

2020



CHILD CARE

Child Care Impact Report



A Letter From ICA's Executive Director

As the oldest national organization dedicated to the development of worker cooperatives, the ICA team is undeniably proud of the dozens of cooperatives developed and more than 15,000 jobs preserved or created over the course of our 40-year history.

Yet, it is impossible to overlook that these decades have not been kind to working people in America. On almost every front, low- and middle-wage workers have experienced shrinking opportunities for wealth generation, professional growth, and collective power. Even employment gains for women and people of color have largely concentrated in low-wage sectors.

Thus, while cooperative-ownership can be a life-changing mechanism for asset building and empowerment for worker-owners, it is clear that the development of solitary cooperatives will not be enough to turn the tide against rising inequity. Small cooperatives struggle to compete, while incredible, successful cooperative businesses are simply dismissed as exceptions—impossible to replicate.

We first articulated an alternate vision for a transformative industry

strategy in 2014. We foresaw a wave of worker-owned firms within two critical industries -- child care and home care. Working in collaboration, these firms would form an ecosystem to support business stability and growth, and shift norms and policy within their industries, centering the voice of workers in a powerful new economy.

In 2017, we hired a dedicated child care team to make this strategy a reality in child care centers and home-based programs across the country. This work was bolstered by generous support from Citi Community Development, the W.K. Kellogg Foundation, and the Kendeda Fund.

Now, as we reflect on 2019, we see the groundswell growing: a dozen child care centers preparing to convert to worker ownership, two home-based child care purchasing cooperatives launched, and another two cooperatives in development.

We are excited to share these stories on the following pages—and even more excited to expand on their successes in the years to come.

Dave Hammer

Executive Director, the ICA Group



Child Care: A Crisis for Workers, Owners, & Families

The 2 million people paid to care for our young children are among the lowest paid professionals in the country. Almost entirely women, 40% of whom are women of color, workers educate and care for children in a variety of settings: homes, private centers, and public schools. Together they share many common challenges: physically and emotionally demanding work, limited and uneven professional recognition, stagnating, inequitable pay; all while formal educational requirements continue to increase without any recognition in wages.

Family child care providers, who operate child care businesses out of their homes, face particularly severe challenges.

Family providers fill critical child care gaps in urban and rural communities, disproportionately care for families receiving public subsidy, and offer desperately needed infant and toddler, third shift, and linguistically diverse care. Yet, in almost every state, the number of licensed child care homes has decreased dramatically over the last decade—by up to 50%. As regulations rise, public reimbursements fail to add up to even minimum wages.

In the broken economics of child care, no one wins. Despite severe workforce shortages, workers' wages barely keep up with inflation. Business owners, especially those who care for low income children, struggle to make ends meet. And most families pay more than they can afford. Even historic increases in public subsidy are a drop in the bucket compared to the need.

Stagnant, inequitable wages fail to meet workers' basic needs, resulting in a shrinking workforce, closed classrooms, understaffed centers, and high turnover.



Inflation adjusted wages for child care workers have grown only 82 cents since 2012.



Controlling for role and education, Black child care workers earn an average of 78 cents less per hour than white peers.



53% of child care workers' families are enrolled in at least one public safety net program.



Between 2014 and 2018, the formal child care workforce decreased by 21,000 workers, or 3.5%.

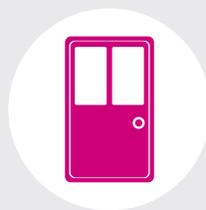
Especially in low-income communities, owners struggle to keep the doors open. A wave of Baby Boomer retirements is expected to exacerbate business instability and closure.



30-50% annual staff turnover – this costs firms over \$2.9 billion per year and reduces quality.



40% of owners are looking to sell their center in the next 3–5 years. Only 1/3 have a plan in place to accomplish this.



54,000 family child care providers closed their doors between 2011 and 2017.

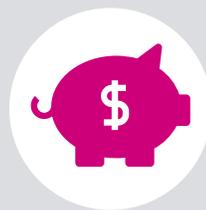


300,000 children lose access to child care each year due to business closure.

Few U.S. families have access to affordable, accessible, quality care.



51% of families live in neighborhoods classified as child care deserts.



In no state does the cost of center-based infant or toddler child care meet the federal definition of affordable. Families spend 2.5 times the minimum threshold on average.

