I have had the opportunity to be involved in two very successful sectoral development projects employing individuals from low-income communities – Cooperative Home Care Associates based in New York City’s South Bronx and Childspace Day Care Centers in Northwest Philadelphia. They have a number of elements in common.

- Significant quality job creation (CHCA 750; Childspace 55)
- Higher than industry average wages (CHCA US$8.20 per hour; Childspace $9 per hour)
- Significant benefits for workers (CHCA individual health insurance, paid vacation, sick leave, pension; Childspace health insurance for workers and their children, child care benefit, paid vacation, sick leave)
- Low worker turnover (an annual rate of approximately 20-25%)
- Annual dividend from worker cooperative membership (CHCA $200-400 per year; Childspace up to $300 per year cash and/or a patronage allocation that may not be distributed until later)
- Broad-based worker ownership (CHCA – 80% of those with one year’s seniority or more; Childspace – has ranged from 40-66% of those with one year’s seniority or more)
- Extensive learner-centred training programs
- Job ladders within the company
- Worker involvement in work team, staff, and corporate governance and decision-making
- Demonstrated worker empowerment
- Conscious and significant impacts on their occupational labour markets

By Canadian standards these initiatives were quite large from the outset. Each has grown over the past 15 years or so by further orders of magnitude. The consequence is that Canadian practitioners regard these projects as admirable, but overwhelming, and because of their scale, irrelevant to the Canadian experience.

Indeed, CHCA and Childspace may not be directly replicable in Canada – but they demonstrate five critical success factors that are. These factors are not often evident in Canadian CED initiatives (nor in American ones, for that matter, despite the obvious success of both companies).

Canadian practitioners regard CHCA & Childspace as admirable, but overwhelming & irrelevant to the Canadian experience. Indeed, CHCA & Childspace may not be directly replicable in Canada – but they demonstrate five critical success factors that are.

A Market-Driven Business Model

The most successful responses to community deterioration seek to alleviate poverty by fostering collective action by poor people to achieve their desired outcomes. These may be tangible outcomes, like jobs, housing, or social services. They may also include intangibles, like individual and community empowerment through ownership or self-management, that increase the individual’s and the community’s self-esteem and sense of self-worth.

CHCA and Childspace adhere to this view. They do not, however, define “community” by a set of geographic boundaries, but rather by the boundaries of the workplace. The community that is being developed is the community of poor people who make up the enterprise workforce and who own and operate the business. In extreme circumstances, the enterprise can be seen as an oasis or safe haven from the threats and challenges in the other communities in which these workers reside.

Several consequences flow from this definition of community. The first is that the enterprise is not restrained by geographic boundaries in defining its market. The businesses are not designed to serve poor neighbourhoods, but first and foremost, to serve poor workers.

This is contrary to many CED models in which the geographically defined community is viewed as paramount and business development is designed to meet market needs within those boundaries. In the worst scenarios, local businesses are created without reference to market opportunity and financial viability. In better scenarios, businesses are designed to match local market needs and survive, but at the expense of job quality. As a result, employment in a CED enterprise is much the same as the dead-end mainstream jobs available to poor people: poor wages and benefits, few career advancement opportunities, high turnover, etc.

CHCA and Childspace, by contrast, focus on the community of workers and
have as their primary objective the creation of high-quality jobs for those workers. These are jobs marked by higher than industry average wages and benefits, career advancement opportunities, empowerment through participation, and financial security and increased self-esteem through ownership.

These noble objectives may appear quixotic at first blush. In most occupational labour markets employing low-income people, labour is treated as a commodity. There is a drive to the bottom to cut costs. Job quality is poor on almost every dimension. The general wisdom is that businesses in these sectors can only compete on the backs of their workers. Most service sector businesses reflect this model.

CHCA and Childspace are based on a very different business model. According to this model, in sectors where quality of service can serve as a basis for market differentiation and increased market share – in sectors where quality of service matters, in short – it will be determined by job quality more than any other factor.

At a minimum, the provision of high-quality jobs will reduce high turnover rates and provide a level of continuity of care absent from most competitors. At their best, such enterprises provide better-trained, more knowledgeable workers with much higher levels of self-esteem and self-motivation. Using quality of service as a basis for market differentiation, such businesses can increase revenues and market share and become industry leaders, effectively competing against competitors offering poor quality jobs. This growth in size and revenue creates a virtuous cycle of improving job quality, marked by increasing wages and benefits and greater opportunities for training and career advancement.

