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Raising Our Future Together: How Cooperatives Can Create Better, More Affordable Childcare in NYC

Introduction



The Democracy at Work Institute (DAWI) and Federation of Protestant Welfare Agencies (FPWA) present this report as an examination of one strategy to address the challenges facing New York's parents, children and childcare providers. The report's key finding is that worker cooperatives may provide a compelling solution to the growing crisis of affordable childcare in the city. DAWI and FPWA call on New York City's public and private leadership to join together and support this promising option to improve the social and economic well-being of greater New York's children and families.

Quality child care is increasingly out of reach for most New Yorkers, with commercial rents rising, government support stagnating, and high child care worker turnover. Young families struggle to afford raising children in the city, and even when they can, they are finding it increasingly difficult to find childcare providers at all. Lack of affordability is matched by an equally intense closure crisis of existing child care centers.

For the past several years, the city has undertaken a successful initiative to support the growth of worker-owned cooperatives as a means of fighting poverty and inequality by creating jobs for its most vulnerable workers. The worker-owned business model has been shown to be particularly strong in the care sector, demonstrating positive impacts from greater employee longevity to higher customer satisfaction. Building on the success of New York City's Worker Cooperative Business Development Initiative, we see an opportunity to leverage these strengths to provide not just better jobs but also better care for the nearly half-million children under age 5 and 2 million children under age 18 in New York City.

The development of worker cooperative childcare providers, from centers to in-home providers to nannies, should be included as part of a long-term strategy to address affordable childcare in New York City. This report spells out key recommendations that the Mayor's office and City Council could implement to increase access to childcare while increasing the quality of childcare jobs.

Key Highlights

Insufficient government support, stubbornly high worker turnover rates due to low wages and lack of training and support, and rising commercial rents together threaten longstanding childcare providers in NYC and contribute to the erosion of the city's child care system.

Key Problems



Unsustainable cost. The average yearly childcare cost for a New York family is \$16,250.



Child care worker turnover rates ranging from 25 - 50% in day care centers.



Stagnant government funding that has not changed for decades and does not meet overhead costs. 83% of Administration for Children's Services (ACS)-contracted providers still struggle to meet payroll, pay for supplies, cover rent, and maintain insurance.



Increasing overhead costs in a low-margin industry, mainly due to rising rents. A 10% average rise in commercial rents has led to several recent child care center closures.

The popularity and expansion of New York City's Universal Pre-K (UPK) program demonstrates both an increasing political appetite and public demand for offering better services for New York's children.¹ However, programs like UPK only partially address endemic issues facing working families seeking affordable, quality childcare. Worker cooperative businesses can help solve these problems by improving workplace standards and increasing worker skills and tenure.

Historically, workers at caregiving cooperatives have:



Kept turnover at one-quarter of their industry average through quality benefits, training, and the guarantee of full-time work.

Cooperative Home Care Associates, Bronx, NY



Reduced the cost of childcare by 80% for their own workers.

Childspace, Philadelphia



Provided a living wage to immigrant child care workers that deliver in-home services.

Beyond Care Cooperative, Sunset Park, Brooklyn



Contributed greatly to expansion of quality child care services in Quebec and Italy, where systemic supports have prioritized the cooperative form for caregivers.

Recommendations

This report recommends that the city take additional steps to explore and support cooperatives as the superior form for child care service delivery, including:

- Explore the creation of a cooperative shared services network for family child care providers.
- Conduct additional research on how worker and multistakeholder cooperative forms can apply to NYC's childcare system, with a specific focus on the needs of CUNY students and faculty.
- Explore incentives for housing cooperatives — especially city-supported limited-equity housing cooperatives — to use commercial space for childcare businesses to ensure accessible, quality, and inclusive childcare for years to come.
- Provide support for longtime owners of neighborhood-serving childcare businesses to keep their legacy alive by selling to employees.

¹ Office of the Mayor, "Mayor de Blasio Announces 3-K for All," April 24, 2017, available at <http://www1.nyc.gov/office-of-the-mayor/news/258-17/mayor-de-blasio-3-k-all/#/0>

NYC's Childcare Landscape

Accessible early child care and education is critical to developing New York City's bright, prosperous future. There are 556,000 children ages 0 to 4 in New York City as of 2015. Working families are finding it increasingly difficult to access affordable, quality early child care and education as the cost of living increases and outstrips earnings for many. According to the NYC Public Advocate's Office, the average yearly cost of childcare in NYC is \$16,250.² For infants and toddlers, full-time child care can reach up to \$21,600 annually.³

The lack of child care access for low income families is especially acute, as 52% of children aged between zero and

four live below the federal poverty line, but only one quarter receive government subsidized child care.⁴ This disparity is largely due to severe underfunding of child care at the federal, state, and city levels. For low and middle-income two-parent households that do not receive or qualify for subsidized child care, the high price forces a different sort of calculus, with one wage earner often leaving full-time employment to provide child care, losing a source of income. Often the parent making this sacrifice is the mother.⁵ This gender disparity contributes to the continuing gender gap in workplace equity, as returning to the workforce and having career mobility becomes difficult due to large gaps in work history.

