Until 1978, commercial day cares in Alberta received no funding assistance from the provincial government. The introduction of the portable subsidy program that year and the subsequent introduction of operating allowances in 1980 encouraged significant commercial investments in day care centres in Alberta in the following decade, particularly in Calgary and Edmonton. In both of these cities, the commercial sector not only expanded in absolute terms but increased its market share relative to the not-for-profit sector. Furthermore, the promise of an excellent return on investment attracted a number of capitalist investors. Several local day care chains grew quite rapidly in these years, and the largest day care chain in the United States, KinderCare Learning Centers, built a day care in Calgary in 1982.

Needless to say, the politics of day care in the province were transformed as large investors used their financial might to political advantage. The main proponents of quality child care were relegated to the margins of policy decisions in those years, but the political influence of day care capitalists would gradually wane as successive years of relatively high unemployment and the growing popularity of family day homes (FDHs) and nannies eroded the demand for group day care, and persistent government deficits precluded any new spending initiatives. Furthermore, the “back-to-the family,” or “pro-family,” movement became a political force in Alberta in the 1980s, and this movement soon exercised an influence on Tory politicians that exceeded that of day care capitalists.

A former director of the provincial Day Care Branch, Dennis Maier, noted that “there was an expression, and I only present it as an expression, that operating a day care centre in the 1980s was a license to print money. It was very, very lucrative.” By the mid-1990s, however, the economics of day care were
fundamentally changed. One indication of this change was that the Kindercare chain in Calgary (no organizational connection to the U.S.-based KinderCare Learning Centers: thus the difference in spelling) was put into receivership in 1994, followed two years later by the Educentres chain. In politics, the old animosity between the commercial and not-for-profit sectors gave way to an uneasy alliance as the very survival of licensed day care became the overriding policy question. Their common opponent was the pro-family movement, proponents of which called on the province to redirect government monies toward the care of young children at home.

A FLURRY OF CAPITALIST INVESTMENT, 1975–82

Between 1975 and 1982, the number of licensed day cares in Alberta increased by 75 percent while the number of licensed spaces increased by 122 percent (calculated from data in tables 4.2 and 6.1). The greater increase in licensed spaces was accommodated by an increase in the average capacity of a day care from thirty-six to forty-six children. In addition, the commercial sector’s share of day care spaces increased from 55 percent in 1975 to 69 percent in 1982. In all three regions reported in these tables, the commercial sector’s share of day care spaces grew between 1975 and 1982, with the percentage increase being smallest in Calgary (10 percent) and largest in Alberta excluding Calgary and Edmonton (29 percent). The size of the latter increase reflects the fact that there were relatively few commercial day cares outside of Calgary and Edmonton in 1975 (a mere fifteen in total), and thus many opportunities arose to establish commercial day cares in the late 1970s and early 1980s as Preventive Social Service (PSS) funding was discontinued, particularly in small cities where the demand for day care was growing. In Calgary, the 10 percent increase raised the commercial sector’s share of licensed spaces to 79 percent in 1982 (table 6.1).

I have defined a day care chain as two or more centres under the same ownership with an aggregate capacity of eighty children or more. In 1982 chain day cares numbered twenty-three in each of Edmonton and Calgary. However, there was a significant difference between cities in the character of these chain centres: while their average capacity was seventy-nine children in Calgary, it was only fifty in Edmonton (table 6.1). A breakdown of the twenty-three chain centres in Calgary is found in table 6.3. Thirteen of the centres were part of either the Kindercare or Panda chains, the two chains that meet my definition of larger
chains (those that consist of a minimum of four centres with a minimum aggregate capacity of two hundred children). These thirteen centres had an average capacity of ninety children, with Abbeydale Kindercare being licensed for 156 children in a building with over five thousand square feet of floor space. The largest centre in the Panda chain was licensed for 120 children. At this time, both the Kindercare and Panda chains were building centres that were larger than the industry standards in the United States. They were at the forefront of a trend to introduce significant economies of scale into commercial day care, thus reducing per-unit costs. With a favourable cost structure and a strong demand for day care, these centres could squeeze competitors by offering lower prices for day care; even when offering comparable prices, they could generate a higher return on investment.

