

Worker Co-operative Code of Governance



The guide to running a successful
co-operative business

Worker co-operatives are businesses that are owned and *democratically* controlled by their employee members using co-operative principles. They are an attractive and increasingly relevant alternative to traditional investor owned models of enterprise.

All over the world worker co-operatives are highly successful businesses. In the Basque country, the Mondragon worker co-operatives form the 7th largest business group in Spain. In Emilia Romagna in Italy, networking by the thousands of small producer co-operatives has produced a regional economy which is the 10th richest in Europe.



In the UK we have around 400 independent worker co-operatives operating in a wide range of industries and employing approximately 2,000 workers. Why has the worker co-operative movement here not developed like the example above? Could it be that we have not yet learned how to properly manage this radical type of business? Let us use this Code of Governance as our common guide, helping and supporting each other as co-operators to create our own worker co-operative success story.

“Those who opt to make history and change the course of events themselves have the advantage over those who decide to wait passively for the results of the change.”

Don Jose Maria Arizmendiarieta, founder of Mondragon Co-operatives

Introduction

We all want our worker co-operatives to succeed, both as businesses and as democratic co-operatives. Yet we often seem to be forced to choose between these ideals. The co-operative dream is submerged by business needs, or arguments about co-operative principles get in the way of managing the business.

The writers of this document combine many decades of worker co-operative experience. We realised that we already had the solution – successful worker co-operatives use good business management techniques co-operatively. It is not a choice. It is a balancing act.

This Code of Governance helps worker co-operatives achieve this balance. 'Governance' refers to the overall direction, supervision and accountability of a co-operative. This means, in practice, having the procedures in place to run your co-operative and business effectively – from documents clearly defining what membership of the co-operative involves, to procedures ensuring sound financial management or guaranteeing that members develop skills needed to run the business into the future.

This Code brings together the fundamentals of worker co-operative governance for the first time. Based on the seven co-operative principles agreed by the International Co-operative Alliance in 1995, it explains how to use these principles to both run your business and govern your co-operative successfully.



The Code of Governance provides a framework for you to follow and is supported by examples, literature, contacts and case studies. Exactly how you put the co-operative principles into practice (democratically, of course) is up to you. We are confident you will rapidly see the benefits.

Yours in co-operation,

Tim Gausden (On the Eighth Day), Ruth Chapple (Cycle Training UK),
Bob Cannell (Suma), Siobhan Mcloughlin, Helen Barber, John Butler,
Giles Simon (Co-operatives^{UK})

Worker Co-operative Code of Governance Working Party 2006 – 2008

How to use this Code

The Worker Co-operative Code of Governance is based on the seven co-operative principles. Each page in this booklet outlines a separate principle, explains why the principle is important for co-operatives and highlights what co-operatives need to do to live up to that principle. It offers a short, practical guide to governing your co-operative and running your business well.

This booklet does not say everything there is to say about the good governance of worker co-operatives. It outlines what we see as the fundamentals of good governance, and over the next few years we will develop and refine these by consulting with members of worker co-operatives about what else they need from a Code of Governance.

The booklet is also intentionally short. It focuses on the core features of a well-governed worker co-operative rather than providing details about the policies and procedures required. Instead, these details are available on the online version of the Worker Co-operative Code of Governance, which we have developed to complement to this booklet. Here you'll find an interactive version of the Code, with links through to examples of policies, procedures and strategies that successful worker co-operatives use, as well as containing other useful hints, tips and ideas.



Both of these versions of the Code will evolve over time, with the booklet explaining the basic features of a well-governed worker co-operative and the online version providing the detail. We hope they will become an indispensable resource for new and established worker co-operatives. But this can only happen if worker co-operative members provide feedback about the booklet and submit case studies, examples and policies for public viewing on the website. Through collaboration we can build a Code of Governance that will provide a strong foundation for worker co-operatives across the UK.

Online version of the Code: www.workercode.coop

Give feedback or submit ideas and documents to: feedback@workercode.coop

Voluntary and open membership – membership is open to all workers able and willing to accept the responsibilities of membership.