Publicly Subsidized Child Care and Challenges

NYC's subsidized early education and child care is the largest municipal child care system in the country, serving about 100,000 children each year.⁶ Directed by NYC's Administration for Children's Services (ACS) and the Department of Education (DOE), this system consists of EarlyLearn, Early Head Start, Head Start, Universal Pre-Kindergarten (UPK), and Family Child Care.⁷

The early childhood education and child care oversight and funding landscape has shifted in recent years. A significant expansion of DOE-managed full-day UPK for 4 year-olds began in 2014 and expanded to include 3 year-olds in two school districts in 2017.⁸ Additionally, the EarlyLearn program is slated to transition from management by ACS to DOE beginning in 2018, with DOE applying to take over NYC's Head Start contracts in the next competitive cycle (2018-2019).⁹ EarlyLearn programs do not have the capacity to serve all eligible families, largely due to declining federal and state funding.¹⁰ NYC has budgeted increased city funding for EarlyLearn as it transitions to DOE in 2018 and beyond. City-operated providers also receive federal funding through the Child Care and Development Block Grant to subsidize costs for qualifying families.¹¹

Though much expanded, the UPK program is only available during the school year (September-June) and does not provide continuous wrap-around care to support all families. EarlyLearn

Child Care and EarlyLearn Head Start programs, in contrast, operate year-round and offer all-day child care. Eligibility to participate in EarlyLearn, however, is restricted to qualifying low-income families, who can enroll their children in these programs or use vouchers at city subcontracted centers or for family child care services in private homes. While EarlyLearn providers can fully subsidize all child care costs for some families, many qualifying families only receive partial subsidies or none at all depending on their income. Another child care option, family child care, consists of contracted child care delivered in homes. According to a report by the NYC Public Advocate's Office, "the majority of care, especially for infants, continues to be provided through family child care in home-based settings."¹² Home-based care can provide geographically convenient, linguistically accessible, and culturally competent services.

The city also supports 16 child care centers attached to the City University of New York (CUNY) system. These child care centers all operate independently, are funded in part through the city, and receive federal funding through block grants as well. The centers provide much needed and heavily subsidized child care for 1,600 student-parents throughout the system, of whom pay as little as \$5 a week out of pocket for child care, and they play an inestimable role in ensuring student retention and success.¹³

² Office of the Public Advocate for the City of New York, Policy Report: Child Care in New York: Part II, November 2015, p. 5, available at <http://pubadvocate.nyc.gov/investing-child-care-analysis-subsidized-child-care-options-new-york-city>.

³ New York University, "Child Care Centers," available at <https://www.nyu.edu/employees/life-wellness/family-care/child-care/young-children/child-care-centers.html>

⁴ Office of the Public Advocate for the City of New York, Child Care in New York: Part II, p. 5

⁵ A Pew Research Center finding that 82% of stay home parents are mothers. D'Vera Cohn and Andrea Caumont. "7 Key Findings About Stay-At-Home Moms." Pew Research Center, April 8, 2014

⁶ New York City Independent Budget Office Fiscal Brief, A System in Flux: New Programs, Administrative Changes Create Challenges to New York City's Traditional Subsidized Child Care Program, June 2017, p. 1.

⁷ Erin Durkin, "Average Cost of Daycare in NYC tops \$16G." New York Daily News, November 10, 2015

⁸ NYC Department of Education, "3-K for All," available at <http://schools.nyc.gov/ChoicesEnrollment/3k-for-all/default.htm>

⁹ Handout from a meeting of the 3-K and EarlyLearn Transition Advisory Group, convened by the NYC Department of Education and Administration for Children's Services, October 2, 2017.

¹⁰ New York City Independent Budget Office Fiscal Brief, A System in Flux: New Programs, Administrative Changes Create Challenges to New York City's Traditional Subsidized Child Care Program, June 2017, pp. 4-6

¹¹ New York State Office of Children and Family Services, Reauthorization of the Child Care and Development Block Grant, presented at New York Public Welfare Association 148th Annual Winter Conference, January 25, 2017 available at <http://ocfs.ny.gov/main/childcare/public%20ppts/2017-NYPWA-Winter-Conference--Reauthorization-of-Grant.pdf>

¹² Office of the Public Advocate for the City of New York, Child Care in New York: Part II, p. 14.

Challenges Facing Public and Private Child Care Centers



Far more children receive care in private or community centers than through EarlyLearn-contracted centers (which enroll 31,263 children as of June 2017).¹⁴ In comparison, over 66,048 children from subsidized low-income families alone relied on vouchers for private child care centers as of June 2015.¹⁵ However, high staff and operations costs on private, community-based child care providers coupled with skyrocketing rents have made them increasingly unaffordable and unavailable to parents.

Inadequate Government Funding and Contracting

NYC's experiences with directly-contracted providers illustrate many of the difficulties that can prevent providers from meeting affordable, accessible child care goals. For example, after the EarlyLearn program was implemented in 2012, ACS required many existing child care centers to submit a new competitive Request for Proposal (RFP) process, leaving many long-established providers with the prospect of losing city funding and thus having to close their businesses.¹⁶ Many of the ten child care centers that did not get renewed immediately afterwards were longstanding institutions in communities of color like the 44 year-old Williamsbridge NAACP Early Childhood Learning Center.¹⁷ Similar problems have occurred subsequent to UPK's expansion as well. In January 2017, NYC's Department of Education (DOE) declined to renew the contract of Amalgamated Nursery School in the Bronx, citing an oversupply of UPK providers nearby. This decision was made despite the school's 83-year operational history and longstanding full-day kindergarten program.¹⁸ Though DOE later reversed their position, the possibility of losing successful centers like Amalgamated in the process of expanding child care access indicates a need for greater dialogue between city agencies and providers around requirements.

Among providers meeting the RFP hurdle, the EarlyLearn funding structure is seen as insufficient. In a 2015 survey of 102 child care sites by the Campaign for Children, 83% of ACS providers reported struggles in paying staff, providing health insurance, meeting rent and/or obtaining classroom supplies.¹⁹ Financial pressures have led to consolidation, as larger providers could compensate for changes better while smaller providers found themselves without the resources or alternate revenue streams to function. From 2012 to 2014, providers

operating an EarlyLearn program at a single site (most often smaller providers) declined by more than 50%, from 131 to just 60. The city has since changed the EarlyLearn funding formula in response to complaints.²⁰ However, the challenges it created highlights the need for NYC to not only make child care affordable on the front end (by easing costs to families), but also on the back end by reimbursing providers what they need to keep their doors open.

