



## Principle 1 — Open Membership

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# Principle 1 — Open Membership

Rory Ridley-Duff

It cannot be accidental that the first co-operative principle is open membership. It expresses the commitment of the co-operative movement to social inclusion, involving as many economically active people as possible in decisions that affect the quality of their lives. Nevertheless, the boundary conditions for 'open' membership vary with the type of co-operative created.

One of the tension points between consumer and worker co-operatives is the extent to which open membership can be realised. Within consumer co-operatives, the criteria for membership are simple to fulfil, and this may be the reason that consumer co-operatives developed rapidly towards the end of the nineteenth century. It certainly helps to promote the open membership principle. However, a huge price was paid in the 1980s when that same openness — offering membership to all without asking for, or expecting, commitment to co-operative values and principles — led to the demutualisation of building societies and mutual associations across the UK. Many building societies quickly changed membership application forms to ask applicants if they supported mutual principles, and limited benefits payable to them should demutualisation occur.

The issue of open membership in worker co-operatives is also problematic. Given the number of people who contribute to the success of any given enterprise, membership restricted only to workers is criticised as far from 'open', denying people who depend on the enterprise any say in its operations. I recall John Atherton — long-serving membership officer at Co-operatives UK — framing the ownership question in terms of "open to everyone able and willing to be a member". And herein lies the issue. Is everyone *able* to fulfil the duties and obligations of membership? Is everyone *willing* to take on the demands and conditions of membership? Based on 12-years' experience in a worker co-operative, the obligations of worker membership are quite different to those asked of consumer members. Not everyone is able and/or willing to become a member.

The contexts lead to prejudices on both sides of the divide: consumer co-operators believe that the number of workers elected to their boards should be limited. I had heard arguments for limiting this to as low as 1 and as high as 3 (out of 12) to avoid workers having meaningful influence. Amongst worker co-operators, there is typically a strong belief that customers should not have representation in their governance system. Even in cases where consumers and/or supporters are admitted, their voice is a minority voice.

**Both arguments undermine the open membership principle.** Whilst the angst that underpins the resistance is understandable, a movement that professes commitment to co-operation needs to facilitate this between interest groups, not just individual members. Why do the founders of consumer co-operatives not want workers to share the benefits created by their work? Why do the founders of worker co-operatives not want their customers to share the benefits created by their patronage? When pressed, it is hard to interpret this resistance to sharing as anything other than resistance to open membership itself.

Increasingly, co-operators advocate a solution to this tension through the careful design and development of multi-stakeholder (solidarity) co-operatives. The ICA is now taking a lead in debates on how to classify them. Importantly, it is not the existence of two or more classes that influences the classification. A worker co-operative that grants 20% voting power to consumers is still a worker co-operative. Under ICA classification proposals, a multi-stakeholder co-operative has no single interest group with power over all other interest groups. In these circumstances, business development progresses by building power *with* others, not power *over* others. It is the fulfilment of Robert Michels' vision of a democracy<sup>1</sup> in which no single party can deny or silence the legitimate claims of other parties, thereby inhibiting the development of oligarchies.

Multi-stakeholder co-operatives advance open membership more fully and completely than is possible through consumer and worker co-operative movements alone. If the co-operative movement really believes in Principle 1, international support for multi-stakeholder co-operatives needs to be more fulsome and widespread, including the introduction of powers for members to challenge their co-operative if they resist open membership for 'others'. In doing so, measures to address existing members' fears and angst can accelerate the transition.

Weighted voting is one solution that is tried and tested. If each group admitted to membership of a multi-stakeholder co-operative has less than 50% of the voting power, its members have to talk (and persuade) members in other groups to support their proposals. Executives (elected or appointed) also have to build a consensus across member groups, rather than rely on the support of a single member group. The perceived loss of control may be met with complaints about 'inefficiency' or 'stalemate'. However, such arguments are also argument to socially exclude 'others' and maintain power over others.

A valid criticism is that such a system still enables two groups to collude to defeat a third group, potentially destroying the co-operative culture needed for co-operative development. In devising model rules acceptable to the FCA's Co-operatives and Mutuals Unit, the FairShares Institute developed another layer of protection. Give each member group a right of veto over the text of special resolutions, exercised through a social audit board with the power to reject resolutions that undermine multi-stakeholder principles.

Whilst this improves support for open membership and shared power, it is still vulnerable if individuals representing member groups are bought off through corruption and poorly designed incentive schemes. Better still — but currently impossible under UK Co-operative Law — is a new principle: one member group, one vote. In this case, *within* each member group there is still one member, one vote. However, to balance the power of founder, worker, consumer (and possibly investor) members, each interest group casts its vote in favour or against special resolutions. In this way, special resolutions require all member groups to vote in favour (in addition to achieving a 67% or 75% majority required under current laws). Under these conditions, worker members can veto proposals that harm their interests until sufficient agreement has been reached on the proposal itself. Similarly, consumers could veto any proposal by workers that harms consumer interests until the proposal is satisfactory to both parties. Importantly, executive groups preparing proposals have a disincentive to play one member group off against another. With each group having a veto, collaborative, co-operative cultures have the constitutional support they need to thrive.

Over the last 5 years, the FairShares Institute has organised dozens of roleplays on courses and at conferences to test procedures for multi-stakeholder decision-making. The experience has increased our confidence that bringing together the expertise of founder, worker, consumer, and investor members promotes more thoughtful discussion and robust decision-making. It cannot eradicate factional interests, and sometimes these become apparent during the role plays. However, surfacing them is important to ensure that only supported decisions are taken. What is better? To go ahead with a decision without knowing if it will create a conflict, or to engage in negotiations to ensure that decisions have the support needed for implementation? In the context of commitments to open membership, the latter must be preferable to the former, even if it takes longer.

## The Author

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## Note

- 1 Works by Robert Michels (1876-1936) include *Political parties: A sociological study of the oligarchical tendencies of modern democracy* (1911), published in English in 1915 (Hearst's International Library Co.); a 2016 re-issue of the 1962 Free Press edition published by Martino Fine Books is currently available.