Worker co-operatives function best as an inclusive team of members who have long-term collective interests in the success of the business.

Your co-operative should:

1. Offer open and voluntary membership for those workers who are able and willing to accept the responsibilities of membership.

2. Agree the rights and responsibilities of its members (a member job description or similar).

3. Provide all workers with meaningful information about membership.

4. Include a probationary period and membership training for workers who want to become members.

5. Ensure the majority of workers are members and the majority of members are workers.



Democratic member control – members should actively participate in the governance of the co-operative enterprise. One member, one vote. Elected representatives are answerable to the membership.

Worker co-operatives succeed (as co-operative businesses) when members participate in transparent, fair decision-making. In all but the smallest co-operatives, some delegation of authority is necessary for members to act on behalf of the collective.

Your co-operative should ensure:

1. Members actively participate in the management of the business.

2. Democratic processes, or democratic accountability, in all management functions.

3. Members actively participate in long-term planning.

4. Effective communication, both between the co-operative and its members and between members themselves.

5. There is agreed and delegated authority for members to act on behalf of the co-operative and the business.

6. There are regular reviews of the co-operative's governance and business management processes.

Member economic participation – members democratically control the capital of the business, some of which is common property. Surpluses (profits) are used for developing the co-operative, paying members in proportion to their work for the co-operative and other uses approved by the members.

Your worker co-operative should provide the pay and other benefits that your members need and want. As members, you decide what these benefits will be; you manage the business to provide for them and protect its future.

Your co-operative should ensure that:

1. It builds up collectively owned financial reserves and capital.

2. Its pay structure and other benefits, including non-financial benefits, are planned and agreed by members.

3. If members have individual investments in the business they are non-voting and are achievable by most workers.

4. Pay levels are sufficient to sustain long-term employment and membership – to maintain skills and experience.



Autonomy and independence – co-operatives are autonomous enterprises, controlled by their members. Agreements, contracts and financial arrangements with external parties must recognise this.

You should actively plan and manage your co-operative to be a successful business and avoid becoming over dependent on any funder, supplier or customer.

Your co-operative should:

1. Regularly review its business planning and management processes.

2. Have financial controls and financial management – including internal audits – of all parts of the business.

3. Actively manage your operations, personnel, marketing and other business functions.

4. Manage and control risks (internal and external) facing your co-operative and business.

5. Assess the management, co-ordination and technical skills needed to achieve your co-operative's objectives.

6. Invest in equipment and premises sufficient to allow agreed working conditions and efficient operations.

7. Benchmark your co-operative and business performance against recognised performance standards, including this Code of Governance.

Education, training and information – provide education and training for members, elected representatives, officers, managers and employees to improve their contribution to the development of their co-operative. Promote the nature and benefits of co-operative organisation to the public.

Education, training and personal development enable worker co-operative members to become multi-skilled workers able to undertake whatever work is required and participate in the management and development of the co-operative business.

Your co-operative should ensure:

1. All members and prospective members receive training in membership and co-operative skills.

2. Members and workers receive technical (vocational) skills training for current and future needs.

3. Professional development and training for officers, specialists and elected representatives.

4. Management skills and techniques are acquired to permit efficient co-operative business co-ordination.

5. The nature and benefits of co-operative organisation are promoted to the public and your local community.



Co-operation among co-operatives – co-operatives serve their members most effectively and strengthen the co-operative movement by working together at local, national, regional and international levels.

Co-operation between co-operative businesses is key to business success for co-operatives. Principle six enables co-operative businesses to ethically outperform the private opposition.

Your co-operative should:

1. Network with co-operatives of all types and promote member-to-member links.

2. Prioritise co-operative-to-co-operative trading.

3. Practice fair and honest commercial competition between co-operatives.

4. Seek active co-operation with other co-operatives to achieve economies of scale, access to business opportunities and long-term business development.

5. Join Co-operatives^{UK} and participate in national and regional co-operative activities.

6. Actively share information and good practice with fellow co-operatives.

Concern for community – co-operatives work for the sustainable development of their communities.