Underfunding has not been limited to just ACS or DOE programs. The CUNY child care system has seen severe cuts to federal and state funding for its 16 campus-based child care centers. Since 2011 they have lost more than \$1.3 million in state block grant money; simultaneously federal aid for low-income students declined by about one-third.²¹ NYC also contributes to the child care centers' costs but has not stepped in to adequately make up for the lost state funds. Instead it has kept funding levels at the same amount (\$500,000/year) since 1980.²² Thus the CUNY system finds itself squeezed between low government funding and student-parents inability to pay. So far they have stepped in to absorb the losses - an untenable situation in the long-term.

Like many smaller providers throughout New York, the size of CUNY's child care centers has also contributed to their challenges. Each center operates independently, placing them in the position of competing for block grants and puts them in a poor bargaining position with health insurance companies. They also miss the opportunity to reduce overhead costs on expenses like purchasing supplies and administrative support through a greater economy of scale.²³

¹⁴ NYC Administration for Children's Services, "Flash," July 2017, pg. 2 available at <http://www1.nyc.gov/assets/acs/pdf/data-analysis/flashReports/2017/07.pdf>.

¹⁵ *Ibid.*, p. 2.

¹⁶ Office of the Public Advocate for the City of New York, *Child Care in New York Part II*, p. 3.

¹⁷ Clifford Michel, "Council Members Calls for More Transparency from ACS," *Politico*, June 3, 2015, available at <http://www.politico.com/states/new-york/city-hall/story/2015/06/council-member-calls-for-more-transparency-from-acs-089933>.

¹⁸ Anthony Capote and Lisa Herndon, "School Puzzles over Threat of Closure," *Riverdale Press*, January 11, 2017, available at <http://www.riverdalepress.com/stories/School-puzzles-over-threat-of-closure,61529>.

¹⁹ Campaign for Children, *EarlyLearn Rate is Too Low to Sustain High-Quality Early Childhood Education Programs in NYC*, January 2015, pp. 2-3, available at <http://www.cccnewyork.org/wp-content/uploads/2015/04/EarlyLearn-Rate-is-Too-Low-to-Sustain-High-Quality-Early-Childhood-Education-January-2015.pdf>.

²⁰ Beth Fertig, "City Responds to Complaints About Childcare Funding," *Schoolbook*, available at <http://www.wnyc.org/story/city-responds-complaints-about-child-care-funding/>.

²¹ Office of the Public Advocate for the City of New York, *Policy Brief: Child Care in New York City: Part I*, June 2015, p. 8. Available at <http://pubadvocate.nyc.gov/investing-child-care-analysis-subsidized-child-care-options-new-york-city>.

²² *Ibid.*, p. 12.

²³ Office of the Public Advocate for the City of New York, *Policy Report: Child Care in New York City: Part III*, October 2017.

Rising Costs of Commercial Rent

Many child care providers cite lease costs as their second-largest concern after low reimbursement rates. In low-margin industries like child care, controlling lease and other capital costs is crucial. However, commercial rents have increased significantly as a result of continuing gentrification. From 2015 to 2016, commercial lease costs in NYC rose by 10%, a significant figure given that as a rule businesses across all industries seeking affordable rent should keep lease costs under 10% of total revenue.²⁴

Rising rents are particularly challenging for smaller child care providers. Those in rapidly gentrifying areas that previously served children from largely lower-income and minority

families are now hiking costs to afford increased rents.²⁵ Others have simply closed down. Notable community-based providers serving low-income families that have shuttered for this reason include Bushwick United Early Learning Center and Small World Day Care, which closed in 2015.²⁶ In 2016, Nuestros Niños Day Care Center avoided a similar fate only due to community action and strong political support.²⁷ Such limitations on child care access as a result of market forces hurts low-income families the most, by increasing travel times to centers outside their neighborhoods or through decrease and loss of child care center services entirely.²⁸ Ripple effects include the expansion of the achievement gap among wealthy and non-wealthy students.

Child Care Worker Retention, and Requirements

New York State requires strict “staff-to-child” ratios for all child care providers, as caring for young children demands greater attention and staff time. Staffing sufficient and qualified staff members, from preschool and group teachers to assistant teachers and directors, is a heavy operational expense that especially burdens private child care providers not operating under EarlyLearn. To compensate, some private providers resort to hiring less experienced staff--such as care workers without CPR nor sudden infant death syndrome training certifications--to cut salary expenses and increase capacity, proving detrimental to both quality and safety.

The high rate of child care worker turnover presents another major obstacle to providing quality care, contributing significantly to higher operating costs and reducing quality care.²⁹ National industry turnover rate estimates range from 25% - 50% annually, and many child care centers must constantly absorb the costs of retraining, job searches, lost

productivity, and vacancy periods that hurt their ability to meet the needs of children in their care.³⁰ Low wages and lack of benefits are a primary driver of turnover. In 2015, the median wage for a child care worker (all occupations) was \$12.24 per hour. Benefits offered by child care centers are meager, even compared to other low wage care workers.³¹ A 2015 study by the Economic Policy Institute (EPI) found that only 15% of child care workers had employer-based health insurance, with 9.6% of child care workers receiving a retirement plan through their work--an even more dismal number. Given the low wages and poor benefits in the industry, most child care workers cannot afford child care for their own family without outside assistance.³² In New York, the low pay in privately-run day cares - on average \$13.67 per hour- leads many qualified teachers to seek better positions with the city's EarlyLearn contracted child care providers, which compete with private day cares by offering higher salaries, benefits, and summer time off.³³

²⁴ Institute For Local Self-Reliance, *Affordable Space*, April 2016, pp. 7-8. Available at <https://ilsr.org/wp-content/uploads/downloads/2016/04/ILSR-AffordableSpace-FullReport.pdf>.

