Good Jobs Mean Good Care: A Case Study of the Cooperative Childspace Daycare Centers

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Philadelphia's Childspace is a pioneer, one of the first—and still one of the few—worker cooperatives in the child care sector. In this case study, we explore the history of Childspace, how it functions, and what its founders have learned. We thank Childspace founders Teresa Mansell and Susan Kavchok for sharing their insights.

First, a definition: A worker cooperative, or co-op, is a business owned and governed by its staff. Co-ops aim to advance the social, cultural, and economic interests of their members, who are often called worker-owners.

History

In 1988, two Philadelphia mothers, Teresa Mansell and Cindy Coker, were having trouble finding good child care for their infants. So they decided to start their own center. Coker and Mansell were working at the co-op development organization PACE (the Philadelphia Area Cooperative Enterprise), so applying the co-op model to their new enterprise felt natural to them. Coker's husband, Sherman Kreiner, a lawyer at PACE, helped them set up Childspace Daycare Center, which opened in August 1988 in a church that provided free space.

Another new mother, Susan Kavchok, joined soon after. Kavchok had been working as a property manager. But after confronting the high cost of child care, she decided it made financial sense to switch jobs and become a teacher at the co-op. That way, her child would receive free care. (Today Childspace covers 80 percent of the cost of child care for its employees.)

The first center was located in the Mt. Airy section of Philadelphia, a progressive, culturally and economically diverse neighborhood where all three women lived. The center served their own three babies and thirty-two others. It began with one mixed-age classroom and an afterschool program run jointly with the church. In the early days, most parents were teachers, doctors, attorneys, accountants, and other professionals. They paid the full cost of the program.

But Childspace's founders always aimed to serve a more diverse population. In 1992, they opened a new location in the less affluent Germantown neighborhood of Philadelphia and applied for a government contract for child care subsidies. They then opened both facilities to families who were eligible for these subsidies. The Mt. Airy site did not initially attract subsidized families—they came later. But Germantown did: for many years, about 75 percent of its families received subsidies. In 1999, Childspace West opened. Like Germantown, it was deliberately designed to serve low-income families. All of Childspace West's families received subsidies. (The original center relocated within the Mt. Airy neighborhood in 2010.)

Initially, reimbursement rates from the government were close to the fees Childspace charged, so bringing in subsidized families did not have a big impact on its finances. Over time, however, the gap between reimbursement rates and actual costs increased, so the new centers lost money. However, neither of them had been designed to turn a profit. Instead, fees from Mt. Airy, which served higher-income families, were intended to subsidize the other centers.

Childspace West, however, needed more help in staying financially stable in a fully subsidized neighborhood. The center was located in a building run by HELP Philadelphia, a transitional housing organization. Childspace negotiated with the group for subsidized rent and utilities.

Over time, changing demographics altered the makeup of Childspace's centers, in particular Germantown. At one point, Germantown was at risk of closing. But gentrification has brought higher-income families to the neighborhood, flipping the proportions of subsidized and private-pay families: today, 75 percent are private pay, 25 percent subsidized. (The subsidized children are all in Head Start.)

Today Childspace serves eighty-five children in both the Mt. Airy and Germantown locations. A new site for low-income families was in the works, but COVID-19 stalled those plans. Childspace West closed in 2018.

Dual structure: corporate and nonprofit

Childspace is set up as both a nonprofit and a corporation, a dual structure that allows it to target different pools of funding. For instance, the worker co-op (the corporation) has received funding targeted to businesses. The nonprofit, in turn, has been able to approach private foundations.

Foundation funding has allowed Childspace to pursue activities that otherwise would have been difficult or impossible to pay for, but that strengthened its work in the classroom. For instance, its first grant, from the Pew Charitable Trusts, covered a financial director and training for staff in financial literacy. It also funded the creation of an operations manual, which Kavchok and Mansell cite as a crucial step in establishing systems that supported Childspace as it grew and matured. The Ms. Foundation funded Childspace for nearly thirty years, including for advocacy efforts that would never have been possible to budget for. Foundations have also funded purchases of toys and equipment.

Parent fees and contracts cover expenses related to operations (rent, equipment, utilities, snacks, etc.). Staffing, benefits, and insurance are paid by the nonprofit, which contracts with the co-ops to provide management services. However, if the nonprofit does not earn enough to meet the agreed-upon percentage of the contract, the worker co-op runs the deficit, not the nonprofit.

