a better balance of self and community coupled with learning new ways to define, create and do work is a worthwhile endeavor for present and future workers. Adopting a democratic model of work, which through widespread ownership eliminates the opposition of labor and capital, promotes solidarity, and encourages worker participation as a way to do work is a shift towards a more humane workplace. A democratic model as an alternative way to organize work has been in existence since the 19th century, when cooperativism started. In the words of Jáuregui et al (1998):

[T]he cooperative movement has survived one hundred and fifty years of industrial capitalism as a testimony that there is *another* possible social and human development of economic modernity. Fundamentally, [the] principles can be summarized in two: decisions are made democratically by a majority of worker-members and capitalistic investors, if there are any, are not

allowed to be the majority (*Emphasis added*) (Translated from p. 141).

Studying Mondragón, a principle-based cooperative organization that has been successful for 45 years, offers a starting point for a paradigm shift. I do not suggest of course that the Mondragón model be adopted integrally in other workplaces. What I propose is that its principles serve as a foundation to build new paradigms, adopting, adapting or reinventing new practices that uphold respect for the dignity of human beings and of human work, according to the specific circumstances of each workplace.

In summary, I propose that the responsibility to increase awareness, to help educate others and to introduce a paradigm shift belongs to us all. Everyone who believes that the Mondragón principles, as described in *Laborem Exercens* principles help to create a more humane workplace, can participate in its creation. In all life roles, as spouses or parents at home, teachers at school, supervisors at the workplace, or in other social environments, it is imperative that respect for the dignity of the human person, the respect for human work, and the need for solidarity be modeled and taught. Whether Church leaders, priests at the pulpit, administrators and faculty members in Catholic schools, universities or other educational institutions, all who belong to social or professional institutions in any field are in a position to educate others. Indeed, all of us can promote the development of democratic and participatory ways of working and can encourage the practice of solidarity, as Arizmendiarieta did.

CONCLUSIONS

This paper is intended to illustrate that traditional organizations have structures, objectives, policies and practices that make it extremely difficult to maintain human persons as the subjects of work as described in Catholic social teaching and *Laborem Exercens* and to propose a different way of organizing work. I have shown that Mondragón, which has thrived economically and socially for 45 years while adhering to Catholic social teachings and the principles of *Laborem exercens*, is a clear example of such a humane model of organizing work. Mondragón has designed its democratic organizational structures, policies and practices to promote human dignity and to keep human persons as the subjects of work in an environment of solidarity. Therefore, the Mondragon experience provides an answer to the two questions at the beginning of this paper: How can work be organized so that it is more humane? And, is there an existing model of work that recognizes human beings as the subjects of work and demonstrates respect for the dignity of the person and for their work, as described in *Laborem exercens*?

I have also advanced a three-step proposal to build a hope for the future by increasing awareness, initiating an educational effort and changing the way work is organized. I have illustrated that the democratic Mondragón experience represents a hope for the future and have suggested that building a more humane workplace will require sharing the responsibility to change the existing organizational paradigm. This change can be accomplished, as was done almost fifty years ago by Arizmendiarieta's disciples who had

the courage to create a different working and social paradigm that deviated from the accepted model in traditional organizations. Those among us who seek a more humane world of work need the same kind of courage today.

APPENDIX

Mondragón Corporación Cooperativa (MCC) Principles

1. **Open admission.** MCC is open to all persons who are capable of carrying out the available jobs. There is no discrimination based on religious or political grounds, nor due to race, gender, age, or socio-economic levels. The only requirement is the acceptance of these Basic Principles.
2. **Democratic organization.** All workers are owners, and all owners are workers. Each cooperative is managed by a system of “one person-one vote”.
3. **Sovereignty of work over capital** Employees join MCC and become owners after making a capital contribution at the end of a trial period. All employees are entitled to an equitable distribution of profits. The return on saved or invested capital is just but limited and it is not tied up to the surpluses or losses of the cooperatives.
4. **Subordinate character of capital.** Capital is a means to an end, not an end in itself. Capital is used to create more jobs and to improve the quality of existing jobs.
5. **Participatory management.** Worker-owners participate in the management of the cooperatives. This implies development of self-management skills. Formal education and adequate information is provided to improve worker-owners’ ability to participate competently in decision making.
6. **Payment solidarity.** Remuneration is regulated internally and externally. Internally, an agreed differential between the highest and lowest paid job is applied. Externally, a remuneration level is maintained at par with similar local industries.
7. **Intercooperation.** Cooperatives form Groups to pool profits, to absorb worker-owner transfers when necessary, and to attain synergies. These Groups associate with each other to support corporate institutions. MCC associates with other Basque cooperative organizations to promote the collaborative model.
8. **Social Transformation.** MCC cooperatives invest a majority of their profits in the creation of new jobs, in community projects and in institutions that promote the Basque culture and language.
9. **Universal nature.** MCC proclaims its solidarity with other cooperative movements, with those working for economic democracy and with those who champion the objectives of peace, justice and human dignity. MCC proclaims its solidarity especially with people in developing countries.