Both CHCA and Childspace seek to serve low-income geographic communities as much as possible, and have

Cooperative Home Care Associates

Cooperative Home Care Associates (CHCA) is a worker-owned co-operative and training program that has been providing home health aide services in New York City’s South Bronx since 1985. CHCA was launched to improve the working conditions of the home health aide and to create job opportunities for low-income women. CHCA works from the premise that improvement to the working conditions and prospects of home health aides is key to improving the quality of patient care.

Most CHCA training program entrants are low-income women who have been on public assistance. All are members of minority groups, especially Latina and African American. Many face multiple barriers to employment, including limited work experience and poor educational backgrounds.

CHCA currently employs about 700 home health aides who work an average of 36 hours per week. Approximately 70% of eligible employees choose to become worker-owners.

CHCA has been profitable every year since 1987. Sales in 2002 totaled US$16 million. To cope with the reimbursement rate ceilings on publicly-funded home care services, CHCA leaders believe it will need to continue to expand (perhaps to as high as 1000 aides) and achieve greater economies of scale.

CHCA is affiliated with two sister nonprofit organizations. The Paraprofessional Healthcare Institute (PHI) specializes in addressing issues of public policy and regulation which affect paraprofessionals in long-term health care and providing technical assistance to organizations who want to adapt CHCA’s good jobs/good care model to their own work. Independence Care System (ICS) co-ordinates health and social services for physically disabled adults with low incomes in order to enable them to live at home and participate fully in community life.

Charitable investors have also been significant supporters of efforts to replicate the CHCA model in other cities in the eastern United States and to experiment with new approaches and programs.

(left) A registered nurse supervises the clinical work of a CHCA home health aide trainee. A recent survey revealed that 56% of CHCA trainees did not work in the year prior to their entry, and 15% had never worked in their lives. Most were single heads of households with children; 42% lacked a high school diploma. Photo credit: Marilyn Humphries.
Childspace consists of the Childspace Day Care Center, Childspace Management Group, Inc. (CMG), and Childspace Cooperative Development, Inc. (CCDI). CMG, a for-profit, worker-owned co-operative, was incorporated in 1988 to design and manage the Childspace Day Care Center in Philadelphia. The Center, a nonprofit, hires the co-operative to run operations in this and two other locations that CMG has since opened in that city, serving a total of 200 children. This use of a management contract to get the needs of nonprofit or community groups met by a for-profit, worker-owned business is one of Childspace’s major structural innovations.

CCDI (1996) is the organization’s engine of development, training, and advocacy. It co-ordinates the dissemination of the Childspace model of worker-ownership and agitates for policy change. With CCDI assistance, centres based on the Childspace model have opened in California and Colorado.

Childspace emphasizes that high-quality, well-paying jobs are critical to providing superior childcare. Workers receive above-market wages and comprehensive benefits for themselves and their families. There are opportunities for career advancement and training and participation in work group and corporate decision-making. Whereas the annual rate of staff turnover in the typical daycare centre is 40%, in Childspace the rate is just under 20%.

After a year of service, workers receive information on worker-owned co-operatives and are invited to become owners. Interested parties purchase a single $250 share, the cost of which is deducted from the person’s paycheque over the course of a year. Worker-owners are entitled to sit on the CMG board and to patronage dividends. Upon leaving Childspace, workers may withdraw these funds, receiving it in annual payments over five years. Currently, 16 of CMG’s 35 staff are owners.

Childspace has played pivotal roles in the Worthy Wage Campaign (a national campaign to improve childcare jobs in the U.S.) and in the establishment of the United Child Care Union of Philadelphia. To further market the concept of worker empowerment, CCDI conducts a speaker-training program through which Childspace worker-owners learn how to present their stories about co-operative childcare to legislators and at public rallies.

Entrepreneurial Leadership

Unlike most private businesses, the ideas and entrepreneurship for a CED business does not generally come from the person who will lead the business. They derive instead from the community development corporation. The CDC develops the business idea and does the necessary corporate finance work to capitalize the business. The CDC recruits workers from the surrounding low-income community, and then attempts some sort of hand-off.