²⁵ Office of the Public Advocate for the City of New York, *Policy Report: Child Care in New York: Part II*, pp. 11-12

²⁶ *Ibid.*, pp. 11-12

²⁷ See Beth Fertig, “As Pre-K Expands, Early Child Care Gets Squeezed,” *Schoolbook*, available at <http://www.wnyc.org/story/pre-k-expands-early-day-care-squeezed/> and Williamsburg Now, “Nuestros Niños Day Care Closure Prevented,” February 2016, available at <http://www.southsideunitedhdhc.org/wp-content/uploads/2017/08/2016-2FEBWilliamsburgNowWEB.pdf>.

²⁸ The New School Center for New York City Affairs, *New York's Tale of Two Child Care Cities*, available at <https://static1.squarespace.com/static/53ee4f0be4b015b9c3690d84/t/599c534ecf81e051ee95ce82/1503417166730/New+York%27s+tale+of+two+child+care+cities.pdf>

²⁹ 71% of parents in a recent national survey cited the quality of care as the most important factor when choosing a child care provider. NPR, Robert Wood Johnson Foundation, and Harvard T.H. Chan School of Public Health, *Child Care and Health in America*, October 2016, p. 6, at <http://www.npr.org/documents/2016/oct/Child-Care-and-Development-Report-2016.pdf>.

A 2012 survey found that teachers at child care centers that had any turnover all reported a 25% rate. A similar study in 1990 for the same category of centers found a rate of 50% for all workers, including lower-paid child care aides. See Center for the Study of Child Care Employment, UC Berkeley, *Worthy Work, Still Unlivable Wages: The Early Child Care Workforce 25 Years After the National Child Care Staffing Study*, 2014, pp. 29-31, available at <http://cscoe.berkeley.edu/files/2014/ReportFINAL.pdf>

³¹ Carsey Institute, *Low Wages Prevalent in the Direct Care and Child Care Workforce*, available at <http://scholars.unh.edu/cgi/viewcontent.cgi?article=1024&context=carsey>.

³² Economic Policy Institute, *Child Care Workers Aren't Paid Enough To Make Ends Meet*, 2015, pp.6-7, 9-12. Available at <http://www.epi.org/files/2015/child-care-workers-final.pdf>

³³ U.S. Department of Labor, Bureau of Labor Statistics, “39-9011 Child Care Workers,” May 2016.

Pragmatic Solutions: Worker Cooperatives in Child Care



Child care worker cooperatives face the same major challenges as the conventional businesses described above. However, they have an advantage in terms of worker retention and quality of care, thanks to shared ownership and democratic management structures. Worker cooperatives tend to prioritize training, compensation for workers, reducing inequality between workers, and collective solutions to hours and scheduling issues. For example, Childspace in Philadelphia offers a well-established model of how a child care worker cooperative can create good jobs and provide quality care, and its lessons are applicable for child care centers serving low-income families in New York. Just as importantly, there are numerous strong international examples of child care cooperatives in places like Quebec, Japan and Italy that show how the concept can grow to scale and have larger transformative effects on caregiving.

Beyond Care Cooperative, Sunset Park, Brooklyn Investing in quality individual providers



Started in 2008 with support from the Center for Family Life, Beyond Care Cooperative's express goal has been to create good jobs for immigrant women working in home-based child care. Beginning with 19 founding members, by 2016 Beyond Care had nearly doubled in size to 35, becoming a model in the child care industry for both quality jobs and child care. The cooperative has taken steps to improve on industry standards by increasing wages, keeping turnover low, and improving worker job satisfaction compared to their previous jobs³⁴.

By centralizing administrative and marketing tasks, Beyond Care reduces costs and uses the savings to increase wages. Beyond

Care members pride themselves on providing living wage jobs--a major factor in worker retention--typically earning \$15.00/hour or more after taxes. In addition, the cooperative's Training Committee invests deeply in new members. Many nanny providers do not have the same training requirements as more regulated center-based child care workers. Beyond Care workers, by contrast, must complete weeks of training on topics such as effective communication with parents, early childhood development, CPR/ first aid, and nutrition. Existing members are required to complete some form of continuing education four times per year, in subjects such as physiotherapy and speech therapy.³⁵ Beyond Care plans to improve member education in the near future through participation in a new worker cooperative training initiative by Cornell University's Cooperative Extension program.

According to cooperative developers at the Center for Family Life, these reforms turn the undercutting, competitive nature of nanny care on its head. Additionally, the cooperative allows previously isolated workers to learn from each other, prevent wage theft, and give better value to their clients.³⁶ Though different in many ways from center-based models that this paper has focused on, lessons can be learned from Beyond Care's workforce impact and applied to center-based models as well.

³⁴ Rebecca A. Matthew and Vanessa Bransburg, "Democratizing Caring Labor: The Promise of Worker-Owned Child Care Cooperatives," *Affilia*, Vol 32, Issue 1, pp. 10 - 23, first published November 23, 2016, available at <http://journals.sagepub.com/doi/10.1177/0886109916678027>.

³⁵ Lene Bech Sillesen, "Worker Cooperatives in the U.S. Raising Labour Standards," *Al-Jazeera*, April 8, 2016, available at <http://www.aljazeera.com/indepth/features/2016/03/worker-cooperatives-raising-labour-standards-160329191716361.html> and Democracy at Work Institute, *Building Shared Entrepreneurship*, p. 2, available at http://institute.coop/sites/default/files/resources/DAWI_Building-Shared-Entrepreneurship_USVersion_web.pdf

³⁶ Interview with Maru Bautista and Emma Yorra, Center for Family Life, June 19, 2017.

A Child's Place: Preserving a Neighborhood

A Child's Place in East Elmhurst, Queens demonstrates the power of worker cooperatives to preserve existing child care businesses that provide vital community services. Linda and Gregory Coles spent their lives building A Child's Place, which now employs 65 people and serves more than 170 children per year. The 34-year old child care center is a community institution, with generations of neighborhood families accessing high-quality and trusted child care. The Coles' own children now run the center, but did not want to take over long-term ownership. Faced with selling their beloved business, the Coles were heartbroken to think of it being liquidated for its valuable land, closed, or otherwise compromised by an

outside owner who did not care about the community or their workers as much as they did. With help from The Working World, a cooperative development finance and technical assistance organization funded through the NYC Worker Cooperative Business Development Initiative, they explored selling to their employees and converting the business to a worker cooperative. The idea intuitively made sense, and A Child's Place is now in the process of conversion to worker ownership. In doing so, it will save a multi-million dollar, multi-family, multi-employee business providing affordable and trusted child care in the heart of Queens.



