

WAGES History and Lessons 1995-2000

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Mission

The mission of Women's Action to Gain Economic Security (WAGES) is to promote the economic and social well-being of low-income women and to raise their awareness and participation in the struggle for self-determination and a just and democratic community.

Introduction

WAGES is a non-profit 501(c)3 economic development organization founded in 1994. Our mission is to help low-income women gain economic security through business cooperative ownership. Our goals are to create livable wage jobs, ownership opportunities, improved working conditions, and leadership opportunities for and with women with little formal education or job experience. Our program focuses on education, management support, and technical assistance to the cooperatives we help organize.

One of WAGES' chief successes has been helping immigrant women form environmentally sound housecleaning cooperatives. These businesses are carving out a unique and profitable business niche in California's Silicon Valley. The cooperatives are structured as limited-liability companies, whose operating strategy supports democratic decision-making and equitable wages and profit sharing by the women who clean. Women are earning \$11-14 per hour, while creating a healthier work environment for themselves by using least-toxic cleaning products. They are also learning new professional and communication skills as they administer their businesses.

WAGES brand of social entrepreneurship is breaking new ground in the areas of economic development, democratic cooperatives, and environmentally sound businesses. In 1997 the Community Foundation Silicon Valley recognized our efforts with the *Non-Profit Innovation Award*, and in 1999 we were granted the *Social Equity for Sustainability Business Environmental Award* from the Peninsula Conservation Center Foundation.

WAGES now is strategically mounting its efforts to start new and expand existing environmentally sound cleaning cooperatives owned and operated by women throughout the greater San Francisco Bay Area.

Our development approach is to:

1. Focus on a specific business niche;
2. Provide intensive, on-going education;
3. Support professional management of the cooperatives;
4. Stabilize and strengthen the business cooperatives through a federated association.

We hope that WAGES' experience can offer lessons to other organizations interested in business cooperative development. This report will describe the context and conditions of housecleaning work in the Silicon Valley, provide a history of WAGES' program, and analyze lessons learned through our work.

Part I: Housecleaning Work in the Silicon Valley

The Job of a Residential Housecleaner

The typical residential housecleaner in the Silicon Valley is a Latina woman from Mexico or Central America.¹ Her work is often isolating, sometimes degrading, and may be dangerous to her safety and health.

Residential cleaning is isolating because services are provided in the client's home. Often the cleaner works alone rather than in a team, with little if any supervision or support.

The work can be degrading for several reasons. First, residential cleaners perform services that rank among the lowest-paid in the area, such as cleaning floors and toilets. Second, cleaners have little choice over their hours of work, with rigorous schedules and long-distance travel impinging on their family lives. Third, cleaners must often assume a servile demeanor with their clients, who at times treat them inappropriately, associating their unfamiliarity with the English language with incompetence.²

Finally, the work can be dangerous. The cleaner must go into the homes or apartments of strangers, often in unfamiliar neighborhoods. To the cleaner working alone, the initial visit with a new client leaves her vulnerable to the intentions of that caller, which at times have been offensive. From an occupational health standpoint there are risks associated with exposure to hazardous chemicals, especially in confined areas such as bathrooms with little ventilation. According to the Environmental Protection Agency, the air in homes is 5-10 times more toxic than the air outside, with 20-150 different pollutants in concentrations 10-40 times greater than outdoors.³ Cleaning products are the cause of many of these pollutants. Most commercially produced cleaning products contain petrochemicals or dioxin, which can cause birth defects, cancer, and reproductive and developmental disorders. These chemicals can weaken respiratory and circulatory systems, and depress the central nervous system. Cleaners report that before working with WAGES they experienced fainting after mixing chemicals, developed allergies, asthma and other respiratory problems, and skin rashes from the commercial products they used.

Despite these adverse conditions, a residential housecleaner may find her work rewarding through decent pay and benefits, control over decisions which affect her, opportunities to gain new skills, and application of products and practices that protect her health and well-being. WAGES' work is to build these opportunities.

Magda⁴ is a member of one of WAGES' associated cleaning cooperatives. In the early 1990s she, along with her husband and six children, were living in a

¹ Chang, Grace. Disposable Domesticity: Immigrant Women Workers in the Global Economy. South End Press, Cambridge, 2000.

² Ehrenreich, Barbara. "Maid to Order: The Politics of Other Womens' Work". Harper's Magazine. April 2000.

³ "Conscious Choice" March/April 1998 Chicago vol. 11, No. 2

⁴ Not her real name.

small one-bedroom apartment in East Palo Alto. In order to qualify for a housing assistance program, Magda needed to demonstrate her career goals. While she was working as a hotel maid, she joined a job club where she met one of WAGES' co-founders. Magda expressed her interest in starting her own business, and soon after was one of the first women to sign up for WAGES' classes in starting a business cooperative. Magda and several other women completed a business plan, and in 1997 they launched 'Non-Toxic Professional Housecleaning'. Magda—with only a second grade education in Mexico—is now earning \$14/hour for full-time work in least-toxic housecleaning, and is Chair of the Coop's Finance Committee. Magda schedules her own hours, offering her flexibility to spend time with her youngest children. She and her family helped build their own Habitat for Humanity home, and have recently purchased a reliable car. Her oldest daughter is attending college as a business major.

The Cleaning Industry

Cleaning services will be among the 20 top growth sectors of California's economy, with an increase of 32,500 new jobs projected by 2008.⁵ However, both the wages and working conditions in residential cleaning are typically very poor. Most private cleaning companies operate like temporary employment agencies, drawing from a roster of cleaners. Once hired, cleaners are contacted by phone, assigned to clients, and sent their paychecks by mail, with little or no personal contact with the overseeing organization. Some companies require that the cleaner pay a fee in anticipation of future work, with no guarantee of job security.