Under the most idealistic models, the CDC attempts to hand off both the entrepreneurial competencies and the management competencies to the newly recruited workforce. The CDC or its designee often retains some sort of management consulting, technical assistance, and/or director relationship with the enterprise.

I believe that professional management is a critical success factor. But it is only half of the leadership equation.
Small business success is also characterized by entrepreneurial leadership provided by the business founder – a vision of where the business is going in the next year, the next five years, the next ten years. This competency is even more rare than professional management skills.

There are people with these competencies in the CED world. They are often in senior leadership positions in CDCs and have played a critical role in building those organizations. They focus their entrepreneurship on building a vision for the CDC that helps it achieve its multiple bottom-line mandate.

Childspace and CHCA are different from many other CED businesses in that they were able to extract entrepreneur visionaries from the community development infrastructure and have them personally lead the enterprises to be created.

In the case of CHCA this was a combination of serendipity and desperation. The continuing failure of hired managers compelled Rick Surpin and Peggy Powell to move from their base within an enterprise development unit of New York’s Community Service Society and step in as internal entrepreneurs to try to turn the business around.

Cindy Coker, the entrepreneur/visionary at Childspace, spent a number of years consulting with worker co-operatives from the platform of a community-based enterprise development corporation. Only then did she decide that she needed to model what she “advised” and start a business in a sector in which she had professional expertise.

These individuals were critical to the success of their businesses. They are often characterized as “unique.” I more like to think of them as “special,” in that they bring a vision and sense of entrepreneurship that few people have. This trait is somewhat more common in the conventional world of small business, but is often directed to a single goal – making money. What makes these entrepreneurs different is that they are social entrepreneurs. They are driven to make multiple bottom-line businesses successful – that is, businesses that combine financial and non-financial objectives.

Successful enterprise creation requires a social entrepreneur. Many of you who are reading this article are leaders in the CED world who seek to develop new enterprises as part of a multi-faceted CDC agenda. Recognize all of the skill, competency, experience and vision that you required of yourself to advance your work to the place where it is today. Know that enterprise development will require that same mix of talents. If there is a business idea that captures your passion, think about taking that leap yourself. Become a social entrepreneur. Continue your work from a different platform.

Alternatively, seek someone with that passion. You may need to reach into the “business” world to find an entrepreneur with social values to whom the CED infrastructure may provide other critical success factors that s/he lacks. Bring this person into the process as early as possible. It is particularly valuable if the social entrepreneur also has professional management skills. That would combine two critical requirements in a single individual.

But a highly competent manager, even one enthusiastic and skilled in working in a business with poor people, is not necessarily a social entrepreneur. I believe that a community business is better served with each of these two leadership requirements separately met, even if it means increased overheads, than by acting on the mistaken belief that one is synonymous with the other.

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In many CED models the geographically defined community is viewed as paramount. CHCA & Childspace, by contrast, focus on the community of workers. This framework, combined with a market-driven, quality job/quality service business model, permits them to enter & capture mainstream markets as well as serve low-income markets. This, in turn, has driven them to achieve a scale which dramatically surpasses that of “conventional” CED enterprises ....

Building from a Business Platform

Business development in a CED context tends to occur on a one-off basis.

A business idea is conceptualized and then developed – let’s say a business to renovate housing in the core area. Good feasibility and development work requires extensive immersion in that industry. If the development process is successful the business may be launched. Maybe it creates a dozen, or even three dozen jobs. If all goes well in a year or two it reaches the point where it is sufficiently stable for the next business development activity to be undertaken.

In the CED world that usually means a brand new business idea – maybe a temporary services company. This involves a completely new process of immersion in a different industry. The success of the first business will offer very little indication as to the likely success of the second. Almost no synergy can be derived from the operation of the two enterprises.

Conventional small business development is very different. In many cases, entrepreneurs develop business ideas that, if successful, have the potential for huge growth and scale. Ideas that work can become mid-sized businesses, or even big businesses.

But most importantly, the entrepreneurs look to build from the platform of their current business success. They may attempt to replicate their business in another market, or create a profit centre by
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facilitating replication by others. They may seek to develop a product that supplies their core business or a company that provides a significant market for something they create.

