

A graphic of several interlocking puzzle pieces. Most are light grey, but there are four distinct pieces: a large yellow one on the left, a blue one in the center, a small green one to the right, and a large orange one at the bottom. The orange piece has the text '20 VISION 20' on it.

The
CO-OPERATIVE
HOUSING
FEDERATION
of Canada



La
FÉDÉRATION de
L'HABITATION
COOPÉRATIVE
du Canada

Getting our **Co-op Principles** Right

Good Governance and the International Co-op Principles

20
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Introduction

This short guide to the international co-op principles, and what they mean for governance in housing co-ops, is intended as a companion to *Getting Governance Right*, a CHF Canada 2020 Vision publication on good governance and principled leadership. We hope you'll read *Getting Governance Right* if you haven't already. It will help you get the most out of what we say here about the co-op principles, and give you lots to think about on the subject of co-op governance.

This guide is also a 2020 Vision publication. CHF Canada's 2020 Vision Project is all about strengthening our co-ops and our movement as we prepare for the future. That means getting our management in order, making sure we can look after our properties, planning for our co-op's financial security, and so on.

But 2020 Vision is also about affirming our co-op values. As we hope to show in these pages, there's no better foundation on which to build those values than the seven principles of international co-operation – principles that carry forward and build on the values of the original pioneers of the international co-op movement.

Acknowledgements

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Affirming our co-op values is part of 2020 Vision. There's no better foundation on which to build those values than the seven principles of international co-operation – principles that carry forward and build on the values of the original pioneers of the international co-op movement.

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Building on Common Values

Governance and the co-op principles

In the CHF Canada guide *Getting Governance Right* we talk a lot about the importance of values and ethics to governance. We say that ethical values are vital to good governance anywhere, and they are particularly important in co-op housing.

There is a special set of ethical values that apply to co-operatives: the international co-operative principles. There are seven principles, and shortly we're going to look at each of them. Together, they give us a set of guiding principles that reflect the common values of the co-operative movement worldwide.

The co-op principles say a lot in a few words about how we conduct ourselves as co-ops and how we think about co-op governance. In this supplement to *Getting Governance Right* we'll take a look at the link between good governance and the international co-op principles. We think you'll find that the principles offer very helpful guidance to directors and members alike in their governance roles.

Our co-op identity

Before we get to the co-op principles themselves let's think about what it means to be a co-operative. Not a housing co-operative particularly but any kind of co-op, from your local credit union to the Mondragon group of worker co-operatives in Spain that employs 70,000 people.

The International Co-operative Alliance (ICA), the global body for co-operatives, has a definition of a co-op that co-operatives worldwide have agreed on. It goes like this:

A co-operative is 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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A co-operative is 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.

A co-op is a business that is democratically controlled by its members, who own it and benefit economically from its services.

Early co-ops were set up as a way to protect working people who were forced to buy from or trade with powerful business interests on terms that were very unfair

Co-ops as businesses

Note the word enterprise at the end of the definition – the sense of a co-op being a business. A co-op is a business that is democratically controlled by its members, who own it and benefit economically from its services. We see that in a housing co-op. The economic benefit is good housing at the best possible price for the members. But the ICA definition talks about co-ops meeting members' social and cultural needs as well. Which is also true for housing co-ops.

Co-ops may be businesses, but they are different from businesses that exist just to make money for their owners and managers. Co-ops are first and foremost about people, and they are founded on a unique set of values that have been central to the co-operative movement since it began to grow in the 19th century.

Co-operative beginnings

Early co-ops were set up as a way to protect working people who were forced to buy from or trade with powerful business interests on terms that were very unfair – for example, the practice of forcing workers to buy only from the company store. The power of big business compared to the lack of power in the hands of workers made things very one-sided.

So as people began to look for better ways to meet their needs, the idea of overcoming an unjust system was always part of their thinking. The solution they found was to join forces and buy things together, meeting each others' needs mutually, a word that's associated a lot with co-operation.

The Rochdale Weavers: co-op pioneers

The Rochdale Pioneers, 28 weavers from Rochdale, England, are considered the founders of the modern co-op movement. Following a failed strike against the owners of the mill where they worked, the weavers looked for other ways to improve their lives. Together they founded the Rochdale Equitable Pioneers Society in 1844, and started a retail co-op to get away from having to buy from the mill store, at prices set by the mill's owners.

The Rochdale Pioneers had ambitions that went well beyond their co-op store (in fact housing was their second priority). To guide them, they developed a set of operating principles that formed the basis of what we know today as the co-operative principles.