NY City Explorers Brooklyn Heights Growing Together

The conversion of NY City Explorers to worker-ownership emphasizes the exciting potential for worker cooperatives to recruit, retain, and reward skilled child care staff. Co-owners Kisha Gandsy-Edwards and Keyanna Murrill spent over a decade building NY City Explorers, now in Brooklyn Heights, from a small babysitting service to a multifaceted child care company offering daycare, after-school care, summer camps, and a field trip program. However, as Gandsy-Edwards and Murrill planned their next decade of ambitious growth, they realized they did not want to do it alone. To venture into new locations, they needed to tap the skills and passion of their workers. The Explorers program, like all private child care in New York City, competes for qualified staff with UPK run by the NYC Department of Education, which can offer higher salaries with shorter hours.³⁷ As a worker cooperative, NY Explorers will share with its 25 workers a unique opportunity to not only have a meaningful voice in their workplace, but also take an active role in expanding a mission-driven company committed to experiential learning for children. With financial support from the Worker Cooperative Business Development Initiative, NY City Explorers has been working with the ICA Group for the last few months and will convert to a worker cooperative this winter.

Childspace estimates that it saves \$60,000 annually through in-kind rent contribution, money that it was able to use to increase staffing ratios.³⁸

³⁷ https://www.dccnyinc.org/assets/uploads/myuploads/DCCNY_PolicyReport2016sm.pdf

³⁸ Interview with Childspace Financial Director Susan Kavchok, 8/31/2017.



Childspace: Transforming Philadelphia’s Child Care Landscape for the Better

Founded in 1988 with five employees and twenty children initially enrolled, today Childspace operates three separate centers, has 56 staff, and provides care for 210 children. 2/3 of the cooperative’s program serves low-income families through a variety of government programs, making it dependent on often insufficient reimbursement rates and its smaller private pay revenue stream to make up the difference.³⁹ Even so, Childspace has been able to stabilize operations and replicate its model without more lucrative revenue streams through creating good jobs and retaining long-term workers. Additionally, their Childspace West branch in West Philadelphia has succeeded in large part thanks to a valuable space partnership that has considerably lowered their commercial rent.

Childspace’s positive impact on its workforce has been substantial. Its members chose to focus on creating full-time jobs; today only four of the 56-strong workforce (7%) are in part-time positions, far below the industry average of 40%.⁴⁰ Similarly, the wages and benefits at Childspace exceed industry norms, including pay in the top 1/3 of child care center industry, ample time off (12 sick days, two weeks’ vacation, and four personal days per year) and a healthcare plan primarily covered by the employer (80% of premiums). But perhaps the most valuable benefit they provide is heavily subsidized child care. Day care center workers are no exception to the struggle to find affordable, quality child care.⁴¹ Workers at Childspace can enroll their children at their worksite for only



20% of the actual cost. According to Financial Director Susan Kavchok, this benefit is the single biggest factor in worker retention.

In addition to successfully addressing worker turnover issues, Childspace has been able to provide quality services specifically to children from low-income families at its Childspace West location thanks to a commercial space partnership with HELP USA, a local non-profit. Launched in 1999, Childspace

West was created to primarily serve Temporary Aid to Needy Families (TANF) recipients in West Philadelphia. With just this single revenue stream initially, the startup phase would have been much more difficult without the aid of HELP USA’s Philadelphia chapter. By locating the day care center in one of HELP Philadelphia’s buildings (which provides housing and services to low-income and homeless residents), Childspace estimates that it saves \$60,000 annually through in-kind rent

contribution, money that it was able to use to increase staffing ratios. In return, the HELP Philadelphia building residents receive top priority for enrollment of their children at Childspace West, followed by HELP Philadelphia program participants elsewhere, and then the surrounding neighborhood. This type of partnership is prime example of the degree to which the reduction of commercial rent can stabilize child care center operations.⁴²

³⁹ Childspace estimates that their reimbursement rates are now just 55% of the cost of equivalent services in the private market. Interview with Financial Director Susan Kavchok, 8/31/2017. In addition to regular government reimbursements and private pay, Childspace also receives a “quality dividend” from the state of Pennsylvania that helps defray expenses.

⁴⁰ U.S. Department of Labor, Bureau of Labor Statistics, “Occupational Outlook Handbook, Child Care Workers, Work Environment,” available at <https://www.bls.gov/och/personal-care-and-service/child-care-workers.htm#tab-3>.

⁴¹ Interview with Childspace Financial Director Susan Kavchok, August 31, 2017.

⁴² Ibid.

International Models: Social Child Care Cooperatives



We have excellent examples of worker-cooperative businesses in the U.S. that raise industry care standards and increase job quality. However, the vast majority of child care cooperatives in the U.S. are parent-run and controlled. Cooperative expert Margaret Lund notes the tensions between the stakeholders of these two forms of cooperatives:

“Parents may have an immediate interest in the lowest cost daycare possible... while daycare workers may want the highest wages possible, but there is no denying that both groups have a much larger common interest and stake in the effective and nurturing care of children.”⁴³

In an essential industry like child care it is not necessarily in the public interest for key stakeholders to remain fragmented. Cooperatives in several European countries and Canada have developed a multistakeholder model that can include workers, service recipients and family members, volunteers, and even investors.⁴⁴ Such multistakeholder organizations are included in a larger family of social cooperatives, which pursue a defined social good such as child care or the creation of employment for disadvantaged people. The social cooperative model may provide a path forward that can bring together the concerns of workers, parents, policymakers, and children in a direct way not yet attempted in the US.