It is important to note that both the Kindercare and Panda chains made investments in large day cares prior to the introduction of operating allowances in 1980. Their investments were made on the basis of Alberta’s relatively lax

<table>
<thead>
<tr>
<th>Auspice</th>
<th>Edmonton</th>
<th>Calgary</th>
<th>Rest of Alberta</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Licensed capacity</td>
<td>Average size</td>
</tr>
<tr>
<td>All chains a</td>
<td>23 (17%)</td>
<td>1,154 (21%)</td>
<td>50</td>
</tr>
<tr>
<td>Independent</td>
<td>69 (51%)</td>
<td>2,705 (48%)</td>
<td>39</td>
</tr>
<tr>
<td>commercial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total commercial</td>
<td>92 (68%)</td>
<td>3,859 (69%)</td>
<td>42</td>
</tr>
<tr>
<td>Total not-for-profit</td>
<td>43 (32%)</td>
<td>1,752 (31%)</td>
<td>41</td>
</tr>
<tr>
<td>All centres</td>
<td>135</td>
<td>5,611</td>
<td>42</td>
</tr>
<tr>
<td>Region as % of total for Alberta</td>
<td>36%</td>
<td>32%</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

SOURCE: Alberta Social Services and Community Health, Day Care Branch, “Day Care Centres Operating in the City of Calgary (likewise “in the City of Edmonton” and “in the Province of Alberta”), Updated January 1, 1982” (PAA, q2.150, box 2).

The data for Calgary include day cares that started operating in the early part of 1982.

A “chain” consists of two or more centres, under the same ownership, with an aggregate capacity of at least 80 children.
regulatory standards at the time (which meant that licensed day care could effectively compete with unlicensed day homes for middle-class business) and the booming economy. These favourable market conditions also attracted the interest of the largest American day care chain, KinderCare Learning.

KINDERCARE LEARNING (BRIEFLY) COMES TO ALBERTA

Until 1968, commercial day care in the United States was offered solely in “mom and pop” centres, just as it was in Alberta. The following year, the first KinderCare centre opened in Montgomery, Alabama, the brainchild of a real estate entrepreneur, Perry Mendel. KinderCare centres were each topped by a red roof and steeple with a decorative black bell, and in American cities such as Atlanta, soon became as much a feature of the urban commercial landscape as McDonald’s and other fast food restaurants. “Kentucky fried children” and “Kentucky fried day care” were the caustic terms coined by KinderCare’s early critics, as much for the firm’s slick mass marketing as for the fact that its red roof tiles were virtually indistinguishable from those of KFC restaurants (Goyette 1981; Lelveld 1977; see also Englade 1988, 44, and Neugebauer 1988, 29). But while the critics despaired at the thought of children being cared for in cookie-cutter chain outlets, Mendel himself revelled in the comparison and treated McDonald’s as a business model (Lynn 1978, 20).

KinderCare expanded rapidly in the 1970s by forming partnerships with real estate developers in different cities. By 1978 there were two hundred and fifty centres in the chain, spread across twenty-four states. The company only owned about 20 percent of these centres, however. The other 80 percent were owned by developers and their investment partners, who purchased land and built a centre to KinderCare specifications and then leased the centre to KinderCare on a long-term basis (Lynn 1978, 18). It is this latter business model that was to be the basis for KinderCare’s arrested expansion into Alberta in the early 1980s, with Great-West Life serving as the developer.

During the 1970s, KinderCare Learning lagged behind La Petite Academy as the day care chain with the most centres in the United States, but in 1979, KinderCare purchased one of its main rivals, Mini-Skool Ltd., and unambiguously established itself as the leading American day care chain. Mini-Skool had begun in Winnipeg in 1969, but at the time of its acquisition by KinderCare, Mini-Skool had many more centres in the United States (seventy-one) than in
Canada (seventeen) (Cowern 1986). Significantly, in 1977 Mini-Skool Ltd. had a larger revenue than either La Petite Academy or KinderCare (Lynn 1978, 18), thus making it an attractive target for a takeover.

In the late 1970s, KinderCare Learning was generally building centres to hold seventy or one hundred children (Lynn 1978, 18). For instance, the Beamer Road KinderCare in Houston opened in 1977 and accommodated a maximum of one hundred children in 2003. However, the company found that larger centres were much more profitable because of economies of scale and consequently chose to increase the size of the new centres it opened in the 1980s and 1990s. A 1988 investment analysis reported, “In the past two years, KinderCare Learning Centers has enlarged its prototype unit from an average capacity of 110 children to 135” (Alex, Brown & Sons 1988). By the mid-1990s, KinderCare was designing centres to hold 150 to 200 children. A 1998 investment report noted that the prototype for new KinderCare centres accommodated 180 children, although the company had opened centres with a capacity as high as 280 (Moody’s Investors Service 1999).