Since the average cleaning job takes less than four hours, cleaning tends to be a part-time job. Only by traveling from client to client—at the cleaner's expense—can the typical residential cleaner knit together anything close to a full-time job.

Even then, the rewards are slight: The average starting wage for housecleaning in the Silicon Valley is \$7 per hour—with no guarantee of earning raises; Benefits are nearly non-existent; Few companies have paid sick days, vacation or personal days, and many do not provide an allowance for uniforms; Health insurance is virtually unknown in the industry.

The alternative for most women is to clean houses on their own, as independent contractors, with the potential for earning slightly more per hour due to direct payment. However, each cleaner must pay for her own transportation, supplies and marketing expenses, which greatly reduces her net hourly earnings. And if she doesn't work, she doesn't earn. She must be able to communicate with clients, which poses a challenge to those with limited English language ability. Finally, the cleaner must manage her own finances and taxes, frequently with little understanding of business management and legal and tax requirements. As a result, she often works 'under-the-table,' thereby increasing personal and financial risk for herself and for her clients.

⁵ California Labor Market Information, Employment Development Department.

Part II: A History of WAGES

A. The Beginning of WAGES (1990-1995)

WAGES was founded by Gayle Haberman, a social entrepreneur who believed democratic cooperatives could provide economic stability and opportunity for low-income women. WAGES incorporated in 1994 and opened its office in 1995.

The story of WAGES began much earlier, however. Gayle, along with other members of WAGES' founding staff and Board, worked at Families In Transition/Catholic Charities in East Palo Alto in the late 1980s. The organization provided a variety of social service assistance to residents of East Palo Alto including transitional housing, case-management services, women's support groups, and assistance to a housecleaning cooperative called Heaven Sent, which was launched in 1985.

By the early 1990s, Catholic Charities wanted Heaven Sent to become a separate entity due to concerns of legal responsibility. To reach this goal, Gayle helped Heaven Sent's twenty-five members legally incorporate as a non-profit marketing cooperative comprised of individual member contractors. With this structure, the customers could pay each cleaner directly, and then each member would pay monthly dues to cover the association's expenses. Over the course of a year and a half, Gayle taught members of Heaven Sent's committees how to conduct the administrative tasks necessary to operate independently of Families in Transition. She taught them to rotate leadership and membership in each of the committees, and to teach skills to new members. Heaven Sent became independent from Families in Transition in 1994⁶.

Heaven Sent's experience inspired Gayle to help more women form democratic cooperatives. She believed that cooperatives could broaden the range of economic development options available to those with low incomes. She saw that recent immigrant women were unable to enter mainstream, private sector jobs as they lacked language skills and formal education. Additionally, micro-enterprise development programs tended to select higher-educated individuals and often required a significant personal investment of resources. Further, many low-income women with little or no formal education were intimidated by the intensive planning required to start a new business. Gayle believed women and recent immigrants could succeed by working together cooperatively to make the business development process less overwhelming and risky.

After researching potential project sponsors Gayle decided instead to find collaborators and create a new cooperative development organization. She asked Anna Olsen—who had also worked at Families in Transition as a Social Worker—to join her as co-director, and Karin Morris, John Muller (both of whom had assisted Heaven Sent), and Concepción Alvarado (a member of Heaven Sent) comprised the Board. Between the fall of 1994 and May of 1995, the founders and Board voluntarily

⁶ Heaven Sent continues to provide cleaning services out of their office in Redwood City.

conducted the start-up activities required for WAGES' beginning. During this time, Gayle and Karin worked on developing a solid program plan and training curriculum, and prepared for opening.

While awaiting approval of their 501(c)3 status, the San Francisco Women's Building served as WAGES' fiscal sponsor. An initial grant from Sun Microsystems, which funded Gayle's former position at Families in Transition, jump-started the project. WAGES opened officially on June 1, 1995.

WAGES' cooperative development approach was formed as an alternative to the strategy of the ICA Group in Boston—the primary cooperative development organization in the U.S. at the time—which followed these steps:

1. The ICA Group determined viable business niches accessible to low-income people, (i.e. home health care and childcare), with the possibility to improve skills and careers⁷.
2. They then wrote the business plan for launching a new coop, identified a partner community organization and formed a Board comprised of one-two ICA staff members and half community organization members. This board was the legal decision-making entity of the "coop-to-be."
3. The Board then hired a business manager/entrepreneur to conduct all the start-up activities: find a location and buy the necessary equipment and supplies; obtain the required permits and licenses, buy insurance; promote the business, and generally "set up shop."
4. A few weeks before the business was ready to open, the business manager hired the "worker-owners-to-be."
5. After the business broke even, power was then transferred to the worker-owners by gradually phasing them into positions on the Board. Eventually, the community organization and ICA left the Board as the worker-owners took over leadership.

WAGES wanted to involve women directly in identifying and planning the businesses they would start, as opposed to hiring them just before the business opened. They believed this involvement would enable the women to acquire research and planning skills, develop an understanding of their market, and perhaps most importantly, feel ownership of the business. They also believed the cooperative members could self-manage through a committee structure—just as they had trained members of Heaven Sent to do—rather than hire a professional manager. Finally, the cooperatives were established without any role for outside board members. Over time, however, many of these assumptions — as well as our development approach — have changed.

B. WAGES Business Model

1. PILOT PHASE (1995-1997)

During this period, Anna and Gayle worked with several groups of multi-ethnic women to explore the feasibility of a variety of business ideas. The first group was unable to agree upon

⁷ Industry Sector Assessment for CED Replication Strategy, The ICA Group, 1994

a business idea and disbanded. The second group of women split, with one sub-group choosing to open a retail party supply store named **Fantastic Fiesta Party Supplies and More**. When the second sub-group selected a housecleaning cooperative, WAGES recommended they consider using a least-toxic approach due to the health problems associated with conventional cleaning products. This group called their business **Non-Toxic Professional Housecleaning (NTPH)**. While the party supply store closed after a year and a half of operations, the cleaning cooperative flourished.