⁴³ Margaret Lund, *Solidarity as a Business Model: A Multi-Stakeholder Cooperatives Manual*, Kent State University Cooperative Development Center, p. 4, available at <http://www.uwcc.wisc.edu/pdf/multistakeholder%20coop%20manual.pdf>

⁴⁴ European countries with social cooperative legal forms include Italy, Spain, France, Portugal, Poland, Hungary, and Greece. See C. Borzaga, R. Bodini, C. Carini, S. Depedri, G. Galera and G. Salvatori, “Europe in Transition: The Role of Social Cooperatives and Social Enterprises”, *Ericse Working Papers*, 69|14, 2014, p. 9, available at http://www.ericse.eu/wp-content/uploads/2015/03/1406514708_n2553.pdf



Social Cooperatives in Italy

Italian social cooperatives first organized in response to the economic downturn of the 1970s, as the Italian welfare state was unable to fully cope with increased social needs. Without sufficient philanthropic organizations in place, social cooperatives became the most viable solution. Today the social cooperative sector in Italy is among the largest and most studied in the world. Italy had 11,264 social cooperatives as of 2011, an almost six-fold increase since Public Law 381/91 formalized them in 1991. Of those, over 6,500 were registered as social services providers.⁴⁵ Most of these social cooperatives contract directly with local governments to offer services including child care. Collectively they are an essential part of the Italian safety net, sometimes even replacing the majority of direct government

service delivery in a region. For example, in Bologna over 85% of all social services are provided through social cooperatives.⁴⁶ Additionally, social cooperatives occupy a preferential space between state-delivered and private enterprises in Italy. Many state contracts are designed such that only social cooperatives can deliver them or in another manner that privileges them in any bidding process.⁴⁷ The protection of these state contracts ensures the stability of the social cooperatives, contributing to their very high survival rate of 89% after five years.⁴⁸ Additionally, social cooperatives receive preferential tax treatment (e.g., retention of up to 70% of profits tax-free) that allows them to accumulate capital for future expansion.

Solidarity Cooperatives in Quebec

Established by a 1997 reform to Quebec's cooperative law, social cooperatives (there known as solidarity cooperatives) take a multistakeholder approach that includes workers, consumers (or service recipients), and/or "supporters" with shared social and economic objectives. The form has flourished within Quebec's 7,000-enterprise "social economy" network that includes both cooperatives and non-profits, becoming so popular in some industries to have largely replaced previous single member class cooperatives. For example, over 95% of all home care cooperatives are solidarity cooperatives.⁴⁹ As of 2010, 505 solidarity cooperatives exist in Quebec.⁵⁰

In the child care industry, social economy non-profits have improved work-life balance for Quebecois women, and parents have a strong voice in governance.⁵¹ Affordability is prioritized, and parent efforts, together with government subsidies, had limited costs to a mere five dollars per day in the late 1990s. However, political shifts in the province and concerns about the high cost of

subsidies spurred the creation of a parallel conventional for-profit system built through tax credit incentives. Despite this, the social economy side of the day care industry boasts over 900 enterprises today, including seven solidarity cooperatives. This dual system allows for some comparative conclusions to be drawn.⁵²

Under almost all international metrics, the quality of care delivered by the social economy day care centers is higher than their for-profit counterparts.⁵³ This is due in part to parents participating on the Boards of the subsidized non-profit day care centers.⁵⁴ Parents have become conduits for the adaptation of the most recent expertise in early childhood developments, as well as social and community advocates that can help push their center's agenda in other settings. Higher quality may also be correlated to higher union density in social economy day care centers (roughly two-thirds representation versus near 0% in the for-profits) and much longer employee tenure (10-year average in nonprofits and cooperatives; two-year average in for-profits).⁵⁵

⁴⁵ Ibid.

⁴⁶ John Duda, "The Italian Region Where Co-ops Produce a Third of its GDP," Yes! Magazine, July 5, 2016, available at <http://www.yesmagazine.org/new-economy/the-italian-place-where-co-ops-drive-the-economy-and-most-people-are-members-20160705>.

⁴⁷ Interview with Matt Hancock, Praxis Consulting, August 31, 2017.

⁴⁸ David Bollier, "The Great Promise of Cooperatives," July 1, 201 <http://www.bollier.org/blog/great-promise-social-co-operatives>.

⁴⁹ Lund, *Solidarity as a Business Model: A Multi-Stakeholder Cooperatives Manual*, pp. 21-22.

⁵⁰ Brett Fairburn and Nora Russell, eds., *Cooperative Canada: Empowering Communities and Sustainable Businesses*, UBC Press, 2014, p. 196.

⁵¹ 185,536 children are in non-profit daycares, compared with 46,498 in subsidized for-profit and 61,400 in non-subsidized for-profit centers. See Quebec's Family Ministry data of September 30th, 2017, available at https://www.mfa.gouv.qc.ca/fr/publication/Documents/places_0.pdf and <https://www.mfa.gouv.qc.ca/fr/services-de-garde/portrait/places/Pages/index.aspx>. For more information on social economy nonprofits' impact on women, see Pierre Fortin, Luc Godbout, and Suzie St-Cerny, *L'impact des services de garde à contribution réduite du Québec sur le taux d'activité féminin, le revenu intérieur et les budgets gouvernementaux*, Chaire de recherche en fiscalité et en finances publiques, Université de Sherbrooke, Avril 2012, p. 13, en ligne : available at http://www.usherbrooke.ca/chaire-fiscalite/fileadmin/sites/chaire-fiscalite/documents/Cahiers-de-recherche/Etude_femmes_travail.pdf.

⁵² Interview with Marie Claude Lemieux, Director of Public and Government Affairs, Quebec Association of Early Childhood Centers, September 13, 2017.

