



Northwest Cooperative Development Center

Abstract

Circle of Life is a dynamic, fast-growing cooperative providing home care services in the Pacific Northwest. Its focus on creating meaningful employment, engaged caregivers and decent wages provides a true cooperative advantage to the consumers of its services. Its success relies on employing strong administrators with cooperative experience, clear expectations, autonomy and ownership for the caregivers, and engagement with a community that values a consumer-focused, worker-friendly organization.

CIRCLE OF LIFE

A Model of Success

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Executive Summary

- Circle of Life Care Cooperative provides home care in Whatcom County, Washington, with 60 home care providers and five administrative staff members. The cooperative has seen exponential growth in the past two years and expects to continue growing with the increase in demand for home care.
- The home care business remains one of the fastest-growing as the population ages and the percentage of the population older than ages 65 and 80 reaches record levels.
- Circle of Life organized as a worker cooperative of home care providers (administrative staff may also join the cooperative, but to date, none have chosen to do so) with each provider having one vote. A seven-person board of directors consists of cooperative members, sets policy and directs its implementation through an administrator.
- Circle of Life pays the highest hourly rate for home care providers in Whatcom County (\$12.50 per hour) and showed a net surplus of \$97,640 in 2013, which was returned to the membership in cash.
- Circle of Life does not contract with the state of Washington through Medical Assistance. The cooperative focuses its business model on private-pay clients, which allows its members to realize the market value of their labor.
- Private-pay customers exist throughout the business but generally do not work with agencies, preferring to cultivate a more personal relationship with care providers. This market resource is available to worker cooperative home care organizations — provided they have the flexibility to meet the needs of private-paying consumers. The private-pay market provides a means for worker cooperatives to excel in the marketplace and help offset the subsidized rate of government-funded clients.
- Circle of Life will face challenges related to growth because it will be required to meet the standards of the Affordable Care and Patient Protection Act. This will likely reduce profitability, unless the rate of growth increases to match the costs absorbed by those new costs.
- Circle of Life offers lessons for those looking to develop home care cooperatives:
 - The presence of administrative staff with strong administrative skills (scheduling, billing, training, financial accounting and attention to detail).
 - An administrative staff with prior cooperative experience either in management or governance can help a novice board in cooperative governance until the membership develops the necessary skills.
 - Working with industry and cooperative-support agencies helps meet the needs of the industry, regulators and membership.
 - A community with an awareness or proven support of cooperatives helps consumers and workers understand the cooperative advantage and reduces the learning curve required by each community.
 - Clear expectations of the responsibility of members (worker-owners) to the cooperative and its economic goals.
 - An entrepreneurial spirit in the marketplace that allows the cooperative to meet economic challenges by turning “lemons into lemonade.”

Introduction

The mission of Circle of Life Caregiver Cooperative (CLCC) is “to provide quality in-home care services, with compassion and respect for our clients, by empowering our caregivers through teamwork and ownership of the business.”¹ The co-op’s commitment to clients and workers goes beyond the written page. The dedication of the members to their clients matches their sense of ownership and loyalty to the organization. CLCC has developed a fast-growing, well-managed home care service based on the principles of cooperation. With the growth expected in the aging population over the next 10 to 20 years, CLCC provides a model for developing home care service organizations throughout Washington and the United States.

CLCC operates as a worker-cooperative licensed home care service and has been in operation since January 2009. Home care workers provide a variety of nonmedical services ranging from cooking a meal to bathing clients. These services allow people to stay in their homes by providing support for the client and their families. The work can be physically and emotionally demanding. Home care services tend to have a high turnover with relatively low pay. CLCC set out to make a difference in this service business by using the worker cooperative model. A worker cooperative is an organization in which the workers own and control the business. Employees buy a voting share with decisions made using a one member, one vote model. Members serve on the board of directors, set policy and direct the organization. In addition to having a voice in the governance of the cooperative, workers share in the profits, should there any.

This study examines CLCC’s role in the home care cooperative community in terms of its community, startup, challenges and successes, internal and external factors affecting the business, and the effect on members of owning their own business. This study also includes a financial analysis. The study identifies the benefits of organizing as a cooperative, the keys to survival and any model adjustments made along the way. This case study explores the general growth of the home care business and the reliability of the worker cooperative model to provide quality service and quality employment. The study also analyzes documents and interviews to gain a sense the cooperative’s environment, its background, its startup story, early successes, difficulties along the way and its plan for the future.

¹ Circle of Life By-Laws

Background

Like any cooperative, CLCC exists as a product of its industry, community and the culture created by the people who constitute the membership and staff. The role of the cooperative organizational structure in home care has been used in other communities, including large operations in New York City and Philadelphia, and smaller operations in rural communities such as Wautoma, Wisconsin. The role of the community, and industry trends, helps to place CLCC's success in context and determine which aspects can be replicated.