Recruitment

To recruit women for the pilot phase, WAGES made presentations at local non-profits and women's support groups, distributed flyers to community organizations, made announcements on local television and in newspapers, and went door-to-door in low-income neighborhoods throughout the Silicon Valley. Some of the women who joined the first groups had been affiliated with Families in Transition, some were friends, but many joined the groups as individuals. WAGES screened all participants to meet the criteria of low-income status, limited formal education, desire to start a business in a group context, and social support needs. Family members were prohibited from participating in the same group to avoid bringing family problems or family power blocks to the work place.

Education

WAGES education program was divided into three stages, followed by technical assistance to the business after opening. Total assistance was offered for a two-year period, after which the business would operate independently. During the educational program, WAGES was strict about attendance—missing more than four trainings in a four-month period was cause to be asked to leave. Additionally, WAGES required women to attend English classes while they were in the program. The program stages were as follows:

- **Stage I: *How to Conduct a Feasibility Study and Introduction to Cooperatives.*** Women were given an introduction to cooperatives and to WAGES. Most of the time during this phase was spent researching and performing pre-feasibility studies on several business ideas. In addition, participants acquired skills in group decision-making, communication, and conflict resolution. They also conducted site visits and interviewed owners of community businesses and cooperatives.
- **Stage II: *How to Write a Business Plan & Vocational Training.*** This Stage consisted of creating a business plan, during which time women began to organize and structure their policies and financial projections. They were also trained in retail and cleaning business concepts through focused instruction.
- **Stage III: *How to Start-Up Your Business.*** These sessions provided the women with information on lending, legal requirements and licensing of the business.

After five months of outreach and recruitment, WAGES began Stage I with a group of nine multi-ethnic English-speaking women in November 1995. Six months later, this

group decided not to open a business together. The primary reasons for leaving the program were:

1. A lack of group cohesion;
2. An inability to agree on a business venture that satisfied the wishes of all members.

In an exit survey, those interviewed reported that their values and life experiences were too vast to work together in a close partnership. Group members ranged from the deeply religious to the staunchly secular, and included women recovering from drug addiction and abusive spouses. The members recommended that WAGES incorporate more activities into training sessions that allow participants to discuss their values and personal backgrounds up front.

In January 1996 WAGES began the training program again with twelve Spanish-speaking immigrant women. This group divided in two because of disagreement over potential business ideas — one half favoring a party supply store, the other preferring a cleaning business. Both groups completed all training stages and each opened a cooperative business. The trainings were conducted in Spanish, as the women involved were all monolingual Spanish-speakers.

During Stage I, WAGES gathered industry growth and market information from the library and helped participants calculate projected business income and expenses. The participants themselves conducted the remainder of the research on the topics of demand, competition, target-market and business operations. Although this experience lengthened the training period, WAGES felt that the women's involvement was essential to fostering a sense of ownership of their endeavors as well as increasing their self-confidence and self-identification as entrepreneurs.

In Stage II, WAGES held workshops in communication and conflict resolution using methods derived from the Center for Non-Violent Communication.⁸ This was balanced with technical business information that included how to read and develop a budget, provide quality customer service, and culminated with the completion of the business plan.

For vocational training, women preparing to form the retail business worked as interns in a nearby party store. For the cleaners, WAGES secured a contract with a professional housecleaner to provide an intensive, practical training, including 75 hours of instruction in products, techniques, safety, and an overview of the health and environmental benefits of least-toxic cleaning. The training also included hands-on practice in demonstration houses that established standards for efficiency.

In Stage III, WAGES established a relationship with Lenders for Community Development (LCD), a consortium of community development banks in San Jose, who made presentations to the businesses regarding lending, and approved loans to the start-up businesses. LCD made a

⁸ Marshall Rosenberg method, Center for Non-Violent Communication. 151 Santa Rosa Ave., Oakland, CA 94610 (510) 655-1077

\$35,000 start-up loan to Fantastic Fiesta, and a \$15,000 loan to NTPH. In lieu of collateral, LCD accepted personal guarantees from the owners. For an equity match, they encouraged participants to start saving money to invest in the business from the first day of the training program. They also encouraged the groups to start collective fundraising to maximize the amount of equity in their businesses.

In addition, WAGES established a pro bono relationship with a respected law firm in Palo Alto — Wilson, Sonsini, Goodrich and Rositi — to help in business legal formation. The two cooperatives organized as Limited Liability Companies (LLC), and were independent from WAGES from the start. The LLC is essentially a business partnership with the liability protection of a corporation. This legal structure was created in the 1990's, and though new, seemed an appropriate structure for the newly established cooperatives.

Upon review, the LLC structure was preferable to an association of independent contractors (the Heaven Sent model) for two reasons:

1. Customers would have no doubt that the women were business partners, and therefore the customer would not have to pay social security tax.⁹
2. In an LLC, all income generated goes into the business. This gives the member-owners an appreciation of financial interconnectedness and where the individual fits into the whole. In a marketing association, customers pay cleaners directly, resulting in possible allegiances between cleaner and client, rather than between business and client. For example, as Heaven Sent members eventually left the association, they took their customers with them, which helped the individual cleaner, but was detrimental to the cooperative. This situation would not occur with the LLC model.

Technical Assistance

Upon completion of the three-stage education process, WAGES provided between 20-40 hours per month of support in financial management, personnel, and promotions.