The Pioneers' principles were based on values of honesty, openness, fairness, respect and, of course, democratic control. (These, by the way are the same kinds of ethical values that we describe in *Getting Governance Right*.) Every customer of the co-op became a member and a real stakeholder in the co-operative society. The benefits of the co-op's business belonged to the members who used its services, not to a profit-taking outside owner.

Co-operative Values

The co-op movement has remained true to these values ever since. Here is the ICA's statement of co-operative values:

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

You can see how co-operatives differ from other forms of businesses. Co-ops certainly provide economic benefits, but their ultimate purpose is to meet the needs of people in an ethical, socially responsible way.

Throughout *Getting Governance Right* we stress the importance of ethics in good governance. As you'll see, following the co-op principles can really help us to have high ethical standards in co-op governance.

The Rochdale Pioneers, founders of the modern co-op movement, developed a set of operating principles based on values of honesty, openness, fairness, respect and democratic control. The co-op movement has remained true to these values ever since.

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The Co-operative Principles

The Co-op Principles for Housing Co-ops: A Quick Tour

Here's a quick-reference version of the co-op principles that we've adapted especially for housing co-ops.

1. Voluntary and Open Membership

Membership in a housing co-op is open to all who can use the co-op's services and accept the responsibilities of being a member, without discrimination.

2. Democratic Member Control

Housing co-ops are controlled by their members. Each member has one vote. Housing co-ops give members the information they need to make good decisions and take part in the life of the co op.

3. Members' Economic Participation

Members contribute financially to the co-op and share in the benefits of membership. The co-op does not pay a return on the members' shares or deposits. Instead it sets aside reserves for the future and charges the members only what it needs to operate soundly.

4. Autonomy and Independence

Housing co-ops are independent associations. They follow the laws that apply to them and their agreements with governments or other organizations. But the members control the co-op.

5. Education, Training and Information

Housing co-ops offer education and training to the members, directors and staff so that everyone can play a full role in the life of the co-op. Housing co-ops find ways to tell the public what they are and what they do.

6. Co-operation among Co-operatives

By organizing together in federations, housing co-ops grow stronger and help to build a healthy co op movement. Where they can, housing co-ops use the services of co-op businesses to meet their needs.

7. Concern for Community

Housing co-ops work to build strong communities inside and outside the co-op. They help to improve the quality of life for others and they take care to protect the environment.

The co-operative principles help co-ops to put their values into practice.

Our Evolving Principles

The co-operative principles help co-ops to put their values into practice. Since they were first set out by the Rochdale Pioneers in the middle of the 19th century they have gone through a number of revisions to reflect the values of the international movement in an evolving world.

The last set of changes to the co-op principles was made at the ICA's international congress in 1995. The congress was held in Manchester, England, the city that now includes Rochdale. So maybe it's not too surprising that the principles still remain very close to the Rochdale originals.

As you can see from our "Quick Tour" panel, there are seven principles in all. Now let's look more closely at each of them.

Note: The short descriptions that follow each principle have been developed by CHF Canada especially for housing co-ops. You can find more general descriptions of the co-op principles on the ICA website at www.coop.org.

Your co-op should be open and inclusive when looking for new members. It's the board's job to make sure there are as few barriers to membership as possible.

First Principle: Voluntary and Open Membership

Membership in a housing co-op is open to all who can use the co-op's services and accept the responsibilities of being a member, without discrimination.

Open membership was very important to the Rochdale Pioneers. At that time discrimination was widespread. You couldn't join or use the services of an organization unless you came from the right class or followed the right religion. Women were excluded everywhere. Co-ops are just the opposite. Membership should be open to anyone who can make use of the services the co-op has to offer and is ready to take on the responsibilities of being a member.

What does that mean for a housing co-operative in the 21st century? Clearly housing co-ops can't offer membership to all who apply; they have a limited number of units they can offer. But it does mean that your co-op should be open and inclusive when you are looking for new members, and it's the board's job to make sure there are as few barriers as possible to membership.

This principle of openness should apply to your existing membership too. The Rochdale Pioneers wanted to make sure that all members were treated equally and truly felt they belonged to the co-op, whether they joined yesterday or they had been members since the beginning. That's a principle that should apply as much to a housing co-op today as it did to a retail co-op in the 19th century. And it's the leadership and example of the directors that puts this principle of openness to work.

Second Principle: Democratic Member Control

Housing co-ops are controlled by their members. Each member has one vote. Housing co-ops give members the information they need to make good decisions and take part in the life of the co op.

It seems so obvious to us that our housing co-ops operate democratically. Democracy is the foundation of a co-op. For the Rochdale Pioneers this principle was central: co-operatives are owned and controlled by their members.