These business structures may start from very simple ideas. One of the most successful companies in the Crocus Fund portfolio started with the ripping up of abandoned railroad track and reselling the steel and the ties. Today the company offers a broad range of railroad-related contract services and operates shortline railways in three provinces. It just began a foundry operation to custom design and manufacture equipment parts that it has difficulty sourcing.

CHCA and Childspace were built on this more ‘conventional’ model. They began with an idea which, if successful, would create a business that would itself provide a significant number of jobs for poor people. For CHCA it was hundreds; for Childspace perhaps fifty. They then used the success of their flagship business to create an integrated business structure. They replicated their businesses in other markets. For CHCA these were in other cities in other states. For Childspace these were in other neighbourhoods in the same city.

To accomplish this they added some infrastructure. They expanded their already well-developed internal training capacity to create within their core businesses a learning laboratory for the general manager, senior managers, and line workers of proposed new businesses, creating an opportunity for these individuals to immerse themselves in the culture of the successful core business.

In addition, both enterprises created the equivalent of a corporate development department in their core business. This was a small group of highly-skilled professionals whose job it was to explore the feasibility of new enterprise opportunities – within the same industry – and bring to fruition the opportunities that were viable. Their work included business planning, corporate finance, management selection and training, and worker education. While these corporate development departments were structurally integrated with the core business, they were legally separate, housed within a not-for-profit charitable structure that provided access to philanthropic funding because they were developing businesses which employed poor people.

CHCA began by providing home care services on a contract basis to medical service providers licensed by the U.S. public health funders Medicare and Medicaid. (The former funds health services for the elderly and disabled, and the latter funds health services for poor people.) CHCA’s largest contract in New York City, for example, is with the Visiting Nurse Service. How much work they get and how much reimbursement they receive is tied to the contract they negotiate with VNS.

CHCA (ultimately because of the high quality of service it provides) has been extremely successful in obtaining preferred provider relationships with contractors like VNS. Rather than remain so dependent on these relationships for survival, however, CHCA developed a business that moved it one step further up the supply chain.

In 1999, the social entrepreneurs who created CHCA separated themselves from day-to-day operations to create a nonprofit, long-term managed care organization to provide comprehensive medical services, including home care services, to people over the age of 21 with disabilities and chronic illnesses. Independence Care Systems (ICS) now employs the services of approximately 150 CHCA aides (20% of CHCA’s market) to care for over 500 clients. It also contracts for another 500 aides employed by home care agencies in parts of New York City not covered by CHCA services. Through its contracting powers, ICS obliges these agencies to distribute a minimum of 75 cents of every dollar of ICS reimbursement to the subcontracted aide’s wages and benefits – thereby improving compensation even for those aides not directly employed by CHCA.

Worker Ownership & Worker Participation

In the Canadian CED context, enterprise development focuses on the creation of social enterprises. Perhaps a clear and commonly accepted definition for this concept is emerging, but I find its meaning somewhat murky. It seems to suggest an enterprise with multiple bottom lines, but the non-financial objectives are not clear. It may mean a business that employs poor people, or provides a needed product or service for a poor community, or both. What is clear is that the concept does not define the quality of the job that the enterprise creates.

CHCA and Childspace, by contrast, build their business model on job quality. The high-quality job determines high-quality service, which in turn provides the market differentiation that permits them to go to scale.

In these models, a high-quality job has four distinct elements:

• wages and benefits which are materially better than the industry average.
• sufficient enterprise scale and training opportunities for career advancement.
• meaningful participation in decisions that affect you as a worker and as a business owner.
• opportunity for ownership in the business through a worker cooperative structure.
CHCA & Childspace began with an idea which, if successful, would create a business that would itself provide a significant number of jobs for poor people. They then used the success of their flagship business to create an integrated business structure.

As I explained earlier, these elements impact the quality of service; they also feed into the general empirical framework of U.S. research. It has concluded that businesses which combine employee ownership with participative management outperform conventional businesses with regard to revenue growth, employment growth, and productivity.

But worker ownership and participative management have special benefits for poor people. Meaningful participation creates a real sense of empowerment.

As part of its role as a learning laboratory for new enterprise creation, Childspace asked a number of its rank and file workers to describe an experience at the company that would help express the unique nature of its culture to women who were trying to create a similar culture. Many of the experiences that workers described concerned moments in team meetings, staff meetings, and worker co-op meetings when they became conscious of a sense of empowerment.