When KinderCare Learning and Great-West Life officials met with Alberta civil servants in early 1981, they were informed of the government’s intention to set the maximum day care size at eighty. But this did not discourage KinderCare from proceeding with plans to expand into Alberta, undoubtedly because the company had recent experience with building centres with capacities as small as seventy and because provincial operating allowances enhanced the profitability of smaller centres. It is unlikely the company would have made the same business decision in the later 1980s or the 1990s, both because it had decided that much larger centres were a better investment and because Alberta stopped increasing operating allowances, thus allowing the value of the allowances to be slowly eroded by inflation from 1984 onwards (table A.6).

KinderCare Learning Centers had bought Mini-Skool Ltd. from its third owner, Great-West Life of Winnipeg. Thereafter, Great-West Life purchased 1.5 percent of the common shares of KinderCare Learning (for $1 million), and the two companies began talking about a joint venture in day care in Canada. Given the oil boom and the business-friendly policies of the provincial government, Edmonton and Calgary were identified by KinderCare as prime places to build day care centres in Canada. When the company indicated its interest in expanding to Alberta, there was an immediate negative reaction from the president of the Day Care Association of Calgary (DCAC), Caroline Kiehlbauch, operator of Fairyland Day Care. “We have enough daycare centres as it is,” stated Kiehlbauch. “A chain would take away the personal touch of each community centre.”
### Table 6.2 Licensed Day Care in Alberta, 1995, by Region and Auspice

<table>
<thead>
<tr>
<th>Auspice</th>
<th>Edmonton</th>
<th>Calgary</th>
<th>Rest of Alberta</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Licensed capacity</td>
<td>Average size</td>
</tr>
<tr>
<td>Larger chains a</td>
<td>9</td>
<td>580 (5%)</td>
<td>64</td>
</tr>
<tr>
<td>Smaller chains a</td>
<td>34</td>
<td>1,923 (17%)</td>
<td>57</td>
</tr>
<tr>
<td>All chains</td>
<td>43</td>
<td>2,503 (22%)</td>
<td>58</td>
</tr>
<tr>
<td>Independent commercial</td>
<td>148</td>
<td>6,562 (59%)</td>
<td>44</td>
</tr>
<tr>
<td>Total commercial</td>
<td>191</td>
<td>9,065 (81%)</td>
<td>47</td>
</tr>
<tr>
<td>Total not-for-profit</td>
<td>56</td>
<td>2,152 (19%)</td>
<td>38</td>
</tr>
<tr>
<td>All centres</td>
<td>247</td>
<td>11,217 (45)</td>
<td>45</td>
</tr>
</tbody>
</table>

Region as % of total for Alberta:
- 40% Edmonton
- 36% Calgary
- n.a. Rest of Alberta

Source: Alberta Social Services, Day Care Information System, Listing of Facilities: Day Care Centres, 7 June 1995.

a “Larger chain” consists of a minimum of four centres, all under the same ownership, with a minimum aggregate capacity of 200 children. A “smaller chain” consists of two or three centres with an aggregate capacity of at least 80 children or four or more centres with an aggregate capacity greater than 79 children but less than 200 children.

It is significant that from 1975 to 1982, independent commercial operators maintained their share of licensed day care spaces in Calgary at approximately 55 percent (compare tables 4.2 and 6.1). However, they knew they would have difficulty withstanding competition from chains over time. This concern was born out in subsequent years, since by 1995 independent commercial operators would control only 27 percent of licensed spaces in Calgary (table 6.2).

Provincial day care bureaucrats, however, had a broader view of the potential negative repercussions of a KinderCare Learning expansion into Alberta. On 22 January 1981, three senior day care bureaucrats met with six individuals involved in planning the expansion, including the Ontario-based director of Mini-Skool,
From Corporatized Chains to “Mom and Pop” Centres

a KinderCare Learning public relations executive from the United States, and three representatives of the real estate division of Great-West Life. Great-West had agreed to spend up to $50 million to bankroll KinderCare Learning Centers’ expansion in Canada. The plan was for Great-West Life to build approximately one hundred new day care centres on sites selected by KinderCare Learning and then lease the facilities to KinderCare, which would operate the day cares.