Building an Equitable Child A New Care Economy

Fixing America's child care crisis will take substantial imagination, investment, and political will. But child care workers aren't just waiting until the day their work is justly valued.

The ICA child care team is working in collaboration with child care workers, unions, advocates, and community partners across the country. Together we are building a worker-owned and controlled, sustainable child care ecosystem.

These networked cooperatives provide increased stability, agency, and meaningful financial returns for workers in the short term, while bolstering

advocacy efforts, and creating institutions to effectively leverage new innovations and investments in the future.

Foundation in the Firm

Implementing cooperative models can immediately improve workers day-to-day experience in the workplace. For child care center workers, this means sharing in the profits of their business and having a say in the policies that matter, including compensation and benefits, scheduling, class size, and more. For family child care providers, it means support, training and tools to help them run their business more efficiently, cutting down on the 16 hours per week the average provider spends on their business when children are not present.

Our Strategy

Child Care Centers



Grow: Increase the number of high road centers through worker ownership transitions.

Family Child Care Providers



Engage: In partnership with community-based groups and existing networks, connect & identify common challenges.



Support: ICA supports businesses to build effective governance systems, identify and implement the right managerial practices, and improve profitability.



Network: ICA works with firms to develop peer networks – purchasing co-ops made up of family providers and worker co-ops. These networks focus on reducing costs, improving profitability, training, and peer learning.



Advance: ICA works with these networks to become self-sustainable and engage and coordinate on pro-worker, pro-child policies.

Innovation as a Network

Cooperative networks create a system for locally controlled businesses to tap into both market solutions and collective political advocacy. Succeeding in a low-margin industry like child care requires operational expertise and scale. Networks provide training and support, facilitate shared purchasing and staffing, and help businesses access

and administer complex public programs to maximize efficiency within our current system. Operating these networks as cooperatives ensures accountability to the businesses they serve, and the workers who own them. Simultaneously, networks connect businesses to a shared political agenda and create a worker-owned infrastructure that enables the effective and equitable implementation of new programs and policies.



Childspace | Philadelphia, PA

Childspace, a Philadelphia based worker co-op since 1988, demonstrates the cooperative impact on workers, community, and policy.

The center of Childspace's business strategy is high quality jobs. Better jobs mean better care and a market differentiation that ensures long-term success. Childspace worker-owners have chosen to provide substantially above-market benefits, including health insurance, paid leave and planning time, and subsidized child care. These policies have resulted in a staff turnover rate less than half the industry standard, and a subsequent focus on career ladders and a culture built around training and participation.

Leaders in operations and policy, Childspace has trained dozens of Pennsylvania center owners on best practices and financial performance and plays a convening role in local networking groups. Susan Kavchok, CEO explains, rather than see Childspace as competition, fellow owners can tell "we have that 'we're in it together attitude.' We bring those cooperative principles into meetings [with other child care businesses]. We show directors that they have to value their staff. We talk about how it's not just what benefits you provide, it's how you communicate about those benefits and how you give employees a say in deciding what benefits to offer."

This approach has ripple effects in the policy realm. When Philadelphia launched its universal pre-K program, the City engaged Childspace in the program design.

Family Child Care Provider Cooperatives

Family Child Care Providers operate small businesses in isolation – responsible for finding clients, billing parents, handling subsidy programs, purchasing supplies and filing taxes – all on top of the sixty plus hours they care for children every week.

A cooperative does more than just share services or achieve efficiencies, providers make the decisions and are at the center of every strategic decision.

ICA is working with family child care providers on a solution that is scalable and has a meaningful impact on providers' financial and personal welfare. While each co-op is unique, they aim to address the following issues: Launched in November 2019, the



Respect: A provider-led organization that centers their roles as teachers and business owners



Payments: Tools to smooth out payment cycles and stabilize cash flow



Paperwork: Solutions to streamline paperwork for state subsidy and quality requirements



Training: Training geared towards the challenges and needs of home-based providers



Marketing: A website to help members achieve full enrollment.



"I've been on that island and needed support and didn't know where to go for help. The coalition (FC3) is that support network and we're going to do everything we can to uplift other family providers."