10. **Education.** MCC cooperatives commit the required human and economic resources to basic, professional and cooperative education in order to have worker-owners who can apply all basic principles mentioned above.

ENDNOTES

1. The transnational example of traditional organizations was selected not only because my experience offers a personal testimony of their practices but also because of the impact they have in the globalized world, as organizational management culture and practices around the world are increasingly influenced by large organizations. According to Charles Handy (1997), fifty of the one hundred largest economies are corporations. As an example, General Motors sales revenues equal the combined GNPs of Tanzania, Ethiopia, Nepal, Bangladesh, Zaire, Uganda, Nigeria, Kenya and Pakistan. In addition, among totalitarian and centrally-managed economies, seventy corporations in those economies are larger than Cuba, and North Korea does not even make the top 500 (p. 176).[\[back to paper\]](#)
2. Traditional organizations considered here belong to the *neo-American* model of capitalism, based on individual success and short-term benefits. These organizations differ from those that follow the “Rhine” model of capitalism, originated in Germany, that values collective success, consensus and a concern for the long term. The latter model is practiced in Germany, Switzerland, Belgium, Holland, Luxembourg, northern Europe, and, with variations, in Japan. [Translation from *Albert, Michel. (1991). Capitalism contre capitalisme. Editions du Seuil, Paris*].[\[back to paper\]](#)
3. Gender-exclusive language will be used in this paper to adhere to the original translation in the English language. However, Thomas Massaro’s notes that many Vatican documents are written in Latin so that “behind masculinistic renderings in English frequently lie gender-inclusive Latin terms such as ‘homo’ for human person.” (p. 4).[\[back to paper\]](#)
4. It is important to point out that organizing work as a cooperative is not enough to fulfill *Laborem Exercens* principles. Rather, it is a *principle-based* cooperative that is required. Mondragón shares basic principles with many other cooperatives that belong to the International Cooperative Alliance and it is bound by Spanish and Basque Country legislation for cooperative organizations. There are, however, some important distinctions between Mondragón and other cooperative organizations in Spain and around the world. Mondragón distinguishes itself mostly because, regardless of economic activity, all of its cooperatives share the same principles and an overriding objective: to improve the human condition, by creating more cooperative jobs and by helping Mondragón worker-owners to grow as human beings, social persons and professionals. This distinction aligns Mondragón with

Laborem Exercens principles and Catholic social thought directly.[\[back to paper\]](#)

From the economic point of view, Mondragón is the most successful example of a cooperative group that promotes social wellbeing while enjoying unusually high economic success, which allows it to be self-sufficient. This is not the case with many other cooperative organizations that exist mainly through government subsidies or private grants. In addition, from the market-orientation point of view, many cooperatives engage in agriculture, fishing or forestry and usually have primarily economic reasons to exist, such as cost reduction, ability to compete or sharing of resources. And other cooperatives engage in activities related to housing, basic consumer goods or financing. Cooperativists in these organizations benefit from the cooperativist system but as consumers not workers. This is another difference with Mondragón, whose worker-owners are mostly engaged in manufacturing, the service industry and large consumer operations. This does not mean that Mondragón worker-owners do not enjoy the advantages that other cooperatives do, but it is important to clarify that Mondragón's main objective is a humanistic, not an economic one.

5. Mondragón seeks not to contract salaried workers. This is because worker-members prefer relationships of equality through ownership and they consider hiring workers for a wage as a source of inequality between the one doing the hiring and the one being hired. Therefore, Mondragón allows no more than 10% of the total number of workers to be contracted salaried workers in order to absorb temporary fluctuations in market cycles. Maintaining this level of salaried workers, however, has become a challenge because recent growth has been increasingly through acquisitions of non-cooperative organizations, whose workers need a period of exposure to the cooperative system before they decide if they want to become part of it or not.[\[back to paper\]](#)
6. Mondragón worker-members endeavor to create more cooperative jobs by agreeing to reduce their personal profit sharing in order to increase the capital reserves of the Mondragón cooperatives. Furthermore, worker-members also agree to postpone the use of the remaining personal share of profits so that these can be utilized to create more jobs. That is, cooperative enterprises in Spain by law must contribute 10% of their profits to the community, 20% to a cooperative reserve fund, and 70% of the profits to be distributed among worker-owners. At Mondragón, worker-owners contribute 10% of their profits to the community as stipulated and focus on contributing to the community through using additional funds to create employment. In addition, Mondragón worker-members have increased their contribution to the capital reserve fund to 45%, keeping their remaining 45% share in a personal bank account. Also by worker-owners' agreement, the use of the 45% of funds in the personal bank account are postponed, remaining invested in the Mondragón cooperative bank until retirement. This decision provides Mondragón with 90% of profits to finance growth and thus job creation.[\[back to paper\]](#)

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