Although the meeting “was amiable and friendly,” the KinderCare Learning and Great-West Life representatives proved to be singularly inept lobbyists. The corporate officials “outlined the history of Mini-Skool, showed a film and gave indication of their plans to build many centres in Urban Alberta where they feel the market is good.” However, a follow-up letter by a Great-West Life real estate representative set alarm bells ringing for the civil servants. Larry Taggart suggested that Mini-Skool would soon be a dominant player in Alberta day care. He portrayed this as a good thing for civil servants since “your department will be able to effect changes and suggestions in a significant sector of the child care community by simply contacting the Mini-Skool Director in Alberta.”

Taggart had hoped that the civil servants would see government’s role in day care being made easier when Mini-Skool assumed a pre-eminent position in the urban marketplace and government could work hand in hand with the company. This was precisely the wrong argument to make. For one thing, the civil servants dealt with the owners of homegrown day care chains and had learned that these capitalists were more likely to oppose government initiatives than co-operatively fall in line after a phone call. In situations of policy or administrative conflict, day care chains were difficult adversaries because their economic position gave them considerable political resources, particularly access to a large body of parents for mobilization and the economic power to mount concerted lobbying campaigns.

KinderCare Learning and Great-West Life anticipated opening a number of Mini-Skool centres in Alberta in the early 1980s. In the middle of 1980, a KinderCare Learning vice-president estimated that “a maximum of five or six centres” would be built in each of Edmonton and Calgary, and as the corporate plan developed in 1981–82, Alberta was apparently slated for ten centres. In 1982 Great-West Life made an initial investment of $5 million to construct four new Mini-Skool centres in Canada, one of which was actually constructed in Calgary. However, it was never opened as a Mini-Skool centre because of a highly successful boycott threat levelled by the Canadian Union of Public Employees (CUPE). CUPE believed that “the profit motive in day care poses a serious threat to the quality of care provided to children.”
The initial announcement of the partnership between Manitoba-based Great-West Life and KinderCare Learning Centers led to the Manitoba Child Care Association withdrawing its business from a Great-West Life insurance and benefits plan effective 1 July 1981. The child care association expressed concerns that the quality of care in KinderCare Learning centres would be inferior to that found in not-for-profit centres. Great-West Life lost 204 customers but indicated that the plans to build day cares for KinderCare Learning would proceed.10 But the boycott of the insurance firm went from small potatoes to the big time when it was joined by CUPE. At its May 1982 national convention, the union passed a resolution calling on locals to cancel insurance policies with Great-West Life if it continued its business association with KinderCare Learning. Within weeks, Great-West Life announced it would “divest itself of all interest in a chain of daycare centres as soon as it is financially possible.” A Great-West Life official credited the CUPE boycott with forcing the decision: “When enough of your policy holders express concern about what you’re doing, you have to be attentive to them.”11

KinderCare Learning was highly contemptuous of the threatened union boycott and critical of Great-West Life for withdrawing from the business deal. The company’s vice-president of real estate referred to CUPE members as “idiots,” “socialists,” “communists,” and “lunatics.” In regard to Great-West Life, he said, “They allowed a bunch of union people, who don’t know what they’re talking about, to spew garbage and force them to dump us.” Despite all of this tough talk, however, KinderCare Learning was beaten: it cancelled its planned expansion into Canada.

It is noteworthy that the president of the Day Care Society of Alberta (DCSA), Jacqui Kallal, spoke against CUPE’s threatened boycott of Great-West Life because it undermined the “open market” in day care. This indicates that the existing commercial operators in Alberta were split over the possibility of KinderCare Learning coming to Alberta. While the president of the DCSA (which represented 120, or about 45 percent, of the commercial centres in Alberta, a large number of which were part of chains) favoured allowing KinderCare to compete for Alberta business, the president of the DCAC was firmly opposed. U.S.-based KinderCare Learning’s planned expansion into Alberta between 1980 and 1982, therefore, did not serve to unite the Alberta-based commercial sector against the Yankee invader. Instead, it served to highlight and reinforce the deep division between the two main camps of commercial operators. At the same time, however, the episode created an interesting coalition of opposition that included advocates for not-for-profit care, government bureaucrats, and smaller commercial operators.12
The issue of foreign control of day cares had seemingly been addressed in the Day Care Regulation of 1978. It specified that day care licenses would only be issued to a corporation if it “is incorporated by or under an Act of the Legislature” and “is controlled by residents of Alberta” (Alberta 1978). However, KinderCare Learning planned to skirt the regulation by setting up a subsidiary corporation that listed Alberta residents as directors and then having this subsidiary hold the day care licenses.\(^{13}\)