Industry

The home care service business is notorious for low salaries. In many states, workers hover near or at the minimum wage. Employees work in teams or alone and often travel long distances between jobs, which adds to the stress of the work. The business also is growing rapidly — the fastest-growing age group in the United States are people 65 and older. The number of people 85 years of age and older has also been increasing steadily. That demographic jumped 20 percent in the West between the 2000 and 2010 census². This will create further demand in an industry plagued with high turnover.

Home Care Industry	60 – 70%
Cooperative Care	35%
Circle of Life Caregiver Cooperative	10.3%

Table 1: Turnover rates in home care industry (source: Paraprofessional Healthcare Institute and Deborah Craig, CLCC)

Table 2 shows the median wage and salary along with the bottom and top 10 percentiles for the industry nationally and for selected states. It also includes expected growth in jobs during the next year. With the exception of Texas, all of the referenced states have home care associations organized as worker cooperatives.

² See http://www.census.gov/newsroom/releases/archives/2010_census/cb11-cn192.html downloaded on August 31, 2014.

Region/pay	10%	Median	90%	Expected job growth
U.S. Hourly	\$7.85	\$9.97	\$13.26	49%
U.S. Salary	\$16,300	\$19,900	\$27,600	
WA Hourly	\$9.63	\$10.94	\$14.06	26%
WA Salary	\$20,000	\$22,800	\$29,200	
TX Hourly	\$7.58	\$8.49	\$9.65	49%
TX Salary	\$15,800	\$17,700	\$20,100	
WI Hourly	\$8.04	\$10.14	\$12.32	37%
WI Salary	\$16,700	\$21,200	\$25,600	
NY Hourly	\$8.45	\$10.70	\$15.55	49%
NY Salary	\$17,100	\$22,300	\$28,500	
PA Hourly	\$7.89	\$10.04	\$13.69	28%
PA Salary	\$16,400	\$20,900	\$28,500	
HI Hourly	47.93	\$10.72	\$14.92	54%
HI Salary	\$16,500	\$22,300	\$31,000	

Table 2: Homeworker pay range source: ONE*NET (www.onetonline.org/link/summary/39-9021.00)

Community

CLCC provides home and personal care services to residents of Whatcom County, with its headquarters in Bellingham. Whatcom County is a mostly rural county³ that depends primarily on raspberry production (producing approximately 85 percent of Washington’s total yield and about 50 percent of the nation’s raspberries⁴) but health care has been growing in importance to the county’s economy.⁵ It borders Canada with five crossing points and covers

³ Whatcom County, according to the US Census Bureau, has 95 persons per square mile with 40 percent of its 203,000 population living in the city of Bellingham. (source: <http://quickfacts.census.gov/qfd/states/53/53073.html>)

⁴ http://seattletimes.com/html/outdoors/2002380209_nwwlynden14.html

⁵ <http://www.city-data.com/us-cities/The-West/Bellingham-Economy.html>

2,503 square miles. The population of the county is 206,353 with 82,234 living in the county seat of Bellingham. The median income for the county is \$26,504, with a distinct difference between men (\$37,000) and women (\$26,000). The median household income is \$51,639 (Washington's median income is \$59,374). 15.8 percent of the county's population and 22.6 percent of Bellingham's population live below the poverty line, compared with 12.9 percent for the state. 14.9 percent of the county population is older than 65 years of age (12.8 percent in Bellingham). 8.3 percent of seniors live in poverty. 8.4 percent of households in the county consist of a senior living alone.⁶ Whatcom County's demographics trend older and poorer than the state's population at large.

The State of Washington groups Whatcom County into a four-county service area: Skagit County to the south, and San Juan County and Island County to the west. This grouping mainly exists for the purposes of providing medical and social services. The additional county demographics are not included in this study due to CLCC's decision not to provide service to those areas, which will be addressed later.

Bellingham has a strong cooperative and educational culture. The Community Food Co-op has close to 17,000 members and has been in existence for 44 years. The city is home to several cooperative preschools, a producer-consumer multi-stakeholder cooperative, a seafood producer cooperative and several credit unions. In terms of education, Western Washington University is a midsize (15,000 students) liberal arts college and Whatcom Community College offers associate and professional degrees, and manages a cooperative preschool. This creates a well-educated, cooperative-friendly community.

Co-op Governance

CLCC's bylaws provide structure to the organization. Workers are required to join the cooperative upon one of two events: completion of the probationary period or upon completion of the duration of any non-compete clause from a previous employer. Upon joining the cooperative, each member must meet the requirements for membership set forth in the by-laws:

⁶ United States Census Bureau "State and County Quick Facts"
<http://www.quickfacts.census.gov> accessed on June 6, 2014.

(a) Acting within the best interests of the association. The member will meet the terms of the personnel policy, board policy and these bylaws⁷.

