

Comparing organizational democracy in Norway and Mondragon: Lessons learned for other nations and initiatives

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Abstract: We have been asked to compare and contrast the Norwegian system of industrial democracy with the Mondragon federated corporation of worker cooperatives to arrive at a realistic appraisal of what can be learned from both systems and to discern the lessons to be learned for other nations and other initiatives. In doing so, the kinds of lessons that are needed for the emerging system of broad-based employee share ownership and industrial participation in the United States will be introduced as a part of our analysis. We are hoping that our colleagues and readers can benefit from the books and empirical research sponsored by Rutgers University's Institute for the Study of Employee Ownership and Profit Sharing¹ and our sister Journal of Participation and Employee Ownership².

Keywords: employee ownership, ESOP, worker cooperative, Employee Stock Ownership Plan

Comparando la democracia organizacional en Noruega y Mondragón: Lecciones aprendidas de otros países e iniciativas

Resumen: Se nos ha pedido que comparemos y contrastemos el sistema noruego de democracia industrial con la corporación federada de cooperativas de trabajadores de Mondragón para llegar a una evaluación realista de lo que se puede aprender de ambos sistemas y discernir las lecciones que se pueden aprender para otras naciones y otras iniciativas. Al hacerlo, se presentarán como parte de nuestro análisis los tipos de lecciones que se necesitan para el sistema emergente de participación industrial y propiedad accionaria de los empleados de base amplia en los Estados Unidos. Esperamos que nuestros colegas y lectores puedan beneficiarse de los libros y la investigación empírica patrocinados por el Instituto para el Estudio de la Propiedad de los Empleados y el Reparto de Utilidades de la Universidad de Rutgers y nuestra publicación hermana Journal of Participation and Employee Ownership.

Palabras clave: propiedad de los trabajadores, programas/planes de propiedad accionaria de los trabajadores, PPAT, cooperativas de trabajadores

1. Brief overview of each system

Let's begin with our summary appraisal of what each system has achieved and what it constitutes at a very high level.

1 Available at: <https://smlr.rutgers.edu/content/institute-study-employee-ownership-and-profit-sharing>, www.cleo.rutgers.edu

2 Available at: <https://www.emeraldgroupublishing.com/journal/jpeo>

Norway has a population of about 5.5 million people, an economy of approximately $\frac{1}{2}$ trillion in U.S. dollars in size, 2022 estimated per capita Purchasing Power Parity of about \$78,000 (sixth highest in the world) and 2022 per capita nominal GDP of about \$93,000 (third highest in the world). The entire market value of the Norwegian stock market ranged from about \$300 billion to \$400 billion in August and September of 2022 (“Norway,” n.d.).³ The Norwegian system of industrial democracy was built on the “Main Agreement” in 1935 between the Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprises (NHO) which was supposed to manage labor-management conflict for employers and democratize economic life for unions and the workers for whom they spoke and hoped to speak. Labor Party governments for approximately three decades after WWII helped strengthen this system. Then Conservative Party governments, alternating Labor and Conservative Party Governments, and a Centre-Left minority government with a Labor prime minister have changed and rebalanced this evolving system.

Five large system changes have affected this system, not necessarily listed in order of importance:

1. The discovery of oil and the large contributions of this revenue to Norway’s sovereign wealth funds that supports the social programs and growth of the economy.
2. The fact that only about half of Norway’s current workforce is unionized although about three-quarters of workers are estimated to be covered by collective bargaining agreements.
3. The added layer of industrial democracy provided by the application of the European Union’s 1994 and succeeding directives on works councils⁴ essentially providing for an elected works council when there are at least 150 enterprise employees in at least two member states.
4. Much of the labor-intensive industry in the country has been outsourced
5. Despite the world perception that Norway’s vaunted Social Democracy has been weakened with the respective alternating liberal and conservative governments, it is important to note, from the 50,000 feet vantage point, that Norway has one of the most developed welfare states in the world and a large state-owned sector in its economy and is regularly classified by global metric systems as the world’s most democratic country, one of the least “failed states”, one of the highest standards of living, with workers who are among the most productive in the world.

The Mondragon Corporation is located in the Basque Region of Spain and is a system of workplace democracy based on a federation (in a self-governing corporate conglomerate) of 95 cooperatives, 80,000 workers, 14 R&D research centers, with the top ranking in the Basque region as a corporation and one of the top rankings in all of Spain as a corporation (Mondragon Corporation, n.d.).⁵ It began in 1955–1956 with a vision of a Catholic priest and a few workers. Using the data presented by the Mondragon Corporation on the number of workers and the estimates of their productivity in U.S. dollars, we estimate that the nominal GDP per worker is \$181,250 which would put it higher than that of the nominal GDP of Norwegian workers. Unlike Norway, Mondragon is almost totally non-union if not over 95% non-union.

3 On the value of the stock market in total market capitalization, see: <https://www.ceicdata.com/en/indicator/norway/market-capitalization>

4 On the European Union’s directives on works councils, see: <https://ec.europa.eu/social/main.jsp?catId=707&langId=en&intPageId=211>

5 For a recent New York Times story, see: <https://www.nytimes.com/2020/12/29/business/cooperatives-basque-spain-economy.html>