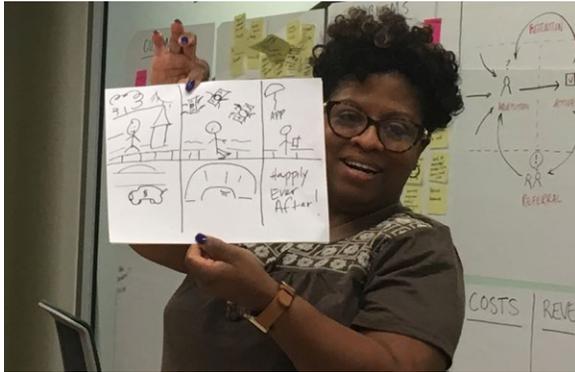
– Shineal Hunter,
Fc3 Founding Member



Family Child Care Coalition (Fc3) is a cooperative that seeks to unify, empower, and advocate for the Family child care provider (FCCP) community in the Greater Philadelphia area. As a community rooted in training, Fc3 increases access to training that is relevant for in-home child care. As a cooperative, it retains training dollars within the family child care community to boost earnings. As providers themselves, Fc3's founding members are committed to bring their services to isolated providers "working on an island."
fc3philly.org

CoRise is an Illinois based family child care provider co-op focused on developing a technology platform to simplify administrative reporting, marketing, and expense tracking. Family child care providers in Illinois spend an average 16 hours a week on their business when children are not present. This platform will free up time and

enable providers to participate in higher paying, but more complex programs such as Head Start or in state-funded networks. CoRise is partnering with ICA, SEIU, and the Design Research Centre of the Ontario College of Art and Design. Focusing on creating a one-stop "hub" that brings together the many systems providers use to track their business and report to public programs, along with a learning commons that supports providers in building shared knowledge.
CoRise.coop



In Mississippi, ICA has partnered with the Federation of Southern Cooperatives and the Mississippi Association of Cooperatives to launch a family child care co-op. Providers here face unique challenges, experiencing some of the nation’s lowest subsidy rates coupled with its highest poverty rates. Few providers are licensed, and access to support, technical assistance, or networking opportunities is limited. The co-op is exploring how to meet providers’ core needs, including curriculum development, transportation, and food purchasing.

In Michigan, ICA has partnered with Leaps n’ Bounds Family Services and the United Way of Southwestern Michigan to convene a steering committee of family child care providers; train family child care providers to build their capacity as business owners; and connect providers with knowledgeable professionals. Understanding the family child care industry’s complex tax treatment and setting up systems to effectively track expenses can mean the difference between taking home an annual profit or not.



Impact by the Numbers



Centers Supported

ICA provided over 2,000 hours of direct consulting to child care centers on business stability and succession planning



Providers Engaged

Home-based child care providers in cooperative development projects



11 Centers Planning Worker Ownership

As part of their succession plan, these centers are working with ICA to establish a feasible plan to convert their business to worker ownership



2 Centers Implementing Worker Ownership

Centers where the conversion plan is in place, and ICA is actively supporting the transition of the business including finalizing financing and helping workers structure their new cooperative.

2 Active Family Child Care Providers Cooperatives



Building a Network of Employee-Owned Child Care Centers

To make a transformative impact on wages and job quality across the child care industry requires an unprecedented, scaled effort. At ICA we've identified three essential components to achieving our mission and developing a national network of worker-owned child care centers:

1. All retiring child care center owners recognize employee ownership as an option for achieving their exit goals
2. Innovative, resourced funding sources are available to finance the sale of child care businesses to their workers
3. All workers have access to the training and supports necessary to succeed as worker-owners

Outreach – An Essential Part of the Mission

Worker ownership as an exit strategy is good for businesses, good for workers and good for families. Yet, few child care owners understand their business' value and their options for exit. Fewer still are aware of the option of selling their business to their employees.

We must ensure that the forty percent of child care business owners who

report plans to retire within five years understand the options available to them. To this end, ICA has embarked on a coordinated outreach and education effort – designed to break through the noise and engage owners about the best option for their next chapter.

Over 2,100 child care center owners have received information and resources from ICA about exit planning that normalize employee ownership as an option that can meet owners' financial and nonfinancial goals.

Over the last two years, ICA has consulted with 81 child care businesses to provide technical assistance with exit planning and valuation services.