⁵³ Institut de la statistique du Québec, *Étude longitudinale du développement des enfants du Québec (ELDEQ)*, available at : <http://www.jesuisjeserai.stat.gouv.qc.ca/default.htm>, last accessed October 17, 2017.

⁵⁴ 2014 Inquiry by Quebec's Statistics Institute compared the non-profit sector to the for profit daycares. Only 10% of for-profit scored from good to excellent, compared with 45 % of non-profit. See Institut de la statistique du Québec, "Résultats de l'enquête Grandir en qualité 2014," available at

⁵⁵ Ibid. See also <http://www.aqpcpe.com/enjeux/les-cpe-des-services-de-qualite/>.

NYC Ecosystem: Potential for Partnerships between Child Care Cooperatives and Housing Cooperatives



The sheer size of the housing cooperative sector in NYC presents an opportunity for partnership to ameliorate high commercial leases for child care centers. According to research by the Urban Homesteading Assistance Board (UHAB), there are at least 1,372 limited equity and/or low-income housing cooperatives across all boroughs of NYC, comprising 92,559 separate units in total.⁵⁶ UHAB Executive Director Andy Reicher estimates that perhaps up to 25% of commercial spaces within housing cooperatives might be available or underused.⁵⁷ While data on commercial spaces in other housing cooperatives was not readily available, at least 446 of the Housing Development Fund Corporation (HDFC) cooperatives have commercial spaces. Within those cooperatives there are 1,086 separate commercial units. Much more information is needed, but if these spaces meet size and other facility requirements, that would translate into several hundred spaces that could potentially be utilized for child care purposes in all boroughs. Of the 442 HDFC coops with commercial spaces, the majority (286) are in Manhattan. However there are also 78 in the Bronx, 80 in Brooklyn, and one in Queens that meet this criteria, offering the possibility of serving many different neighborhoods in this fashion.

Partnerships between NYC housing cooperatives and child care providers are feasible, given that such operations already exist. UHAB confirms that some housing cooperatives currently house child care businesses in their commercial spaces, though the exact number is unclear. However, one known housing cooperative-based child care and child education provider- Amalgamated Nursery School --particularly illustrates how such relationships can be mutually beneficial for all involved.

Founded in 1933 to serve the needs of Amalgamated Housing Cooperatives residents, and expanded to include Park Reservoir at its founding in 1957 – Amalgamated Nursery has evolved over almost 85 years with the changing

child care landscape in New York, yet remains deeply interconnected with Amalgamated Houses. 30-40% of the children enrolled at Amalgamated Nursery live in the housing cooperatives, so the school is still strongly oriented to serving the roughly 1,800 resident families.⁵⁸ Issues connected with the nursery school are supervised through the housing cooperative's Joint Community Activities Committee (JCAC), which helps the nursery school meet its operating expenses by reducing much of their overhead and providing space (including utilities) at far below market-rate rent. The school also uses two playground areas within the Amalgamated Housing's property and the housing cooperatives cover about three-quarters of insurance costs for the nursery school.⁵⁹ Amalgamated Nursery itself is a parent cooperative, with an Executive Board comprised of parents of enrolled children, some of whom are residents of Amalgamated Houses as well.⁶⁰ This cooperative form does not include nursery school workers in governance but, like many of the child care operators in Quebec, it does help instill community accountability and a commitment to provide care for low-income families.

Amalgamated Housing and Amalgamated Nursery's symbiotic relationship shows how partnerships between housing cooperatives and child care providers – particularly child care cooperatives – could stabilize the precarious economic health of providers in the industry while providing affordable, quality, community-driven child care. Given the right incentives, some of the many housing cooperatives with commercial spaces might be interested in offering up those spaces to child care providers at lower-than-market rates. This could in turn improve child care access to housing cooperative residents, set up more child care providers in neighborhoods that currently have shortages, and create the chance to promote the growth of child care worker cooperatives by using some of these spaces specifically for that business form.

⁵⁶ These include housing cooperatives associated with the Housing Fund Development Corporation (HDFC) cooperatives, Mitchell-Lama housing, Penn South, Amalgamated Houses, and Queensview. Data obtained from UHAB on September 6, 2017.

⁵⁷ Interview with UHAB Executive Director Andy Reicher, July 19, 2017.

⁵⁸ On a financial level this is true as well. Non-residents must pay a non-refundable \$50.00 JCAC fee for enrollment, while residents do not.

⁵⁹ Interview with Amalgamated Houses Board member and former president Ed Yaker, September 1, 2017.

⁶⁰ Amalgamated Nursery School website, last accessed November 8, 2017, <http://www.amalgamatednurseryschool.com/family-involvement.html>.



Cooperative Network Concept: Family Child Care Providers



While not subject to the same space costs as center-based providers, the family child care segment of the industry nonetheless needs supportive policies to improve conditions and retain workers. Family child care providers are a particularly important segment of the child care workforce, providing on-demand infant, toddler and nontraditional hour care and often work in low-income, immigrant and refugee, and linguistically diverse communities with fewer alternative care options. They are also particularly vulnerable, and are among the lowest paid workers in NYC.⁶¹

One third of family child care providers in NYC participate in the EarlyLearn program, giving the City considerable influence to improve conditions.⁶² In 2012, as part of EarlyLearn, NYC instituted a requirement that family child care providers receiving city-contracted funding participate in a staffed network providing quality mentoring and linked with a child care center. While a commendable commitment to improve home-based care quality, recent studies indicate its early implementation may have reduced it instead.⁶³ Providers, mentors, and network administrators focused on compliance over quality while adapting to complex curriculum and assessment requirements similar to the center-based and more generously funded Head Start program. As the city provided minimal funding for administrative and quality improvement costs, centers and community-based organizations (CBOs) operated networks at a loss, and many have passed the cost of administration onto providers in the form of multiple fees, which vary widely and are not city regulated.⁶⁴ Some networks run by centers and CBOs have struggled to tailor approaches to home environments and a more diverse workforce. Subsequently, the number of home-based providers participating in EarlyLearn has declined significantly within linguistically diverse communities.⁶⁵