Evaluation and Moving Forward

During the pilot project, WAGES education program helped women decide which types of businesses they wanted to research and ultimately develop, based on their interests and skills. This approach was time consuming and complex. The participants had a difficult time agreeing on which business ideas to study. They tended to choose what they knew — childcare, housecleaning, and sewing.

Because WAGES wanted to help women move out of these traditionally female business areas (assuming they were low-paying), the staff brought in business specialists to present alternative ideas to the participants and help them broaden their horizons. However, WAGES learned that while housecleaning is considered to be women's work, it proved to be much more lucrative than the retail party store. Aside from somewhat complicated logistics pertaining to scheduling and cancellations, housecleaning was a fairly simple business to manage and had relatively low overhead costs. Only 25% of gross sales are used to cover overhead, allowing for greater percentages to be distributed to the owners themselves. In contrast, in the retail business half

⁹ WAGES was organizing the cleaning cooperative just after the Zoe Baird debacle, when there was a lot of public attention directed toward household services workers.

the gross revenues went to pay for merchandise, with the other 50% going first toward overhead and the remainder to owner distributions. The advantages of the service business were clear. While women were “still” cleaning houses, they were earning far more than their colleagues at the party store – even though their peers had moved outside of “women’s work.”

WAGES also learned that women choosing to work in an area they already knew may actually prove good for ‘entrepreneurship’ (assuming it is a profitable niche), as they will be better equipped to provide a high quality product or service. Finally, we learned that through intensive vocational training women learned to become ‘professionals’ and that was extremely important to them.

As a result of the Pilot Phase experience, WAGES decided to focus on service businesses and to create strategic criteria for determining the types of businesses we would help women organize.

2. REPLICATION PHASE (1998-DECEMBER 2000)

WAGES set out to replicate our model with three new business cooperatives, while continuing to assist in the stabilization and growth of the existing cleaning cooperative. We helped launch **Emma’s Eco-Clean**, which grew successfully during this period. We also helped launch **Green Housecleaning** using a shortened pre-start-up training program; but the cooperative closed after six months. We began the educational program with another cooperative, **Eco-Care Housecleaning**, which opened in April 2001. Finally, **Non-Toxic Professional Housecleaning** grew to a financially profitable business, and as a result some of the founders organized its conversion from a cooperative to a conventional business structure during its third year of operations. To implement our replication program, WAGES hired professional managers to work with each cooperative. During this time first Gayle then Anna left WAGES, and Rebecca Bauen was hired as the new Agency Director.

Recruitment

WAGES used the same recruiting venues as during the Pilot Phase, having the greatest success with groups of women who had some familiarity with one another, and who were affiliated with an organization. The members of Emma’s learned about the business development opportunity through a support group at Families in Transition in East Palo Alto, and members of Eco-Care learned about WAGES through the Learning and Loving Education Center in Morgan Hill where they had been taking computer and English classes.

Education

WAGES recruited a third group of women for a new cooperative and began again at Stage I of the education process to identify new service business ideas.¹⁰ This group identified over 100 business ideas they were interested in exploring. After narrowing the list down to 14 ideas, WAGES hired a market researcher to help determine the best options based on a new set of criteria:

¹⁰ The WAGES Curriculum : Teachers’ Guide to Starting Worker Cooperatives in Low Income Communities by Karin Morris (1998). Describes WAGES educational program for researching business feasibility in groups. Available through the UC Davis Center for Cooperatives, One Shields Ave. Davis, CA 95616 (530) 752-2408 <http://cooperatives.ucdavis.edu>

- The business must pay livable hourly wages, plus benefits, for 5-7 women working full-time after two years of business operations.
- Less than 100 hours of vocational training would be needed.
- Start-up capital required would be less than \$100,000; and
- it would not be environmentally harmful.

Out of the fourteen ideas, four businesses seemed promising: auto detailing, mobile massage in offices and homes, gardening, and janitorial services. None of the women in the replication group were interested in the first three business ideas. However, they did indicate interest in exploring janitorial services further. After assessing the competition and length of time janitorial businesses needed to obtain office contracts, compared to the quick turn-around of obtaining residential contracts, it seemed likely that break-even could occur much more quickly with a housecleaning business. And, since WAGES had experience with residential cleaning, having assisted the Heaven Sent and Non-Toxic Professional Housecleaning cooperatives form, it seemed logical to pursue this avenue in a different geographic area (to minimize competition). We also had developed a relationship with a professional in the industry who could instruct low-income women in the least-toxic aspect of housecleaning.

To replicate the new cleaning cooperatives, WAGES experimented with our development approach, revising it with each new group:

1. We repeated the training Stages we used with our initial cleaning cooperative in replicating Emma's Eco-Clean over a one-year period.

Between 1998 and early 1999 the founders of Emma's¹¹ met once a week at WAGES for Stages I and II, totaling 250 hours of business and cooperative training. In January 1999 they began the 75-hour vocational training program. During Stage III, Lenders for Community Development approved their \$15,000 business loan. From the beginning of the training program, the group conducted fundraising events outside of class (raising \$6,000) to reduce the size of their business loan. They too received pro-bono legal assistance from Wilson, Sonsini, Goodrich and Rosati.

In Stage IV they interviewed and hired their office manager to organize the cleaning schedule and handle customer relations. In February 1999, together with WAGES, the members interviewed and hired a Business Manager who secured an office space above an appliance store in Redwood City. They also completed their promotional materials — which included a logo of women with brooms circling the earth — secured licenses and insurance, and purchased cleaning and office equipment and supplies.

2. We reduced the start-up time in replicating the next cooperative, Green Housecleaning to 3 months, with the intent that business cooperative training would be provided once the business opened.