(b) Actively working. To maintain membership status, a member must receive wages for work performed within the calendar year as described within the personnel policies.

(c) Membership fee. A member must pay a membership fee. This fee is nonrefundable. The board of directors establishes the amount and payment procedures regarding the membership fee. A caregiver is considered a member and eligible to vote on association matters when they start making payments toward the membership fee and continue to do so on a regular payment plan.

The board takes the responsibility of keeping members accountable to the organization and retains the power to end an individual's membership involuntarily if it is determined that a member did not receive wages for a year or more, or violated terms of the personnel, co-op or board policies or these bylaws, or acted contrary to the best interests of the co-op. Members are provided the opportunity to appear before the board to defend themselves. These bylaws create a strong culture of ownership and provide the board with an effective means of removing those who are unable to accept the responsibility of ownership.⁸

Demand in the Market

A recent article in The New York Times examined the nation's growth by job sectors. The home care industry has enjoyed a 70 percent growth in jobs since 2004⁹. The increase of demand in this sector generated changes in how the federal government views the work and led to a reclassification of home care workers to ensure they receive minimum wage and overtime pay¹⁰. With the youngest members of the baby boom generation just turning 50 this year, this

⁷ Bylaws, Circle of Life Caregiver Cooperative Section 3 and Section 9 adopted August 21, 2008.

⁸ Minutes of the Circle of Life Board Meeting, April 22, 2014.

⁹ How the Recession Reshaped the Economy, The New York Times, June 4, 2014, downloaded from [http://www.nytimes.com/interactive/2014/06/05/upshot/how-the-recession-reshaped-the-economy-in-255-](http://www.nytimes.com/interactive/2014/06/05/upshot/how-the-recession-reshaped-the-economy-in-255-charts.html?module=Search&mabReward=relbias%3Ar%2C{%221%22%3A%22RI%3A9%22})

[charts.html?module=Search&mabReward=relbias%3Ar%2C{%221%22%3A%22RI%3A9%22}](http://www.nytimes.com/interactive/2014/06/05/upshot/how-the-recession-reshaped-the-economy-in-255-charts.html?module=Search&mabReward=relbias%3Ar%2C{%221%22%3A%22RI%3A9%22})
¹⁰ Greenhouse, Steven (2013) "U.S. to Include Home Care Aides in Wage and Overtime Law" The New York Times published on September 17, 2013 downloaded from <http://www.nytimes.com/2013/09/18/business/us-to-include-home-care-workers-in-wage-and-overtime->

industry should continue to grow for the foreseeable future. One industry analysis suggests that by 2020, more than 1.6 million more positions will need to be filled as the contemporary aging population prefers aging in place (staying in their own home as long as possible)¹¹.

Snapshot of CLCC

Year Started	Incorporated in 2007 Licensed and began operations in 2009
Type of Business	Home Care Worker Cooperative
Membership	Forty-seven worker-owners and 13 probationary workers. Two full-time and three part-time office staff members are not members. \$300 membership fee
Co-op Governance Structure	A seven-member board with an administrator and caregiver coordinator. The board sets all rules and regulations (policy), which the administrator then implements.
Revenues	\$736, 197 after B&O taxes in 2013 (100.1 percent increase over previous year) \$97,640 net income in 2013 (\$13,800 net income in 2012)
Wages	\$12.50 an hour for caregivers

Table 3: Snapshot of CLCC (source: CLCC documents)

law.html?module=Search&mabReward=relbias%3As%2C{%221%22%3A%22RI%3A9%22}&_r=0

¹¹ Underwood, Alexa (2013) “Home Care Workers Are In Demand, But Still Struggling to Make Ends Meet” California Health Report published on March 28, 2013, downloaded from <http://www.healthycal.org/archives/11451>

Startup Story

In 2006, JoAnn McNerthney's father moved in with her so she could help care for him. She quickly learned the difficulty of providing full-time care for an aging parent with Alzheimer's while still caring for oneself. She did what many have done and hired a home care agency, but because of her father's temper, the agency refused service. JoAnn then created a situation in which her father acted as the employer, she was the administrator and they directly hired and coordinated independent home care workers¹². JoAnn had previous co-op experience from being part of a tree planting co-operative in the 1970s and an accounting cooperative in the 1990s¹³. As she began talking with the home care providers about a co-operative model, the basic format of CLCC began to form. By the end of 2007, a successful grant with Cooperative Development Fund allowed the group to hire Northwest Cooperative Development Center in Olympia to work with them on a business plan. In January 2009, the state licensed CLCC. By the end of the year, CLCC had 15 clients and 15 workers. Since then, the revenue and group has come close to doubling almost every year. Today, there are about 60 caregivers (47 members, 13 probationary employees and five staff people (3.125 FTE)).