Nonetheless, support networks can be very effective in improving quality in home-based programs and reducing

provider isolation. The City has an opportunity to reshape EarlyLearn family child care networks to better achieve these goals by empowering providers to voice their needs. Networks could be required to have formal mechanisms to allow providers to participate in their governance and help shape the services provided. Centers and CBOs could act as network partners and facilitators rather than as middlemen. Networks could also be required to be transparent with the city and providers about the services they offer as well as their costs and fees. Spinning off networks as provider-owned cooperatives provides a formal structure to incorporate provider voice into the network model and improve the effectiveness of quality supports by grounding relationships between providers and quality mentors in a context of partnership and respect.⁶⁶ Cooperatives owned and operated by providers could be assumed to meet the new transparency and governance requirements. Other network models could address these requirements in their proposals to the City.

To further improve the effectiveness and reach of EarlyLearn home-based care, NYC could follow the lead of Washington, D.C. and issue a request for proposals to fund networks as they integrate robust shared services into their program model.⁶⁷ Shared services--including billing, purchasing, marketing, and tax preparation--could save home-based providers time and money, improve well-being, and allow them to focus on quality care. Business support services have been shown to increase business stability and lengthen association in networks.⁶⁸ By providing these services through cooperative networks the City would improve caregiver jobs and children's access to quality care by maintaining and increasing home-based participation in EarlyLearn.

⁶¹ Kendra Hurley and Janie Zye Shen, "Bringing It All Home: Problems and Possibilities Facing NYC's Family Child Care," The New School Center for New York City Affairs, July 2016, p. 31, available at <http://www.centernyc.org/bringing-it-all-home>

⁶² *Ibid.*

⁶³ J. Bromer & T. Porter, Staffed Family Child Care Networks: A Research-Informed Strategy for Supporting High-Quality Family Child Care, National Center on Early Childhood Quality Assurance, Office of Child Care, Administration for Children and Families, U.S Department of Health and Human Services, April 2017, available at https://child.careta.acf.hhs.gov/sites/default/files/public/fcc_networks_brief_0.pdf

⁶⁴ Hurley and Shen, "Bringing It All Home: Problems and Possibilities Facing NYC's Family Child Care," pp. 17-18

⁶⁵ *Ibid.*, p. 17

⁶⁶ J. Bromer, Martha Van Haitsma, K. Daley, K. Modigliani, Staffed Support Networks and Quality in Family Child Care: Findings from The Family Child Care Network Impact Study, Herr Research Center for Children and Social Policy at Erikson Institute, December 2008, p. 12, available at http://www.erikson.edu/wp-content/uploads/fccnetwork_execsummary1.pdf

⁶⁷ Washington DC Office of the State Superintendent of Education, "Shared Services Business Alliance for DC Child Development Homes and Expanded Home Facilities,"

October 17, 2017, available at <https://osse.dc.gov/publication/shared-services-business-alliance-dc-child-development-homes-and-expanded-home>

⁶⁸ Bromer, Van Haitsma, Daley, Modigliani, Staffed Support Networks and Quality in Family Child Care: Findings from The Family Child Care Network Impact Study, pp. 10-12

Conclusions



Child care worker cooperatives in the US and abroad are improving quality of care and creating lasting benefits for both families and workers alike. New York City could alleviate pressures building in its child care system by adopting some of the lessons learned from this form, helping stabilize the industry's low-wage, high turnover workforce and facilitate affordable space for child care centers. Similar to how the development of housing cooperatives met pressing housing needs for working New Yorkers a century ago, a large-scale city-supported effort to develop child care cooperatives can meet the needs of New Yorkers today. We propose that NYC provide basic supports such as technical assistance, funding and financing for the startup and growth of worker cooperative child care businesses, as well as explore ecosystem-level interventions that can support both innovation and scale.

We propose that NYC:

Sustainably address child care worker low wages and high turnover by building upon general Worker Cooperative Business Development Initiative programming with focused technical assistance and/or financing programs for creating or converting child care businesses.

Support or subsidize the creation of an initial cooperative shared services network for family care providers and study its impact.

Pilot the creation of a cooperative model to strengthen CUNY's child care providers by aggregating their market and personnel power. Additional study and discussion is needed to determine the most appropriate model – social cooperative, worker cooperative or other cooperative form – but it is clear that the CUNY child care system can benefit from a new form of organizing services.

Create a Legacy Business preservation program similar to the one in San Francisco, specifically geared towards avoiding the displacement or closure of essential, longstanding child care and other social service providers, as a complement or extension of the city's Worker Cooperative Business Development Initiative.

Incentivize worker cooperative development in child care by providing technical assistance and/or financing for the conversion of conventional child care providers to a cooperative form.

Financially incentivize housing cooperatives by funding the rehabilitation and adaptation of their commercial spaces for child care uses, and offering tax incentives to open up these commercial spaces to child care providers over other types of business

Support further research on adaptability of international social cooperative models to other parts of the NYC child care system with the involvement of child care advocates, the cooperative sector, unions and other workforce advocates.

Evidence shows that cooperatives are an effective and beneficial tool to organize care work -- perhaps the best tool we have for filling a growing need in a systemic way. By taking the lead with cooperatives to preserve existing child care businesses and help new ones get started, New York City can address its pressing child care needs, expand on its already fruitful investment in worker cooperatives, and continue to innovate at the intersection of small business, social benefit, and city support.

Appendix:

Research Methodology and Interview List

The research for this paper combined a review of secondary sources such as media articles, academic works, and advocacy research with a series of in-depth interviews with key stakeholders. Democracy at Work Institute staff conducted these interviews by phone or in-person between June and September 2017. Interviews ranged from 20-40 minutes in length and at times were supplemented by additional questions over email.

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