Shortly after the collapse of the Great-West Life/KinderCare Learning partnership, the Alberta Day Care Advisory Committee (ADCAC) tried to close the loophole that would have allowed KinderCare Learning to use a subsidiary to secure day care licenses in Alberta. As part of its recommendations for a new day care act, the ADCAC proposed that the regulatory wording “a corporation … controlled by residents of Alberta” be changed to “a corporation … in which a majority of the issued shares are held by residents of Alberta.” The department of Social Services and Community Health (SSCH) officially endorsed this proposal a few months later, recognizing that it would “prevent foreign companies, e.g., American Mini-Skool, from establishing themselves in Alberta.”\(^{14}\)

The plans for a new day care act were abandoned in 1983, and the social planning committee and cabinet rejected “the recommendation to eliminate possibility of foreign ownership … as it is not viewed to be a necessary step at this time.”\(^{15}\) This is a good example of cabinet disregarding the advice of civil servants and proceeding on its own distinctive policy path. The failure to close the foreign ownership loophole is a sign of the Lougheed cabinet’s fundamental aversion to limiting the rights of business owners.

The regulatory wording in question remained in place between 1978 and 1995, seemingly preventing American corporate day care giants from expanding into Alberta but in fact doing no such thing. In 1995 the neo-liberal government of Ralph Klein abandoned the charade by removing all mention of Alberta residency as a precondition for day care licensing (Alberta 1995).

With KinderCare Learning exiting from Alberta in mid-1982, the field was left wide open for homegrown day care capitalists to take advantage of the generous provincial operating allowances to expand their own chains of centres. The next section profiles Alberta’s premier day care capitalist for two decades, Dennis Sorensen, whose day cares were known by the Kindercare brand name even though he had no organizational tie to the U.S.-based KinderCare Learning chain. Nevertheless, there are some important parallels between how Sorensen’s modest local chain developed in the 1980s and early 1990s and what happened
with Perry Mendel’s large U.S.-wide chain. These parallels point to the limitations of a corporatized approach to day care.

**ALBERTA’S PREMIER DAY CARE CAPITALIST**

In 1975, 13 percent of the licensed day care spaces in Calgary were controlled by the owners of small chains, with each of these three chains including two or three centres (table 6.3). Dennis Sorensen and his first wife, Darlene, owned the three centres in the Mother Duck’s chain. These were modest-sized day cares with an average capacity of forty-five children. Like many commercial operators in the 1960s and early 1970s, the Sorensens had started out in the business by establishing a day care in the basement of their own home. In the late 1960s and early 1970s, Dennis Sorensen took a leading role among Calgary’s commercial operators in opposing the city’s system of PSS day cares.16

Sorensen saw the potential to take a corporate approach to day care in Calgary and moved decisively in this direction in the late 1970s. All three Mother Duck’s centres had been sold by 1978 and Mr. Sorensen began to build large centres with capacities for one hundred or more children.17 He also abandoned the Mother Duck’s brand name in favour of Kindercare.

In the early 1980s, some of the Kindercare centres were owned solely by Dennis Sorensen through stand-alone corporations (e.g., Abbeydale Kindercare Centre Ltd.). Many of the centres, however, were owned by Canadian Kindercare Ltd., Sorensen being one of the four partners in this company and holding a 25 percent ownership stake.18

Sorensen’s corporate approach to day care was quickly opposed by the same coalition of interests that had objected to U.S.-based KinderCare Learning establishing a presence in Alberta. At its meeting on 14 August 1982, the ADCAC unanimously recommended that no operator be allowed to control more than four hundred licensed spaces.19 The fact that the commercial operators on the committee, including a past president of the Private Day Care Society of Alberta (PDCS), did not object to the recommendation suggests the widespread concern generated by Sorensen’s dynamic entrepreneurship. Indeed, in the mid-1980s, Dennis Sorensen was publicly critical of the leadership of the DCSA, asserting that they were “a bunch of broads afraid of the competition.”20 As is detailed in the next section, in 1983 the provincial government amended the Day Care Regulation to restrict the ownership rights of Dennis Sorensen and the other
owners of large day care chains. However, Sorensen and the other day care capitalists soon found ways around the restriction, and the government lacked the conviction to force the matter.