Key Players

McNerthney played a key role in bringing caregivers together. She was inspired by her experience with worker cooperatives and was committed to the cooperative model (she also served as a director on the local food cooperative's board). More importantly, as an accountant by trade, she brought her administrative and financial accounting experience to the organization, which helped provide infrastructure to the organization from the beginning. Several other people also played important roles to get the organization going.

Alice Robb was an early organizer and experienced caregiver who joined during the planning days with CLCC and served on the by-law and planning committees. Once the organization was running, Robb stepped into the role of Caregiver Coordinator to assist McNerthney in the office and provide support to the other caregivers. Eventually, the role became too big for Robb, who wanted to get back into the field with her clients. The cooperative

¹² Jo Ann's father died prior to the establishment of CLCC.

¹³ Interview with Jo Ann McNerthney on June 24, 2014.

hired Deborah Craig, who arrived with extensive experience in human resources and cooperative management.

Initial Challenges

The initial challenge for CLCC was becoming a licensed agency. The state of Washington has a set of requirements and must approve operational policies prior to issuing a license to operate as a home care provider. Given the nature of the work with at-risk populations, other laws come into effect. Understanding the legal structure presented an initial hurdle for the group. CLCC eventually turned to the Home Care Association of Washington, which provided assistance in the development of operational policies to meet state requirements. McNerthney suggested that they could have opened a year earlier had they recognized this resource.

The second challenge facing CLCC was recruiting clients. McNerthney noted that close to 100 caregivers were engaged at some point during the development period from 2007-2009, but when CLCC received its license in January, it had only five caregivers and it would be four months before they signed its first client. Finding enough work to employ the caregivers and cover the wages of administrative staff proved challenging. McNerthney noted that a key factor was her ability to maintain a well-paid part-time job in addition to her work with CLCC.¹²

Bumps in the Road

An initial bump in the road turned into a blessing for the cooperative. Whatcom County has a higher rate of poverty than the state average, and it has a higher rate of elderly living in poverty. It was presumed that CLCC would need access to Medical Assistance payments that come through the State of Washington in order to increase the business. However, the state required that organizations have three years of providing service to qualify for funding. Furthermore, to receive that money, CLCC would have to provide service to the entire four-county area, which includes Skagit, San Juan and Island counties. Whidbey Island, which constitutes Island County, is 55 miles long, and with an area of 168.7 square miles, is the fourth largest island in the contiguous United States¹⁴. With just one bridge on the north end of the island, the primary means of reaching cities in the center and south of the island are ferries. San Juan County consists of an archipelago of nearly 740 islands, although the majority of the

¹⁴ http://factfinder2.census.gov/faces/nav/jsf/pages/community_facts.xhtml

population lives on four (about 150 square miles in total). Ferries provide access to and among the islands.

Managing this terrain would require remote offices and staff in each county, and perhaps each island. It would have been challenging to manage such a large territory with a limited administrative staff. It would have been extremely difficult for CLCC to develop the infrastructure to meet the requirements and continue in business without sacrificing pay and benefits for the workers. More importantly, CLCC would have had to operate for three years before being able to qualify for access to Medical Assistance funding. This barrier forced the cooperative to seek private-pay clients.

The barriers to entering Medical Assistance market helped create an opportunity for CLCC. By the time that it had gained the experience to qualify for Medical Assistance, it no longer needed access to that market. Furthermore, the extra costs associated with the geographical service area made the public-funded market prohibitive.

CLCC chose to forgo public-funded clients and now works exclusively with private-pay customers, a rarity in the industry. This has allowed the cooperative to promote the market advantage of worker ownership among consumers with the ability to choose the service provider. Consumers have direct access to the owners of the cooperative and the workers (as owners) have enough autonomy to make consumer-friendly changes instead of following rigid procedures designed to minimize expenses.¹⁵

Other issues that created difficulty arose from misunderstandings regarding the role of the directors and administrators. Many of the directors had little or no cooperative experience prior to CLCC. The lack of governance and managerial skills tends to be a common experience in worker cooperatives as the members tend to be front-line workers. To remedy this, while also benefiting from the workers' knowledge of the operational needs of the business, requires education on the role of being a director and the creation of other avenues for worker input into operations.

¹⁵ Interviews with caregiver worker-owners on June 24, 2014.

Keys to Success

The home care industry enjoys strong growth and it might seem that success comes easily. However, part of the key to being successful for CLCC goes beyond the financials. It also includes providing meaningful work at decent pay in an environment that provides humane treatment of both clients and workers. The ability of CLCC to be successful developed from three tenets: the presence of strong administrative support in the planning stages; institutional support; and the worker cooperative model.