According to members of Emma's Eco-Clean, WAGES' yearlong training program was too long. They recommended we shorten the program to allow women to begin working and

¹¹ The name Emma's is based on the initials from the first names of the founders plus "s" for socias - future members.

earning income more quickly. We therefore implemented a shortened pre-start-up training program of three months and tested it with a new group of women who were to form Green Housecleaning. We reduced Stages I and II of the educational program to an absolute minimum — 75 hours of vocational training, plus an additional 40 hours in an initial training in cooperative business skills and communication. The remaining business and cooperative training would take place once the cooperative was opened for business.

Recruitment for Green began in October of 1998. However, it was very difficult to find a core group of at least three women who knew each other prior to joining the program. As a result, we began the training program in January 1999 with three women who had not previously met. They began by joining members of Emma's in the cleaning training. Immediately after completing this training segment, one of Green's members left the program. In March, the remaining two members were joined by a new member and began the shortened 40-hour business and cooperative training. WAGES hired a Business Manager to work with the members on start-up activities, including scheduling clients and helping the coop members prepare their application for a business loan. The manager continued to recruit new members. Two more participants joined Green for a short period (one left due to her need to work right away, the other left for medical reasons).

Green Housecleaning officially opened in April 1999 with one team trained but struggling with new information and responsibilities. In the middle of May, the driver for this team had a car accident, and transportation problems became an overwhelming impediment for the business. In addition, despite continuous recruitment efforts, WAGES could not find applicants interested in becoming business owners. In June, the member who had been involved in the car accident left the business permanently, leaving only one trained member who had no transportation and a very small client base.

WAGES continued to recruit, but despite intensive efforts was unable to identify a sufficient number of women to sustain this third cooperative. The business continued to work with its small number of clients, providing work for the one remaining member. In July, two new members joined Green giving it a new surge of energy. Unfortunately this didn't last, as these new members didn't want to commit to the training or the other responsibilities of ownership. Within a month, the only remaining founding member quit the coop. With no remaining members skilled in business management, or interested in learning to manage, the need to close the business was imminent.

Green Housecleaning closed in November, 1999. The two remaining members of the cooperative participated in the closeout process. Customers of the business were given the option to remain with the cleaner they knew, or switch to one of WAGES other associated cooperatives. Most opted to remain with the cleaner they knew. Despite the business closure, WAGES helped create new employment opportunities for two women, enabling them to access and then continue to provide services to new clients. At the end of 1999, both were working at \$12 per hour at an average of 35 hours per month providing independent least-toxic housecleaning services. These were opportunities that the women otherwise would not have realized.

3. We returned to the original yearlong educational program with Eco-Care Housecleaning.

In January 2000, Sister Pat Davis, Director of the Learning and Loving Education Center in Morgan Hill called WAGES requesting information about business development. Several women affiliated with the Center were interested in learning about business start-up, having completed computer and English classes. WAGES responded by providing orientations and interviews with 25 women to start a new cleaning cooperative. As a result, nine women committed to WAGES yearlong cooperative development program. Based on our experience with Green Housecleaning, we set a minimum of eight women needed to start a new cooperative training program. As we had learned from our experience with Green Housecleaning, the founding group needed to have some relationship with one another in order to build commitment and cooperative spirit.

We revised our Stage I program to conduct feasibility research for a new cleaning business in the region, to emphasize communication and trust building among the group, and to articulate the role of spouses as supporters but not decision-makers. Between May and July 2000 these women met for five hours weekly, ending with a celebration with spouses and families and a month-long break.

From September to December the group began Stage II of their program to research and complete their business plan, develop policies, and interview and hire their office and business managers. During this period they raised nearly \$10,000 through car washes and food sales to offset their start-up business loan. They completed the 75-hour cleaning training in January, and opened for business in April 2001.

4. We initiated a cooperative internship program for members to teach their peers cooperative business and least-toxic cleaning skills.

In order to draw from the experience of the women who had participated in our educational program and cooperatives, as well as to create new leadership opportunities, we initiated a cooperative internship program. In early 1998, we recruited and hired a former member of Fantastic Fiesta to work with WAGES as a cooperative intern. Ivette Castillo began working 15 hours per week, assisting in curriculum development, organizing training logistics, and teaching some sections of the pre-start-up training program with Emma's Eco-Clean. In January 1999 WAGES hired Ivette as a permanent staff member, and by early 2000, Ivette was our lead curriculum developer and trainer with the newest cooperative, Eco-Care.

Because of our positive experience with this program, we expanded it by focusing on business development and least-toxic cleaning. For new cooperative business development, WAGES recruited and hired Maria Rosales, Emma's Office Manager to work 15 hours per week with Ivette to teach members who would go on to form Eco-Care Housecleaning. Over a six-month period, Maria assisted Ivette in developing curriculum, organizing logistics, acting as intermediary between WAGES and the Learning and Loving Education Center, and teaching the new cooperators. Maria's experience as a member of an established cooperative provided the new group with

critical information and example of what was possible for them. Among other things, Maria developed theater skits on customer service, and led a discussion on the role of the manager in a cooperative. She also was key in helping this group build trust in WAGES.

Additionally, WAGES created two new internship positions for founding members to teach their peers least-toxic cleaning skills. With each new cooperative, WAGES had contracted with a professional cleaner to teach the founding members cleaning methods prior to business start-up. Yet, as the cooperatives grew and added new members, they wanted to be able to teach their own members skills. WAGES too believed it important to transfer knowledge from an 'expert' to the cooperative businesses; to systemize the way in which women learn cleaning methods within each of the cooperatives; and to provide skilled members with the opportunity to share their expertise, as well as to gain new leadership and training skills. One member from Non-Toxic Professional Housecleaning and one from Emma's worked over a six-month period to develop a trainer's guide and to teach new members skills. Their experience was also a positive one, as one of the interns stated,

"Before coming to WAGES I thought I was shy. Now, I can talk in front of people, and I like to share many different ideas. Now I tell everyone I know about least-toxic products, where to buy them, and how they have benefited my family and me".