In the mid-1980s, Dennis Sorensen was the outspoken and flamboyant face of corporate day care in Calgary. A 1985 newspaper story portrayed him as ostentatiously wealthy, driving a $52,000 Jaguar owned by his day care company and boasting that he had been able to pay cash in a recent takeover of a Calgary microelectronics company. Sorensen’s wealth was fuelled by the hundreds of thousands of dollars in government-issued operating allowances that his day cares received each year.21 In the mid-1980s, Sorensen had diversified his

---


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of centres</td>
<td>%</td>
<td>Number of centres</td>
<td>%</td>
<td>Number of centres</td>
</tr>
<tr>
<td>(average size)</td>
<td></td>
<td>(average size)</td>
<td></td>
<td>(average size)</td>
</tr>
<tr>
<td>Larger chains</td>
<td>0</td>
<td>13 (90)</td>
<td>16%</td>
<td>50 (69)</td>
</tr>
<tr>
<td>Smaller chains</td>
<td>8 (53)</td>
<td>10 (66)</td>
<td>9%</td>
<td>36 (58)</td>
</tr>
<tr>
<td>All chains</td>
<td>8 (53)</td>
<td>23 (79)</td>
<td>25%</td>
<td>86 (64)</td>
</tr>
<tr>
<td>Independent commercial</td>
<td>57 (33)</td>
<td>79 (49)</td>
<td>54%</td>
<td>51 (57)</td>
</tr>
<tr>
<td>Total commercial</td>
<td>65 (35)</td>
<td>102 (56)</td>
<td>79%</td>
<td>137 (62)</td>
</tr>
<tr>
<td>Total not-for-profit</td>
<td>21 (48)</td>
<td>28 (54)</td>
<td>21%</td>
<td>38 (57)</td>
</tr>
<tr>
<td>All centres</td>
<td>86 (39)</td>
<td>130 (56)</td>
<td>100%</td>
<td>175 (61)</td>
</tr>
<tr>
<td>Total licensed capacity</td>
<td>3,320</td>
<td>n.a.</td>
<td>7,258</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

SOURCES: For 1975: Alberta Social Services and Community Health, Homes and Institutions Branch, “Day Care Centres Operating in the City of Calgary (likewise “in the City of Edmonton” and “in the Province of Alberta”) as of July 1, 1975” (PAA, 83.385, file 12). The list for Calgary omitted day cares whose names began with the letters D, E, and F.

Supplementary information was used to correct this error.

For 1982: Alberta Social Services and Community Health, Day Care Branch, “Day Care Centres Operating in the City of Calgary” (likewise “in the City of Edmonton” and “in the Province of Alberta”), Updated January 1, 1982” (PAA, 92.150, box 2). The data for Calgary include day cares that started operating in the early part of 1982.


For 2002: Spreadsheet provided by Alberta Children’s Services, Child Care Information System.

* For definitions, see table 6.2.
business holdings. In doing so, he was simply following a basic rule of capitalism: shift capital to where the potential return on investment is highest. The pitfall of this strategy, however, is that when speculative investments go sour and/or the economy slows, there will be insufficient financial resources to maintain the integrity of the original business—in this case, day care. In such an eventuality, young children suffer the consequences of entrepreneurial failures. For those Albertans who believe that child care is too important to be subject to the vagaries of the capitalist marketplace, this scenario points to the fatal deficiency of corporatized day care. Their alternative blueprint requires any surplus generated by a day care to be directly reinvested in quality care or preserved in a contingency fund to be used to cover emergency capital expenditures or the deficits in difficult years.

Dennis Sorensen’s business affairs became complicated in 1984 when he and his three partners in Canadian Kindercare Ltd. had “a falling out.” They split into two businesses, which were formally separated in the 1986 Yellow Pages. Sorensen’s former partners adopted the new brand name of Playcare and listed eleven centres in their chain, while Kindercare listed nine centres. During the next few years, the Playcare chain slowly declined: by 1991 it had shrunk to two centres. Meanwhile, Kindercare listed eighteen centres in both 1989 and 1990, and in 1990, for the first time, took out a display advertisement for the entire chain.