Administration

CLCC began as an idea with the person who would become its administrator. Having a founder with bookkeeping, administration and cooperative experience prepared CLCC for success. Interestingly, although a founder, McNerthney has chosen not to join the co-operative¹⁶. She prefers to not confuse the role of administrator with also being a member. This creates a clear sense of mission on her part and eliminates any conflict of interest in her role. Hiring a caregiver coordinator with extensive cooperative and human resource experience provided the co-operative with a strong boost in worker support and helped it grow to meet the increasing demand of the market, while also keeping cooperative values active and alive. This administrative structure encouraged new team concepts and democratic management of cases by the workers providing the care.

Institutional Support

CLCC benefitted from using institutions designed for its industry and the cooperative movement. In reaching out to the Cooperative Development Foundation for financial assistance, CLCC received technical assistance from Northwest Cooperative Development Center. Experienced cooperative developers engaged with the new owners and administrators to examine other co-operative models, help draft by-laws and educate the members on the co-operative model. Likewise, industrial support from Home Care Association of Washington was vital to the creation of complicated policies that required approval from the state.

¹⁶ The by-laws allow administrative staff members to join the co-operative but does not require membership as it does with home care providers. To date, none of the administrative staff members has chosen to join the co-operative.

Cooperative Model

Worker-owners play a critical role in the success of CLCC. Not only did caregivers and administrators volunteer many hours to get the co-operative started, the model provided a framework to maintain a group of workers in an industry with high turnover. When speaking with members of the co-operative, the nature of ownership is raised constantly. This model allows workers to disengage from bureaucratic treatment of clients and encourages problem-solving in the field and in groups. One worker described efforts to adjust treatment for a client by calling a team meeting and working to improve the client's conditions. Administrative staff were informed of the decision, but had no input during the process.

Financial Analysis

This section provides a three-year summary of CLCC's financial statement with a look at the first third of 2014. CLCC's fiscal year ends Dec. 31. It discusses specific ratios for understanding the statements and looks at areas of strength and concern.

Current Situation

For the three complete years from 2011 through 2013, CLCC has seen significant growth while maintaining expenses at a relatively low level. Some highlights from a review of the financials include:

- An increase in revenue of \$601,000 (400 percent) over three years.
- Administrative expenses as a percentage of revenue has decreased from 26 percent to 17 percent.
- CLCC has few assets other than cash and receivables, which reflects the service nature of the industry.
- Accounts receivable have increased faster than revenue (560 percent) and might be indicative of a private-pay market, but bad debt has remained low or nonexistent.

Financial Ratios

Current Ratio — (current assets-current liabilities) demonstrates the ability of the organization to meet its immediate obligations. The ratio represents the current assets (cash and accounts receivable) divided by current liabilities. A ratio of more than 1.0 means the organization has enough to cover immediate expenses. A ratio of less than zero suggests the

organization might have difficulty meeting its immediate obligations. CLCC has maintained a favorable current ratio (1.16 in 2012 and 1.09 in 2014). Almost 40 percent of CLCC’s assets in 2013 were in the form of cash and its low bad-debt expense suggests a steady cash flow from accounts receivable, which also constitutes approximately 40 percent of the cooperative’s assets.

Working Capital — (current assets-current liabilities) shows the net liquidity of an organization. Working capital should cover up to six months of operating expenses. CLCC’s working capital has grown during the three years to \$15,339 — just shy of six months of administrative costs, including the wages of administrative staff. CLCC seems to be in a good financial position to meet administrative expenses. Caregivers’ wages tie directly to sales, which allows the overall wages to fluctuate with sales.

Liquidity	2011	2012	2013
Current	1.065	1.163	1.092
Working capital	\$ 2,167	\$ 8,886	\$ 15,339

Debt-equity Ratio — (total debt/total equity) this ratio provides another test of financial health by comparing the forms of capital used by the cooperative. CLCC, however, does not maintain any debt other than normal payables. As a result, this ratio is zero. It might be that CLCC has not been using its equity to its full advantage, but this also allows the cooperative to maintain a smaller amount of retained equity and return more to the members through cash patronage.

Profit Margin — is a measure of profitability of the organization. CLCC has shown a steady increase in its profitability since 2011, although that could begin to flatten as complying with federal mandates puts new pressures on the cooperative, including increased administrative needs to workers’ financial needs. Fortunately, CLCC has some room to absorb some new costs, but also needs to consider how those costs affect profitability because labor costs make up a significant portion of expenses and, in turn, account for up to 80 percent of the sales (when including caregiver and administrative wages).

Profitability	2011	2012	2013	2014
Profit Margin	5.2%	10.5%	15.3%	11.5%
Labor Expense/Sales	80.9%	80.9%	79.3%	81.9%
Caregiver Expense/Sales	67.1%	67.1%	68.0%	68.0%

Breakeven Analysis — a breakeven analysis helps an organization determine the income (sales) needed to cover expenses (fixed and otherwise). In this analysis, CLCC has done an excellent job of keeping administrative costs down, which provides the ability to easily exceed its breakeven goals. In 2014, some growing pains started to show. The gross margin has decreased despite higher income, due primarily to raising wages for caregivers and the administrator.