In addition, Childspace keeps a clear line between two key functions of the business: operations and education. “Keeping each very strong is a critical piece of why Childspace works,” according to Kavchok. This division ensures that teachers do not focus on the details of equipment or supplies, for instance; instead, they maintain their focus on the classroom. The boundary keeps each side—operations and education—strong and able to perform its function, to the benefit of the business as a whole. Kavchok, who has consulted with many co-ops, has seen several fail because worker-owners blurred this important line, with everyone trying to do too much.

The role of parents: deliberately limited

At Childspace the formal role of parents is limited and mostly advisory. At many other child care centers (of varying types), parent boards have more power. This approach has downsides. Parents tend to be involved for short periods—only as long as their children are in daycare. Parents also tend to focus on keeping tuition down. Childspace instead puts most control into the hands of its worker-owners.

Parents at Childspace play two roles. They sit on the nonprofit board (by invitation), along with worker-owners, community members, and child care advocates. Generally, three parents sit on this board, out of a total of six to eight members. Parents may also participate in the parent advisory committee. They attend monthly meetings to hear from the director about operations and upcoming activities.

Worker-ownership at Childspace: how it works, who participates

Mansell and Kavchok stress that child care co-ops are different from other co-ops. Cooperatives in other industries tend to draw employees who are specifically interested in the co-op model—that is, they join because they want to be owners. But few employees join child care co-ops because of the co-op structure. They simply want to work with children, and they find employment in businesses that happen to be co-ops. In the case of Childspace, another draw is its sterling reputation, bolstered by top ratings from the state and the National Association for the Education of Young Children.

Childspace employees must work one year before they are eligible to become owners. They pay $250 ($245 is a membership fee, $5 is the cost of a share in the business). This amount is meant to be “meaningful but not a hindrance,” as Kavchok puts it, since child care workers’ pay is low.

Many co-ops pay dividends to their worker-owners in profitable years. Childspace reinvests most of its profits, but in some years, worker-owners have voted to give themselves a payment they describe as a bonus. The bonus is a recognition of hard work and success, but also a reminder that as a co-op, Childspace does not follow a typical business model. In most years, the bonus is about $100-150, but in 2018—an unusually good year—the payout was $1300.

Worker-owners are required to make a substantial commitment of time. There are monthly meetings and (pre-COVID) annual retreats, plus less formal commitments, such as late nights and lunch sessions. In addition, during the first year, worker-owners must serve on the finance committee. They learn about budgeting, income and expense statements, cash flow analysis, and other aspects of the business's financial side.

Of the forty-five Childspace employees as of July 2021, twelve are owners. (The highest number of worker-owners Childspace ever had was twenty-five, spread across three centers.) Of the remaining thirty-three current employees, only two are not yet eligible. In other words, thirty-one employees have decided against worker-ownership.

Some employees may be unwilling or unable to take on the added time commitments (which are unpaid) or other responsibilities of worker-ownership. But Mansell and Kavchok believe the rate is largely a result of Childspace's participatory structure and ethos. All staff meet frequently and are encouraged to ask questions and share their views. As a result, employees may already feel they have enough of a voice. They may not see a big difference in becoming a worker-owner.

Mansell admits to some frustration over their reluctance to join, noting that it puts more stress on those staff who are members and that it limits the diversity of viewpoints represented. Existing worker-owners feel strongly about the value of their membership. They wish their coworkers shared their enthusiasm.

The founders always encourage employees to become owners, but they never push. They tried using financial incentives for attending co-op meetings, but they didn't work. Kavchok says she wondered, in the past, about requiring employees to join the co-op. But in her role as consultant, she saw this approach fail. "There's nothing worse than having someone at the table who doesn't want to be there."

For many years, co-op members targeted long-term employees (some had been with Childspace for twenty years), periodically inviting them to reconsider joining. Eventually, Kavchok and Mansell concluded that would not change the minds of workers who had repeatedly declined. They shifted their energy to newer employees, where they had more success.

Today Childspace uses soft approaches to encourage participation in the co-op. They always stress the benefits of co-ops as they hire. They make sure that all employees are aware of the bonuses that co-op members can receive. (The unusually large payout in 2018 did in fact spur two employees to join.)