A robust succession plan enhances child care businesses' financial returns, ensures continuity of care for families, and increases the likelihood that these vital community assets are preserved. Our collaborative, step-by-step approach guides owners in defining their exit goals, gathering their business data, and builds trust and confidence with owners who enter the process with wide-ranging financial and operational expertise. The final result is an exit plan which summarizes business value, business situation, and the owners' options for a successful transition.

"I have been getting closer to retirement with each year and getting more panicked about not having a plan to leave my business. Working with ICA has given me clarity about how to move forward."

-Child Care Business Owner, Chicago, IL

Guiding Owners through the Cooperative Conversion Process

Once owners indicate interest in converting their business to employee ownership, we utilize our time-tested conversion approach, providing hands on support to determine a feasible

structure for the transaction, access the necessary financing, and build a robust ownership structure.

By December 2019, the ICA child care team completed the "Assess" stage of the conversion process with two centers and is in the early stages of structuring new cooperatives with future employee-owners. We are guiding eleven exiting owners through the "Assess" stage.

"My goals aren't all financial. It would be lovely, but it's about finding the right situation so I can feel that I'm leaving my baby in good hands."

- Child Care Business Owner, Philadelphia, PA

Outline



Identify owner goals and determine if worker ownership is the right fit

Assess



Evaluate whether worker ownership works financially and operationally

Structure



Design the corporate, capital, governance and management aspects of the transition.

Complete



Facilitate the legal transfer of the company to worker ownership

Support



Enact policies and practices to build a thriving ownership culture

Innovating Financing

“My employees can’t afford that” is the immediate response from many child care business owners when first learning about employee ownership conversions, reflecting a keen awareness that a majority of child care workers struggle to afford housing costs, routine medical care, and put food on the table. We ensure child care workers can access ownership opportunities by removing individual assets and creditworthiness from the financing equation. This makes conversions an incredibly powerful tool for preserving and transferring wealth within low-income communities.

ICA’s deep-rooted relationships with banks across the country have been critical for facilitating access to financing for dozens of conversions across industries. However, we recognized a need for additional risk capital to complete conversions at scale in a low-wage, low-collateral industry like child care.



Fund For
Jobs Worth Owning

Launched in 2019, our Fund for Jobs Worth Owning is designed to fill this critical need and advance our vision for transformative industry impact. The Fund provides mezzanine or gap financing for businesses transitioning to employee ownership, start-up capital for

cooperatives, and development projects that provide supportive infrastructures for new and existing co-ops.

fundforjobsworthowning.org

Thinking Like an Owner

Transitioning ownership is just the beginning for new employee-owners. ICA works with employees to confidently take on their new roles as employee-owners through a customized training and consulting process. ICA’s child care focused curriculum for worker ownership is designed to meet workers where they are. It is accessible to employees from different literacy levels and learning styles, and responsive to the needs of the selling owner, the business, and the employees.

During the conversion we address four key elements: 1) understanding the worker cooperative model 2) creating a governance system rooted in best practices and tailored to the business 3) understanding the financial transaction and building financial skills for co-ownership, and 4) creating a clear and operationally feasible plan for management of the worker cooperative business.

Following the conversion, ICA offers support on an as-needed basis. Common trainings and coaching subjects include deepening workers skills in meeting facilitation, financial management, and governance.

New employee-owners are also connected to other leaders in worker-cooperative child care. Forming relationships and sharing knowledge that will be the groundwork of the network to come.

Resources

To support selling owners and new worker-owners, ICA has developed a suite of tools tailored to the specific challenges and opportunities of child care businesses. Built from more than 40 years of experience in employee ownership transitions, these resources include guides on valuation, succession planning, democratic governance, and management succession, case studies, and materials on the nuts and bolts of employee ownership.

Explore these resources and more at icagroup.org:

[Ensuring Your Legacy](#) – A guide to exit planning that address the specific needs of the child care industry.

[Business Valuation 101 for Child Care Businesses \(webinar\)](#) – A webinar series to help child care owners understand the valuation process

[Case Study: The Rose Garden in Buffalo, New York](#) – Case studies help owners understand the conversion process from the perspective of a peer

[Frequently Asked Questions About](#)

[Employee Ownership in Child Care](#) – A series of short resources help owners and workers understand cooperatives at their own pace

[Fc3 Profile: Laverne Cheeseboro](#) – video profiles highlight cooperative successes and make them real to fellow providers