BREAKEVEN ANALYSIS FOR CIRCLE OF LIFE CARE COOPERATIVE

	2011	2012	2013	2014*
GROSS MARGIN % OF SALES				
GROSS MARGIN	\$ 46,155	\$ 111,618.00	\$224,983.00	\$ 100,310
TOTAL SALES	\$ 150,203	\$ 374,918.00	\$751,794.00	\$ 406,203
GROSS MARGIN/TOTAL SALES	30.7%	29.8%	29.9%	24.7%
TOTAL FIXED EXPENSES				
PAYROLL	\$20,804	\$48,595	\$84,931	\$ 34,744
OPERATING EXPENSES	\$38,860	\$29,635	\$41,718	\$ 24,007
OPERATING + PAYROLL	\$ 59,664	\$ 78,230	\$ 126,649	\$ 58,751
BREAKEVEN SALES IN DOLLARS (ANNUAL)				
GROSS MARGIN % OF SALES	30.7%	29.8%	29.9%	24.7%
TOTAL FIXED EXPENSES	\$ 59,664	\$ 78,230	\$ 126,649	\$ 58,751
YEARLY BREAKEVEN AMOUNT	\$ 194,166	\$ 262,770	\$ 423,205	\$ 237,911
MONTHLY BREAKEVEN AMOUNT	\$ 16,180	\$ 21,897	\$ 35,267	\$ 19,826
*2014 REPORTS FOR JANUARY THROUGH APRIL.				

Managing Growth

Due to CLCC's growth, it may acquire new expenses in the coming year such as the Family Medical Leave Act¹⁷ and the Affordable Care Act. The Affordable Care Act requires companies to either provide health care to their employees (with certain co-pays) or pay a fine. CLCC will need to consult professionals in this field to determine the appropriate avenue to take¹⁸. However, either direction will add to the cooperative's costs. In addition, the success of the cooperative has created a stronger demand for increased wages and benefits by

¹⁷ CLCC already complies with the FMLA rules voluntarily so the adjustment to mandatory compliance should be minimal.

¹⁸ CLCC has not, as of this report, taken up this issue and no decisions in how to comply with the ACAPPA have been made.

administrative staff members to something more comparable with the marketing for manager in social and community service management (around \$29 an hour).¹⁹

Overall, CLCC has a solid financial footing and exercises strong management of its cash and assets. It might need to consider building equity as a means of preparing for unexpected events. Planning for growth and the extra expenses that come with that growth will be important for the cooperative to maintain its financial health.

Moving Forward

CLCC exists within a competitive market for clients and workers. CLCC is one of eight home care organizations in Whatcom County. As might be expected with a worker-owned business, CLCC leads in terms of direct wages to the home care workers (50 cents per hour more than the closest competitor) along with benefits that include paid staff training and profit sharing²⁰. On the consumer side, CLCC has positioned itself to access the entire private-sector non-nursing home care marketplace with rates aimed at the lowest, middle and upper end.

Home Care Costs--Whatcom County				
Agency	Rates	Hour Min.	Overnight Rate	Type of Care ²¹
CLCC	\$23	none		all
Home Attendant Care	\$25	none		levels of care
Home Instead	\$23	3		
Take My Hand	\$23	3	12 hours \$20	Diff. \$ for levels
Catholic Community	\$23.50		10 hr. /\$135.50	Diff. \$ for levels
Right at Home	\$25-\$35	none		Diff. \$ for levels
Cascade Christian Services			no elder care	
Access Living			no elder care	

Table 4: Comparison of Wages and Services (source: CLCC Business Plan 2014)

¹⁹ Bureau of Labor Statistics: <http://www.bls.gov/ooh/management/social-and-community-service-managers.htm>

²⁰ CLCC 2014 Business Plan. Four of the competitors offer access to some form of health insurance and three of the competitors are unionized in which the employer pays the union dues directly. Of the four offering health insurance, three are unionized. CLCC will need to address the health insurance issue as it grows to exceed 50 workers and as waivers granted under the Affordable Care and Patient Protection Act expire in 2015.

²¹ Many agencies distinguish between “companion care,” such as reading, and “home care,” which might include cleaning and bathing.

Due to the unanticipated growth of 2012 and 2013, the board had a business planning project and developed a plan to consider the business and member needs as they related to growth. Consideration was given to marketing, organizational relationships, advocacy, skill training and leadership development within the context of the cooperative identity.