Good jobs mean good care: educating and empowering the workforce

Childspace's income fluctuates year to year. But profits have never been its focus. "We're not in it for the money," Kavchok says. "It's about the workers." Mansell describes the philosophy: "With quality jobs, quality child care will follow." Childspace's employees understand that their pay will never be high. Low pay for child care is a societal issue that co-ops cannot solve on their own. But employees know that working at Childspace brings other benefits, including a voice in how the business is run and opportunities for professional development.

From her time at PACE, the co-op advocacy organization, Mansell understood the importance of educating co-op members. So Childspace takes pains to help worker-owners understand the philosophy and operations of the co-op model. The financial literacy training supported by Pew gave members comfort in and a solid understanding of the business side. Childspace also helps worker-owners who want to become co-op officers by finding training on how to run a meeting and perform the other duties involved.

Childspace always encourages employees to advance in the field, providing or facilitating professional training. For instance, if an aide wants to be credentialed as a certified child develop specialist, Childspace works with Pennsylvania's T.E.A.C.H. (Teacher Education And Compensation Helps) program, which supports workers who want to move up in the field. T.E.A.C.H. pays for some of the training. Childspace also covers a portion and provides time off for attending class or studying—a significant benefit for the employee, since the time commitment for the program is twenty hours per week. The results: employees gain new skills and knowledge, children receive better care, and Childspace maintains its high quality rating, which in turn provides financial benefits to the centers by increasing its reimbursement rate from the state.

Childspace also trains staff in advocacy skills. "If you're going to work in a child care program, you need to know how to fight for what you need as a worker," according to Mansell. Before the pandemic, the centers closed annually for Worthy Wage Day, so that staff could talk to elected officials about the needs of child care.

Finally, Childspace aims to educate and strengthen the industry itself. The founders have trained other child care programs on the basics of the co-op model.

They have also trained on budgeting and other financial matters. Since much of the child care workforce comes from a social service, rather than a business, background, this training is particularly helpful.

The promise of child care co-ops: progress but not fulfillment

Mansell and Kavchok feel that their insight—good jobs will bring good care—has been borne out. They believe Childspace has realized its promise to "bring more minds to the table to make decisions," as Mansell puts it. Both women believe that Childspace's co-op structure enabled it to weather the COVID pandemic. (See box.)

Yet the promise has not been met at the scale they had hoped—within Childspace itself, or within the field. The number of co-ops remains very small. Childspace's founders had envisioned co-ops across the country, working together to improve care and jobs for everyone.

One thing that would help: a network of child care co-ops. In fact, the founders wish such a network had existed in their early days. Childspace was one of the first child care co-ops, so it didn't have sister organizations with similar operations or challenges. "People were coming to us to learn but there was nobody *we* could go to," Mansell says. Childspace did join broader co-op networks, such as the U.S. Federation of Worker Cooperatives and the Philadelphia Area Cooperative Alliance. But most members of those organizations faced challenges very different from those of child care, so they could provide limited help. Building a network of child care co-ops would fill a big gap and make it easier to start and sustain more co-ops.

In addition, Childspace's commitment to professional training has sometimes led to turnover. That's because newly skilled or credentialed employees are able to find higher-paying jobs in school districts. Childspace, whose wages are tied to state allocations, cannot compete with the salaries that districts offer. A solution would be to provide higher allocations to businesses that not only provide excellent care, but also commit to worker training and education. That way, businesses like Childspace would be better able to retain the employees they've invested in and to benefit from the additional skills and knowledge they've acquired.

Founders Susan Kavchok and Teresa Mansell believe Childspace would not have survived COVID-19 had it not been a co-op. Its members' diverse perspectives enabled responsive decision making that would not have been possible in a traditional business structure with a director making decisions on her own.

A director of a traditional center might have weighed the options and decided to close her business and have her staff apply for unemployment. But a co-op brings in other viewpoints. For instance, a teacher who is a single mother might argue to stay open.

During the pandemic, Childspace had to shut down for eleven weeks. The twelve worker-owners conferred frequently during this period. They committed to paying staff throughout the closure. To reach this decision, they went through multiple scenarios—a worker-owner suggested an approach, then Kavchok ran the numbers. Childspace's co-op structure made this creative problem solving possible. It led the worker-owners to a solution that kept their business afloat.