Yet democracy doesn't just happen, and an important role of co-op governance is ensuring that the members get to make the decisions that belong to them, and that they truly feel part of the co-op and not just its customers.

That's where your board comes in. In *Getting Governance Right* we talk about a number of signs of good governance. Three of them are particularly important for healthy democracy in your co-op: a transparent board; an accountable board; and a board that is responsive to its members. Have a look at these sections, and think about what they mean in relation to this second co-op principle. Is your board truly accountable to the members?

This doesn't mean the members get to overturn board decisions they don't agree with and we need to be very clear about that. Unlike the members, the directors have legal liability for the co-op and they must be free to make decisions about the things they are responsible for. If the members aren't happy, well, board elections are never that far away.

But when the members are making decisions for the co-op – on policies and by-laws for example, or adopting a budget – it's the board's job to make sure they can do their democratic duty properly. That means getting good information into the members' hands so they can make the right choices.

A healthy democracy in your co-op requires a transparent, accountable and responsive board of directors.

Of course there is no better example of democracy at work in a co-op than the board elections. A little planning can help you get the most out of them.

The present directors need to think ahead and make sure the directors of the future are prepared for their governance roles. That means actively seeking out candidates to stand for the board. A nominating committee of the board is useful for that. The nominating committee can put out a call for candidates, hold an information meeting, and tell members what's expected of them if they join the board. Just make sure no one on the committee is running for re-election!

And think about offering board training opportunities to interested members, not just to the current members of the board. Because good elections need good candidates to run in them. Federation workshops, CHF Canada's website, the *Getting Governance Right* guide and this guide too, are all good ways to help members learn about good governance. And about the importance of democratic control in a housing co-op.

Members contribute financially to the co-op and share in the benefits of membership.

Members count on the board to make sure that their money is used wisely. Good governance means the board takes its stewardship role seriously when it comes to the co-op's financial assets.

Third Principle: Member Economic Participation

Members contribute financially to the co-op and share in the benefits of membership. The co-op does not pay a return on the members' shares or deposits. Instead it sets aside reserves for the future and charges the members only what it needs to operate soundly.

The third principle shows us quite clearly that although the members are required to contribute financially, co-ops put people first and not financial gain. We follow that principle in a housing co-op by using the members' contributions to the co-op wisely. We do not pay a return on members' shares or deposits. Instead we use the money we earn from them to run the co-op properly and maintain a reserve for the future. Members are willing to forgo a return and pay a monthly housing charge that is enough to support these purposes. In exchange, they expect sound management and a plan for the co-op's future.

The members count on the board to make sure that their money is used wisely. Good governance means the board takes its stewardship role seriously when it comes to the co-op's financial assets. Stewardship means the careful management of something entrusted to one's care – in this case what the members have paid to the co-op.

The surest way to meet this requirement of stewardship is to put in place proper management of the co-op's finances, invest the co-op's money wisely and plan for the co-op's financial wellbeing in the future. By taking care of the money we are also taking care of the members – yet another way we put people first in housing co-ops.

Fourth Principle: Autonomy and Independence

Housing co-ops are independent associations. They follow the laws that apply to them and their agreements with governments or other organizations. But the members control the co-op.

The fourth principle has a special relevance for housing co-ops in Canada. All of them operate under some degree of government oversight, whether through a signed agreement with government or because there are laws that control their operations. And sometimes co-ops can get into difficulty and need more help from the government. In exchange they might have to allow the government more control over the co-op, at least for a while.

For these reasons the autonomy of a housing co-op can be restricted. But it is not eliminated. In fact it's because of the government's role in the co-op that we must be very careful to maintain authority over the things we do control. The co-op sets its own policies and by-laws, and decides how it is to be managed. And the board of directors remains responsible and accountable for the sound governance of the co-op.

Leadership is key to sound governance. We talk about this in *Getting Governance Right*. The board shows leadership by seeing to it that the co-op is following its agreements with government, but at the same time making sure the co-op keeps its independence. One important way to do that is by making sure the co-op is managed and governed as well as possible, which keeps government intervention to a minimum.

Housing co-ops are independent associations. They follow the laws that apply to them and their agreements with governments or other organizations. But the members control the co-op.

The co-op sets its own policies and by-laws, and decides how it is to be managed. And the board of directors remains responsible and accountable for the sound governance of the co-op.

Housing co-ops offer education and training to the members, directors and staff so that everyone can play a full role in the life of the co-op.

Good governance means promoting education and training, and making sure they're part of the co-op's budget.

