

## **Employees as Members in an Agricultural Cooperative**

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When we discuss the circle of responsibility in a cooperative we typically describe four groups consisting of the members, board, CEO and employees. That raises the interesting question of whether any of those groups could overlap. More specifically, should employees who are bona fide agricultural producers be allowed to apply for membership?

The distinction between employees and members varies across cooperative sectors. Not surprisingly, in worker owned cooperatives almost every employee is a member. In those cooperatives the most commonly discussed issue is whether it is appropriate to have any employees who are not members. In food cooperatives it is common to have employees who are members of the cooperative. Many food cooperatives grew from volunteer structures with members performing the duties now done by employees, so the concept of employee members is logical. There is also an emerging sector of multi-stake holder cooperatives which have multiple membership groups involving investors, users and employees. Those cooperatives include, but carefully balance, the representation of each member group on the board. Profits are also distributed across all stakeholder groups

One complication of employee membership would be the possibility that an employee member could run for the board of directors. Many food cooperatives have struggled with that issue. Most have concluded that while an employee board member could bring a unique perspective to the board the disadvantages far outweigh the advantages. Since the board oversees the CEO a board member employee would be simultaneously supervising and reporting to the manager. The structure would also make it more difficult for the board, or at least that board member, to vote against a course of action recommended by the CEO. If it was necessary to terminate an employee the fact that they were also a board member would create numerous complications.

Issues involving membership and eligibility for the board of directors are typically addressed in the cooperative's bylaws. The employee policy manual could limit the right of current employees to run for the board. That still leaves open the question of whether a former employee (and even a terminated employee) could run for the board. The best solution is to clearly address the issue in the bylaws, specifying that an employee of the organization is not eligible to run for board, and the time period after employee ends for board eligibility.

Next week we will consider the question of board members becoming employees.