Management

The original committee structure that WAGES had recommended for the cooperatives during the Pilot Phase hadn't worked as the founders had planned. Members weren't accountable to each other or the business and important items fell through the cracks. As a result, WAGES proposed each cooperative hire a manager who could be a member elected from the group, a professional manager the cooperative recommended from outside, or a staff person from WAGES. After evaluating options, both Emma's and Non-Toxic Professional Housecleaning decided to enter into contract with WAGES for professional management services. Since then all cooperatives that WAGES assists hire professional managers.

Despite our proactive intervention, our first attempt at introducing a manager to a cooperative didn't work out. In early 1998 — after 6 months of operations — it became clear that Non-Toxic Professional Housecleaning had essentially stopped growing. WAGES continued to maintain arm's length distance (based on a desire for the members to demonstrate their capacities for self-management), but by June, WAGES became more actively involved in helping the business expand. However, our ability to make useful recommendations was limited as staff did not attend meetings regularly, nor did we have access to financial and other information. By December WAGES recommended that the cooperatives hire a part-time professional manager to work with the business directly. Members reluctantly agreed to this decision. Following the hire in February 1999 (nearly two years after opening), the business took off. The manager focused on promotions, and the business was featured in several regional newspaper articles. As a result, gross income increased, the number of members nearly doubled (from five to nine members), the members raised their rates from \$20 per hour to \$25 per hour, and they created a system for pay raises.

However, despite positive business outcomes, members of NTPH expressed dissatisfaction with the manager. The WAGES training program had emphasized women's self-management and independence from WAGES' technical assistance after two years. This dream was not going to change for the founders. WAGES responded by reducing the manager's direct involvement in the business to 10 hours per week. We implemented this plan in late 1999. However, by July 2000, Non-Toxic Professional Housecleaning communicated to WAGES that they no longer wanted any management or technical assistance services, and instead planned to operate completely autonomously. By this point, the business was successful, and the member's decision indicated self-confidence in their abilities to manage it. By the end of the following month however, three of the members decided to close the cooperative and reorganize it as a conventionally structured business, with themselves as owners. They offered their former partners employment, but at a reduced rate of pay. WAGES responded by providing verbal and written information to all of the owners about their legal rights in relation to this action. WAGES assisted three of the former members in joining Emma's Eco-Clean, and referred three others to resources for establishing independent cleaning contractor businesses.

In contrast, the management position at Emma's Eco-Clean has succeeded. With a manager working from the outset, the business grew 350% from its first to second year in gross sales; the business realized a profit in its second year; and employment increased from five to twelve members in a two year period.

WAGES now requires that each cooperative hire a professional manager. Our management proposal to each cooperative follows: The manager is a WAGES employee, hired by WAGES after the cooperative members have interviewed her or him and given the 'green light.' The manager's role is to oversee operations including committee work, attend to service quality, coordinate new member hiring and training, guide the business for growth, and teach business skills to the members. She attends regular administrative meetings and assists with facilitation and decision-making, but has no vote in policymaking. The manager is evaluated by both the cooperative and by WAGES.

WAGES charges a fee for management services to the cooperatives, following an approximate six-month grace period after the business first opens. This enables the cooperative to get off the ground and minimizes their initial risk. Over time the cooperative pays an increasing fee for management services based on a small percentage of the cooperative's monthly gross sales levels. In this way the cooperative sees the result of management services. As the cooperative's sales grow, the cooperative can pay more. If sales drop, they pay less.

And, while we hope that many cooperative members will learn new administrative skills within the business, it has become clear that the identification and development of one member to become the cooperative's manager may take longer than we had originally anticipated. To plan for the 'internal management training', WAGES has developed a benchmarking system to assess business success, and to evaluate the manager as well as evaluate which aspects of administration the members are effectively carrying out. When (or if) the members recommended a member for management training, or if they express a desire to operate independently of WAGES

support, the benchmarking tool will offer clear information to the business and to WAGES about where the business stands.

We have also learned that the manager plays an important entrepreneurial role in the business, which is more than administering operations. This is key particularly when the business is first starting and the owner-members are adjusting to new work schedules and administrative responsibilities. Finally, because all of the managers are actually WAGES' employees, we have realized opportunities for cross training among managers, information sharing and as a result, we are better able to provide quality management and technical assistance services.

Technical Assistance

As soon as WAGES began working with more than one cooperative, we realized the potential for creating efficiencies in several areas:

Marketing: While each cooperative has a distinct name and promotional materials, WAGES uses its network to market all of the cooperatives through our network of religious organizations, service agencies, foundations and environmental contacts.

Accounting: WAGES has identified an accounting service familiar with the LLC structure which provides assistance to the cooperatives.

Purchasing: WAGES associated cooperatives have begun jointly purchasing products in order to have sufficient quantities to receive wholesale discounts from the manufacturers.

We have also learned there are other reasons besides efficiencies for developing relationships between the cooperatives and between the cooperatives and WAGES. After members of Non-Toxic Professional Housecleaning decided to end their management contract with WAGES and cease operating as a cooperative we revised our development strategy. We have redefined our initial goal of business *self-sufficiency* to *mutual aid* among cooperatives. WAGES is now building an association of interdependent cooperatives to support the businesses as well as maintain the cooperative vision and values. As we communicated the decision Non-Toxic had made to the other cooperatives, the other's allegiance to creating opportunity for other women, and other immigrants strengthened their commitment to the cooperative vision. We believe that cultural ties can strengthen a cooperative's commitment to its values¹².

WAGES has designed a new cooperative association agreement with Eco-Care which will be implemented with all future cooperatives. The *benefits* of association include coordinated marketing and accounting services; education; management services; and leadership development opportunities.