Fifth Principle: Education, Training and Information

Housing co-ops offer education and training to the members, directors and staff so that everyone can play a full role in the life of the co-op. Housing co-ops find ways to tell the public what they are and what they do.

Alex Laidlaw, a 20th century leader in the Canadian co-op movement who some call the father of co-op housing in this country, said that this principle hardly needs any explanation. He also said that education may be even more important for housing co-ops than it is for other co-ops, because a housing co-op is more complex than many other kinds of co-ops.

Well education is certainly important if we want to know what we're doing. Throughout *Getting Governance Right* we talk about the importance of training, for members, for directors, and for co-op managers. But more than that, education is an inseparable part of the co-operative movement across the world, and has been throughout its history.

From the beginnings of the modern co-op movement in Britain, education in its broadest sense has been a goal of co-operation. In our housing co-ops we put the principle into practice by encouraging members to learn about the operation of their co-op and their role in it, and how their co-op fits in to the wider co-op movement.

Good governance promotes the importance of education and training, and making sure it gets included in the co-op's budget. Your members will become more effective in their involvement in the co-op and they'll learn skills they can use in their daily lives. And that's what the Pioneers had in mind when they stressed the value of education.

Note, too, the point about young people in the ICA description of the fifth principle – the importance of informing them about the nature and benefits of co-ops. A very important aspect of leadership is planning for its replacement. The board needs to engage the younger co-op members in ways that will help them become the co-op leaders of tomorrow.

Sixth Principle: Co-operation among Co-operatives

By organizing together in federations, housing co-ops grow stronger and help to build a healthy co op movement. Where they can, housing co-ops use the services of co-op businesses to meet their needs.

Together, we're stronger. That's what the earliest co-operators believed, and we know it's true in today's housing co-op movement. That's why we join together as housing co-ops and build our movement by doing business where possible with other kinds of co-ops.

When we unite as members of what are called secondary co-ops – the network of federations across the country – we share our experience and our values, provide for our education and mutual support, harness our collective buying power, and speak with one voice to government and to the community at large. Together it's easier for us to maintain our autonomy and independence – the fourth co-op principle, which we talked about earlier on.

In fact it's easier to follow all of the co-op principles if your co-op is engaged and active in the sector. The board shows leadership by including sector membership as a continuing element in the co-op's planning.

All our experience has shown us this: co-ops that join together for their mutual self-help and protection are stronger and more soundly run than those that isolate themselves. It's a very short step from co-operating with other housing co-ops to better, sounder governance.

Seventh Principle: Concern for Community

Housing co-ops work to build strong communities inside and outside the co-op. They help to improve the quality of life for others and they take care to protect the environment.

The earliest co-ops came together to improve the quality of community life. From the beginning, co-operative values have included social responsibility and caring for others.

By organizing together in federations, housing co-ops grow stronger and help to build a healthy movement.

Co-ops that join together for their mutual self-help and protection are stronger and more soundly run than those that isolate themselves.

Housing co-ops work to build strong communities inside and outside the co-op. They help to improve the quality of life for others and they take care to protect the environment.

Housing co-ops are particularly well placed to be a positive influence in their local communities. They are a fixed and visible presence and they can make a difference in their immediate neighborhoods.

Our values shape the way we involve ourselves as co-ops in the local and global community.

Housing co-ops are particularly well placed to be a positive influence in their local communities. They are a fixed and visible presence and they can make a difference in their immediate neighborhoods. More widely, housing co-ops can be active forces for good across a range of community issues that have global impact, from the need for more affordable housing to the key environmental questions that face the modern world.

In fact one of the most remarkable things about Canadian housing co-ops is how much they are already engaged in broader social issues and concerned with the wellbeing of others. There's no better example of this than the support housing co-ops give to Rooftops Canada, the international development program started by CHF Canada in 1984.

It's not hard to see the connection between concern for community and good governance. *Getting Governance Right* talks a lot about the importance of ethics and values in governance. Those same values shape the way we involve ourselves as co-ops in the local and global community.

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Afterword

It's important for us to remember that the co-op principles have real meaning for us. We can easily think of them as ideals that are remote from the business of managing and governing our co-ops – if we think about them at all. But as you can see, they have true relevance to the way we operate our co-ops and co-exist as community citizens.

By paying attention to the co-op principles and applying them in our own housing co-ops, not only do we keep alive the traditions and values of the Rochdale Pioneers; we can also learn lessons for governing our own co-ops better and improving the quality of life for our members today.

By paying attention to the co-op principles and applying them in our own housing co-ops, we can govern our own co-ops better and improve the quality of life for our members.

Notes

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