Marketing

The initial marketing plan, which was developed in 2014, calls for allocating \$5,000 on direct advertising and \$4,000 on promotions. This allows CLCC to expand on the membership's energy from 2013's marketing efforts that created a re-design of the cooperative's logo and developed a stronger sense of ownership among the members. Although described as "minimal and selective," that budget approaches about one percent of the total budget. One of the limiting factors on advertising, in this case, is the ability of the cooperative to build up the supply of home care workers to meet demand. By advertising, CLCC needs to be careful that it doesn't overwhelm the system by creating too much demand and end up creating a negative view of the cooperative through disappointing consumers or stretching staff too thin.

Relationship building

CLCC has been working with the Alzheimer's Society since the early planning days of the organization and has been a member of the Home Care Association of Washington. Other local organizations CLCC has considered working with include the Elder Service Providers (a network of providers of elderly services that engages in education and mutual support) and Sustainable Connections (a business network focused on building healthy communities). These organizations provide the ability to build strong local relationships that can help CLCC expand its marketing efforts and bolster its reputation locally. In addition, the cooperative sent several people to the Worker Cooperative National Conference in 2014 and has joined the U.S. Federation of Worker Cooperatives. Two staffers, McNerthney and Deborah Craig, became certified peer advisers with the Democracy at Work Network. Those two organizations provide

access to the growing worker cooperative movement, training opportunities and the ability to return knowledge to the cooperative²².

Budget considerations

One of the challenges facing CLCC results from the growing demand of the home care industry and the growth of the organization. While CLCC has been able to meet increased demand with increased staffing, it hasn't instituted a plan to scale either the administrative support staff or the governance model to accommodate a larger workforce. In 2014, two part-time staff positions were added, but it stills operate with about 3.5 FTE administrative staff for more than 60 home caregivers. Furthermore, the board of directors, which expanded to seven members who each earn a \$40 monthly stipend, might find that as the workforce grows, the duty of operating a "working" board will be more difficult and this could lead to either expanding the board or to budgeting for increased compensation as directors often need to sacrifice their caregiving hours to their position as a director. The organization maintains a surplus of about 8 percent to 10 percent of revenue, but increased growth will weaken that number unless the board and administration work to develop means to take advantage of economies of scale. At this point, the unexpected growth has put stress on the administrative staff. Further growth will require increased hours in administration, increased segmentation of duties and built-in redundancies to maintain the current level of efficiency by administrative staff.

Advocacy

Members can play a powerful role in the industry by advocating for better services. As member-owners, caregivers bring a level of integrity to their testimony from their front-line experience through their collective management of a successful organization. This advocacy could help foster other worker cooperative home care models throughout the state, alter the requirements for service areas and improve working conditions. This has not been a primary focus of CLCC, but relates directly to the cooperative principles of "caring for community" and "cooperation among cooperatives" and would also help to further the cooperative's marketing efforts.

²² During the yearlong DAWN training, the two staff workers made sure that their training was during their non-work hours because they did not feel that they could explain how it would directly benefit the cooperative.

Skill training

Every client and every caregiver are distinct individuals, which can sometimes make creating mutually beneficial matches difficult. The cooperative needs to develop, through training, caregivers who can meet the needs of a variety of clients. Some caregivers expressed concern that they have clients who only one or two caregivers can provide services for, which limits their time off. Skill training goes beyond the work site in a worker cooperative — it involves engaging workers in learning the administrative function of the business. CLCC might benefit from building off of client teams to assist with management functions such as training, orientation and education. This experience could foster leadership skills and build a board that has its own knowledge of the entire business.

Leadership development

CLCC is committed to developing the workforce as owners, in addition to employees. Up to six staff trainings occur each year. In 2014, of the four scheduled, two focus on the role of ownership — one on reading financial statements and the other on the nature of the cooperative model. This attempt to maintain a cooperative identity through the staff-training process will help build new generations of directors, committee members and administrators. More importantly, the members might be able to transfer these skills to community organizations (e.g., nonprofits, government committees). This helps to further the CLCC brand as its members engaged in the community.

Current Challenges

While CLCC has been successful in the past two years, continued growth brings challenges. CLCC has undergone a financial review, moved to a new office to accommodate more administrative staff, built a new website, and changed the role of caregiver coordinator by separating the hiring and orientation to a different staff position so the caregiver coordinator can have an increased focus on scheduling. Three key areas the CLCC will need to address involve aspects related to its co-operative identity.

Communication

Managing effective communication among workers throughout the county as they provide around-the-clock services creates hurdles. This communication hurdle exists between caregivers serving the same client, between the board and membership, and between the administration and the workers. It can also be a barrier between the client and caregivers.