¹² "The Role of Culture and Ethnicity in the Degeneration of Democratic Firms" Russell, Raymond. Economic and Industrial Democracy, Sage, London vol. 5 1984, pp. 73-96.

The *rights* of each business include participation in hiring and evaluating the business manager; identification and prioritization of topics for the annual educational program; and making autonomous business decisions outside the parameters of the contract.

The business' *responsibilities* are upholding the principles of cooperation (i.e. as all workers are owners, all have democratic control, profits will be distributed justly, and the wage differential will not be greater than 3:1); upholding environmental principles including training cleaners, ensuring safety at work, and protecting the environment; and collaboration with other cooperatives in the association for training and information.

The coop also consents to the consequences for not upholding their agreement, including loss of license to use the materials and payment of a financial penalty.

III. Business Outcomes

Fantastic Fiesta Supplies & More opened with five members in June 1997. While the business grew steadily over its 17 months of operations, growth was too slow and the business depleted its reserves. Fantastic Fiesta closed in late 1998. In retrospect, the causes for the closure were: the owner's estimate of break-even was too fast; the limited technical skills of the owners in tracking inventory, and in marketing; the geographic area was depressed economically; and the owners decided too late on a turn-around strategy to form a party decorating sub-business.

Although the business closed, the owners are using their experience elsewhere. One of the owners joined WAGES staff as Cooperative Development Trainer, another works as a teacher's aid, another joined Non-Toxic Professional Housecleaning, one member plans to open her own child care business, and the final owner started her own housecleaning business.

Non-Toxic Professional Housecleaning opened in May 1997 with four members. Gross sales increased from \$45,000 in 1997 (7 months) to \$125,000 in 1998, and \$165,000 in 1999. In 2000, the business charged \$25 per hour to its over 300 customers in both San Mateo and Santa Clara counties. Nine women (including three of the original members) were employed earning between \$11-\$14 per hour depending on seniority. They established paid vacations, sick leave and had paid out \$1,000 to each of the founders as bonuses. However, in their third year of operations, the business closed as a cooperative and reopened as a conventionally structured business with three of the former members as owners. Lacking commitment to cooperative values, these members saw the business' financial value and reorganized.

Although the cooperative closed, the business survives and provides good wages and ownership benefits to three of its members, as well as employment to other women. The other six women are working as independent contractors or in partnership as least-toxic housecleaners in the Palo Alto area.

Emma's Eco-Clean opened on Earth Day, 1999 with five founding members. Gross sales increased from \$45,000 in 1999 (7 months) to \$201,000 in 2000—a 350% increase. And, the business realized an \$18,000 profit with 90% allocated to members based on hours worked, and 10% retained in the business. In 2000, the business charged \$23 per hour to its nearly 300 residential and 10 commercial customers in San Mateo and Santa Clara Counties. At the end of 2000, each of the thirteen women was earning \$12-13 per hour, and they had established medical, mileage and laundry reimbursements for members. In addition, members could access personal loans and use least-toxic cleaning products in their own homes at no personal cost. Two members purchased cars using savings from their individual accounts.

Green Housecleaning opened in April 1999 with two founding members. Due to transportation challenges, bad luck, and lack of group cohesion the cooperative closed after 6 months of operations.

Although the cooperative closed, two members were earning \$12 per hour at an average of 35

hours per month providing independent least-toxic housecleaning services in the Los Gatos area.

Eco-Care Housecleaning is opened in April 2001 with nine founding members. Between May – December 2000 these women met 5 hours weekly for business planning. They raised nearly \$10,000 to offset their business loan, and have completed their business plan, and legal operating agreement.

IV. Lessons Learned

WAGES was founded on the belief that democratic cooperatives offer unique opportunities for individuals with limited formal and experience. Cooperative membership offers the women associated with WAGES a legitimate way to be owners of their own business; pride in professionalism; the support of working with others; access to benefits they would be unable to otherwise attain; and the opportunity to learn new skills.

However, in order to succeed, cooperatives need to address both external challenges of profitability in the market, and unique internal challenges relating to shared ownership, management and sustaining of ideals.

In the following section lessons learned from our cooperative development experience are presented.

A. Choosing a profitable business prior to start up can be very difficult and time consuming for participants.

Prior to member recruitment, an economic development organization can conduct preliminary feasibility research. The criteria for selecting a business should be based on profitability as well organizational goals and mission.

WAGES has established the following criteria for selecting businesses:

1. A minimum of five to seven full-time jobs will be created, which pay livable wages (as set by local labor organizations) and offer benefits by the end of the second year of operation.
2. Start-up costs will be less than \$100,000.
3. Less than 100 hours of technical/industry training for the owners will be required.
4. The business will not be environmentally damaging.

B. Self-management of the cooperatives solely through a committee structure is ineffective when working with women who have limited English skills, formal education and minimal business backgrounds. Co-ops need to hire a professional manager at least during the first 2-3 years of operations.

The professional manager position is a critical one for business success offering both entrepreneurship and administrative oversight. The manager, however, is not a voting member of the cooperative. Both WAGES and the cooperative members must mutually agree on a candidate, and WAGES makes the final hiring decision. Both WAGES and the cooperative evaluate the manager on an annual basis.

C. Start-up cooperatives need a core group of women to begin.

It is easier to engender trust and cohesion among women who already know each other than among women who have no prior history. WAGES recruits groups whose members know each other to some degree before applying to our program. Also, we have adapted our curriculum to include time for trust building.