More significantly, however, Childspace had fostered a level of empowerment that enabled women who, formerly terrified of speaking in group settings, could tell their stories with pride to large groups of outsiders – and be videotaped for the benefit of others whom they could not meet in person. The reflection and analysis associated with this process also seemed to provide a stepping stone for participants to advance within the organization. Many of the storytellers ended up taking on jobs with additional responsibilities, including management positions and leadership roles within the co-operative.

The sense of empowerment extends beyond the workplace as well. Many CHCA and Childspace workers have become powerful advocates for improved working conditions in their fields, and testified to that effect before state and federal legislators. Others have become comfortable taking on new leadership positions in their local communities, from serving as volunteer leaders in community centres, to serving as parent liaisons with teachers at their children’s schools, to organizing and leading neighbourhood watch programs.

Ownership also has ancillary benefits. In the North American culture, and particularly in the United States, home care and child care are viewed as dead-end occupations performed by poor people. But business ownership is highly valued. So being a business owner through the worker co-operative, combined with the sense of empowerment developed through participation, can have a huge impact on a person’s self esteem.

Finally, ownership, especially when combined with good wages and comprehensive benefits, provides a level of financial security which most of the women involved have never previously experienced.

Long-Term Funding Partners

While Childspace and CHCA are outstanding examples of business success, they could not have achieved what they have without support from philanthropic funders – foundations, religious organizations, and to a lesser degree, government. They needed grants in lieu of equity to lever the debt financing which capitalized their businesses at the outset and funded their growth. They needed grants to fund the comprehensive entry level and on the job training they provided. And they needed grants to fund their corporate development activities.

Businesses are not successes overnight. Often their business plans show months, or even years, of work before they become profitable. However, most funders provide short-term grants and evaluate success or failure on short-term cycles. In this regard the American experience is no different from the Canadian.

The social entrepreneurs who founded these businesses recognized that there was a bad match between their needs and their funders’ needs and that a portion of their advocacy work had to focus on that mismatch. This advocacy work was a critical success factor and was ultimately successful. However, as you read detailed accounts of these projects, which note some of the multi-year and very substantial grants which supported them, you should know that this funding did not predate these enterprises. They are a context which Rick Surpin and Steve Dawson, President of CHCA’s nonprofit affiliate, worked tirelessly to create.

CHCA & Childspace as Sectoral Strategies

CHCA and Childspace are stories of the successful creation of enterprises and business networks employing poor people. But they are also something much more. They are conscious efforts to change occupational labour markets. The social entrepreneurs involved were trying not only to change the lives of the women who worked in their companies, but to change the home care and child care industries.

They attempted to accomplish that change in several ways. First the enterprises themselves became yardsticks for job quality. If Childspace or CHCA could compete in the marketplace while offering a superior wage and benefit package to its workers, it placed tremendous pressure on competitors to match
that package or run the risk of losing their best employees to the superior employer.

Secondly, the business enterprises became conscious advocates for legislative and regulatory change in their sectors. Because that advocacy was rooted in real experience and offered from a “business” rather than “interest group” platform, it gained even greater credibility. CHCA and Childspace went further still in facilitating the creation of advocacy networks involving consumer groups, unions, and other service providers.

Finally, CHCA and Childspace took the lead in creating industry provider networks and trade associations that, by undertaking a broad range of self-help, advocacy, and other initiatives, have improved the quality of jobs in their sectors. In the child care sector, for example, these included: the creation of a co-operative enterprise centre and networks of child care workers. Within the past year, CHCA workers affiliated with the Service Employees International Union, in large part to advance CHCA’s advocacy agenda.

Childspace and CHCA offer inspiring stories of social entrepreneurship that have created high-quality jobs and safe havens for poor women. While their scale sometimes makes them seem beyond our reach in Canada, their critical success factors, which went against the grain of previous American CED experience, are equally applicable to the scale of enterprise creation that is attainable here.

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For more extensive case study materials and analysis of Cooperative Home Care see Ruth Glasser and Jeremy Brecher, We are the Roots: The Organizational Culture of a Home Care Cooperative (Center for Cooperatives, University of California Davis, 2002) and Anne Inserra, Maureen Conway, and John Rodat, The Cooperative Home Care Associates – A Case Study of a Sectoral Employment Development Approach (Washington, D.C.: Aspen Institute, 2002).