Co-operatives are community-based businesses. If your co-operative builds good relations with your local and wider communities you will create goodwill and opportunities for your co-operative and members.

Your co-operative should:

1. Actively control the environmental and social impact of your business.

2. Agree and achieve ethical business standards.

3. Operate at high health and safety and worker welfare standards.

4. Prioritise and promote Fairtrade and other ethical and sustainable initiatives.

5. Participate in your local, and wider, community and promote co-operative principles in community activities.



A P P E N D I X

World Declaration on Worker Co-operatives

The International Co-operative Alliance (ICA) approved a World Declaration on Worker Co-operatives in September 2005. The declaration was drafted by the International Organisation of Industrial, Artisanal and Service Producers' Co-operatives (CICOPA). The intention was to set a standard for worker co-operatives that can be used as an international yardstick to define what is or is not a co-operative.

Workers can be exploited by so-called co-operatives in every country in the world. Just because an organisation is called a co-operative does not necessarily make it one. To be a true worker co-operative an organisation must comply with this declaration.

Introduction

We all want to improve our working life, but to do so we should strive for better, fairer and more dignified ways of working.

A properly run worker co-operative allows the individual to take part in the democratic control of their working environment and life.

The co-operative has been defined as "An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise."



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They operate according to seven co-operative principles

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community

They share common values

- Self-help
- Self-responsibility
- Democracy
- Equality
- Equity
- Solidarity
- Honesty
- Openness
- Social responsibility and caring for others



Worker co-operatives also have the following basic criteria

1. They are businesses that generate wealth to fulfil their principle objectives:
 - To create and maintain sustainable jobs
 - To improve the quality of life of the members
 - To allow democratic self-management by members
 - To allow all workers to work with dignity
 - To promote community and local development
2. The membership of a worker co-operative is free and voluntary, but is governed by the number of sustainable jobs the business can support.
3. Whilst not all workers have to become members of the co-operative, the majority should be members. And, although some non-workers may be permitted to be members of the co-operative, in a worker co-operative the majority of the members ought to be workers.
4. Members of a co-operative have a different working relationship with the co-operative than either workers in a conventionally managed business or the self-employed contractor. But, note, this relationship is not recognised by UK employment legislation.

5. The internal regulation of a worker co-operative is determined by procedures that are agreed democratically by the members.
6. The worker co-operative must be autonomous and independent. A co-operative is obviously subject to UK law and regulation, but must not be subordinate to a third party in any aspect of their management, trade, employment, and ownership of the means of production. Further to that, a co-operative which is set up expressly to hive off an unprofitable branch of another business, or to provide labour for another business, is not a co-operative under the terms of this declaration.

Internal rules

A worker co-operative must operate according to the following internal rules:

- There should be an equitable pay structure for members. This can reflect differences in function, responsibility and productivity but should strive to minimise the difference between the higher and lower wage.
- The co-operative should have reserves and funds that are held in common or otherwise indivisible, and should aim to grow these reserves for the good of the business.
- The equipment, technical and workplace facilities and organisation provided by the co-operative should be such as to allow the business to be efficient in every way.
- The co-operative must have terms and conditions of employment that comply with UK law and suggested best practice, but should always strive to do better than the minimum.
- All the management and governance structures of the co-operative should be democratic, and all decisions must be made democratically, or with a clear line of responsibility to the democratic governance of the members.
- There must be a continuous and permanent system of training and development for members, to enable them to acquire the skills and knowledge to better themselves and the co-operative.
- The co-operative should aim to improve not only the conditions of its workers and their dependents but also to help develop a sustainable community.
- The co-operative must not act just as a provider of labour for another enterprise, or in any way be used to drive down terms and conditions of a workforce. The co-operative must be an independent and viable business in its own right.

A well governed worker co-operative uses the co-operative principles as a framework for successful business management and a democratic structure. This Code provides worker co-operatives with a concise guide to the main elements of good governance.



Co-operatives^{UK}
Holyoake House
Hanover Street
Manchester
M60 0AS

www.cooperatives-uk.coop
Tel: 0161 246 2900
Fax: 0161 831 7684