D. Education in cooperative management and ownership is critical.

We know from our experience as well as from research that cooperatives fail when member education is minimized. WAGES business and cooperative pre-start up training is over 250 hours and is organized into five-hour sessions held weekly over a one-year period. We have organized the training into stages, with evaluation and celebration at the conclusion of each. Our curriculum combines skills-building with decision-making practice, and group-building activities. Skills include understanding finances, developing budgets, applying for loans, and researching markets. Decision-making includes developing policies for pay rates and benefits, developing a mission statement and a business name. Group-building activities include fundraising, family picnics, and celebrating accomplishments. By the end of the educational program, the group will have completed their three year business plan, secured a loan,¹³ and completed their LLC legal agreement.

Before the business opens, WAGES takes the lead in identifying both learning areas and specific skill areas to be taught. Co-op members can add to or request other specialized, tailored trainings at times appropriate or relevant to them.

Following the intensive pre-start-up education program, WAGES provides on-going training once the businesses open. Through education, women learn the skills they need to administer their business, expand their environmental knowledge, and work together successfully.

New member education: WAGES provides regular workshops to new cooperative members who were not part of the founding group. These workshops introduce the rights and responsibilities of ownership to the members and cover finance, rules and policies, introduction to WAGES, and cooperative history and values. It is critical to educate new members to ensure the stability of the business over time as well as democratic participation.

Developmental education: WAGES coordinates regular workshops for all members in such areas as: 'working in pairs,' 'safety,' 'preparing taxes,' 'diversity' and 'environmental health.' Because English skills are so critical for business success as well as individual development, WAGES refers women to English tutoring and courses in the community.

One-to-one and committee education: Each cooperative reviews and prioritizes their individual and collective educational goals each year in the areas of personnel, finance and promotions. For example, the finance committee's education goals include learning to:

¹³All of WAGES' associated cooperatives have been approved for business start-up loans totaling \$125,000 from Lenders for Community Development, a consortium of community development banks based in San Jose.

compare budget to actuals; make bank deposits; reconcile accounts; keep financial records; pay bills; enter bills into computer; and calculate distribution to owners.

We have learned that coop members need to commit to training time in addition to their regular work and business meetings, and the cooperative needs to design ways to support that learning through incentives and/or pay.

E. Women's barriers to participation need to be addressed comprehensively.

Up to fifty percent of participants may drop out over the course of a 12-month business planning period. WAGES recruits groups of at least eight to ten members so that a minimum of five original members stays on to open the business. However, to minimize drop out and to retain worker-owners, WAGES has found the following to be true:

- Business success depends on a high level of English fluency. Participants must be enrolled in English classes during the pre-start-up business training program. Following business opening, WAGES strongly encourages women's continuation in English classes.
- Offering childcare during our trainings is essential when working with very low-income women. WAGES offers free childcare during our trainings, alternating between paying providers on-site and reimbursing women for caretakers they identify.
- Domestic violence poses a threat to continued participation for many of the women. WAGES refers participants to appropriate services.
- Meeting the spouses and partners of participants and orienting them to our program is important in order for them to offer support (or at least not impede) women's participation in our program. WAGES holds orientations for spouses and family members shortly after participants begin the planning program and actively invites them to celebrations.
- Celebrations are an important way to mark accomplishments and create a group history. WAGES organizes graduations, awards ceremonies and parties for participants, their families and WAGES supporters at program milestones.

F. Many women want to become leaders.

One of the ways in which WAGES supports this interest is to offer internship opportunities *for co-op members*. We have developed two areas for interns: 1) to learn to teach least-toxic cleaning skills to new members of the expanding cooperatives; and 2) to learn to teach business and cooperative communication skills by participating in the pre-business start-up trainings. The members recognize that training of new people is key to the successful growth of their cooperatives.

WAGES believes the internship program creates the opportunity for women to use their skills and talents in new ways, as expressed by one of the interns,

“Before Emma’s I worked as an assembly worker for ten years. I didn’t like being an employee. They didn’t recognize my capacities. Now, I’m doing work I like to do, I have opportunities to learn new skills, and I’m more confident.” -- co-op member

Our business managers have witnessed time and time again the positive impact that the cooperative internship program has had on the individual self-esteem of the co-op members. The women must first see themselves as leaders and believe in their abilities to lead and make decisions. We have seen that the women are very committed to their own and other’s learning. They are eager to learn new skills and pass them on to future co-op members through training. It is empowering for these women to share their knowledge and skills with other women.

We strongly believe that the leadership development component of the WAGES program is key to the overall success of the cooperatives.

IV. Support for our work

WAGES initial grant came from Sun Microsystems. Early on, we also received a major individual donation from the Lynn and Susan Orr Fund through the Community Foundation Silicon Valley.

This was followed by support from regional foundations including the Abelard, Jenifer Altman, Columbia, Compton, Flora Family, Friedman Family, Luke B. Hancock, Heron, LaFetra Family, Levi Strauss, Peninsula Community, San Francisco, Wakerly, and Vanguard Foundations. Over our five-year history, support from regional foundations has continued and expanded.

We have received support from national funders including Blessed Virgin Mary Sisters, Catholic Campaign for Human Development and the John S. and James L. Knight Foundation.

In 1999 we began receiving support from corporations committed to community reinvestment including Bank of America, Bank of Santa Clara, Bank of the West, Bayview Bank, Citibank, Comerica, Greater Bay Bancorp, National Cooperative Bank Development Corporation, State Farm, Union Bank, and Wells Fargo.

We also received support from health-related foundations including California Endowment, California Wellness, and Catholic Healthcare West.

And, in 1999 we received our first government grants from Redwood City and the Environmental Protection Agency for Pollution Prevention.

Finally, while we have always received support from individual donors, we expanded our individual donor campaign in 1999 to include direct mailings, house parties and the development of major donors.

At the time of this report, WAGES is also receiving support from the Ms. Foundation's Collaborative Fund for Women's Economic Development, the Rosenberg Foundation, the Women's Foundation, and the Zellerbach Family Fund.

We thank all of the investors who believe in our work.