In early 2014, CLCC began working with a team concept centered on clients. This designates one caregiver among a group providing care to organize the efforts of the group, solve problems and bring in administrative assistance as needed. In practice, this has been a benefit to team members because they could meet with each other and solve a particular problem with a client. It also has promise to engage the lead caregiver to assist with scheduling (especially for days off or sick days) and build a stronger knowledge of the administrative needs of the business among the frontline workers. As one worker commented, they often have only about five minutes between shifts to communicate with their shift replacement. By keeping case records on site and maintained, it would allow increased communication among caregivers. Some members even see expanding the team concept to geographical areas as a way to allow the cooperative to grow in a way that maintains a sense of community.²³

CLCC will also consider technological means of helping caregivers, clients and administrative staff communicate. Currently, industry systems require a phone call from the client's residence, which might be seen as intrusive. Creating means of clients and caregivers to check-in electronically to clearly communicate correct service times will do a lot to foster more responsive service and avoid communication errors that can be physically and emotionally difficult.

Cooperative Education

Most of the current education focuses on the caregiver industry; bi-monthly caregiver meetings tend to focus on the needs of the clients. Likewise, the cooperative pays for caregivers to receive the 72 hours of training per worker required by the state. As the cooperative grows and moves beyond the founder's vision, it will need to create programs to teach new caregivers the

²³ One suggestions raised along this line would allow regional co-ops that used the same administrative structure in a more federalized concept.

value of cooperation. This might happen through an orientation program, but continuing education is needed to develop strong board leadership, especially with succession planning for administration members and other cooperative members. Surveys among the membership routinely request education on the nature of cooperation.²⁴ While administrative staff members do have extensive cooperative experience, they don't have the time to add cooperative education to their job duties.

Membership Engagement

A third growth challenge is the social cohesion of the membership. The small-knit group from 2009 has given way to a much larger worker-owner community. The cooperative hosts an annual meeting and party, but it needs to find other means of helping members engage with each other. This aspect ties into communication and cooperative education; it also touches on the role of members in self-managing their workplace and taking a more active role in the marketing and development of the CLCC identity. This might mean providing more opportunities for members to help develop training and orientation. One worker suggested that a “lead care team” be created to provide the first week of care for a new client and establish a service standard for caregivers to follow. This sort of engagement would be a departure from the industry, but it would empower the member-owners.

Other means of creating member engagement might be needed depending on the interests and needs of the members. This could include social events that allow members to meet and discuss the cooperative outside of a staff meeting, a co-op forum series to provide co-op education to members who wish it, and outreach with other cooperatives and networks by creating liaison roles for members. Membership engagement becomes more difficult as the cooperative grows. By creating opportunities beyond serving on the board, the cooperative will develop leadership and create stronger social cohesion among members.

Conclusion

CLCC has managed to create a successful worker cooperative providing home care service to the Bellingham area. Its strength rests upon its commitment as worker-owners, the consistent attention to administration, and the support of the community for quality services and

²⁴ Interview with Deborah Craig, Caregiver Coordinator on June 24, 2014.

the cooperative model. With a growing need for home care services, CLCC provides a model for similar communities looking to develop a strong home care sector that benefits clients and service providers. This provides a dual benefit for communities because it helps older members of their community age in place, which is good for taxpayers and families while also providing decent jobs for the caregivers and providing a means for them to increase their skills beyond home care and engage the community as leaders.

Growing need

The need for home care providers will increase over the next 30 years as members of the baby boom generation age out of the working population. Home care work is physically and emotionally demanding yet pays relatively little in the for-profit model. Many caregivers turn to private clients that offer higher pay, but less protection, benefits or support. Despite the low pay and hard work, it remains one of the fastest growing jobs in the marketplace. It is an area that worker co-operatives have been engaged with since the mid-1980s and continues to be an industry well-suited for worker ownership. Organizations such as Cooperative Care in Wisconsin and CLCC in Washington demonstrate that home care providers do not have to exist as large organizations to have a positive effect on the lives of workers and those receiving their services.

Co-op benefits

If the cooperative's benefits to home care workers stopped at having the best pay in the county that might be enough. However, the cooperative model offers more. Workers and clients enjoy a dignity in their relationship because of the ownership model, which empowers workers to make decisions in the interest of their clients. In addition, the cooperative engages the workers as owners, offering them the ability to learn more about the business than simply the skills needed for an existing client. They learn to plan, budget, market and manage an organization, which fosters stronger, more engaged citizens and better services for clients.

Areas to Model

CLCC offers key areas for new home care cooperatives to model. Some of those areas depend on the community and some on the development of the cooperative. First, it was beneficial to have a strong administrator who could provide economic and structural leadership as part of the founding group. Second, engaging people in administration with a knowledge and

experience in cooperative management provided a means to overcome the lack of knowledge by the board and membership. Third, basing operations in a community with a thriving cooperative scene helps to support the identity and encourage support by the community. Fourth, having clear expectations of the members' responsibilities to the cooperative — expressed in the bylaws — creates a sense of duty and commitment beyond the daily job duties. It promotes the first principle of cooperation: open and voluntary membership.