With eighteen centres and over fifteen hundred spaces in Calgary in the late 1980s, Dennis Sorensen was by far the largest day care operator in Alberta. Compared to the nationwide commercial chains found in the United States, however, his business was tiny. The largest of those chains, KinderCare Learning, had grown from 250 centres in 1978 to 1,290 in 1989 (Neugebauer 1988, 31; 1989, 20). Despite the differences in the size of their businesses, however, Dennis Sorensen was every bit as much an entrepreneurial capitalist as Perry Mendel, and he undermined the financial integrity of his day care chain just as Mendel did his.

The early 1990s was a very difficult time for Kindercare and numerous other day care operators in both the commercial and not-for-profit sectors. The government had last increased operating allowances in 1984, so inflation had gradually reduced the real value of those allowances (see table A.6). Then, in June 1990, the provincial government announced a plan to reduce operating allowances (see details in chapter 7). By 1995 the monthly operating allowance for an infant was only 48 percent of its real value a decade earlier ($226 versus $469 [in
2006 dollars); see table A.6). For toddlers and preschoolers, the allowances paid in 1995 were 50 percent and 65 percent, respectively, of the real value of allowances paid in 1985.

The reductions to operating allowances in the first half of the 1990s created financial problems for many day cares, since demand was weak due to an economic recession. This meant that if they increased fees to compensate for the reduction in operating allowances, they ran the risk of losing price-sensitive customers who were ineligible for a low-income subsidy. In early 1994, Pierrette Sorensen, Dennis Sorensen’s second wife and then-president of the DSCA, cited “underground babysitting” as the main reason that licensed day cares were having problems filling their centres.23

In the economic recession of the early 1990s, the unemployment rate for Alberta women twenty-five years and older peaked in August 1993 at 10.6 percent.24 In January 1994, Kindercare, with the blessing of its mortgagors, announced its desire to sell four or five of its seventeen day cares and apply the proceeds to paying down the mortgage at the other centres. At the time, the vacancy rate at some Kindercare centres was 50 percent or more. Abbeydale Kindercare, for example, had an enrollment of around forty-five children in the spring of 1994 even though it had a combined day care/out-of-school care (OOSC) license for 160.25

The attempt to sell some centres was unsuccessful, however, and in April 1994, the mortgagors put three of Dennis Sorensen’s companies into receivership. Sorensen saw his day care chain shrink from seventeen to five centres as a result of the bankruptcy. In the case of one of the centres he held onto, Dover Kindercare, Sorensen seems to have gotten a very favourable deal from the receiver, likely because there were no other interested parties. He repurchased he day care, licensed for eighty children, for only $110,000 on 7 July 1994 and was able to mortgage the property for $108,750 with CIBC Mortgage Corporation. A conservative estimate would put the purchase price at approximately 25 percent of the replacement cost of the day care.26

In the years leading up to bankruptcy, Dennis Sorensen’s Kindercare chain had no financial reserves, since profits had been invested in other businesses in the 1980s. This had very telling consequences for the quality of care at the Kindercare centres. Nizar Daya, whose Kidsland chain bought six of the former Kindercare centres from the receiver in 1994, noted that although the buildings were fairly new, Kindercare had not invested in their upkeep and maintenance. Consequently, although they remained attractive from the curb, they needed new
interior paint and carpeting, “equipment was fairly sparse,” and “playgrounds were in very bad shape.” Daya noted, “I virtually had to put new playgrounds in all the centres when I took over.” He also asked, rhetorically, “How can you run a day care without equipment?”

On a very small scale, Dennis Sorensen’s business problems mirrored those of Perry Mendel in the United States. KinderCare Learning’s growth in the 1980s was financed with money raised on bond markets rather than through deals with developers like Great-West Life. Perry Mendel and his close business associate, Richard Grassgreen (appointed company president in 1985), not only expanded their day care company with money raised by issuing bonds, but they also purchased a range of diverse companies. These included a potash company, a shoe retailer, and the American Savings & Loan Association of Florida. Mendel and Grassgreen had close working relations with the 1980s master of junk bonds and leveraged takeovers, Michael Milken of Drexel Burnham Lambert, whose advertisements featured KinderCare, “touting how innovative financing can provide capital for a new industry” (Lewin 1989, 89). The KinderCare executives even went so far as to commit their firm to buying $200 million of junk bonds of other companies through Drexel. For one of these transactions (involving $125 million in junk bonds), Drexel paid a $965,000 commitment fee (kickback), which Mendel and Grassgreen pocketed. Eventually the two executives were charged and convicted with insider trading (securities fraud) on their takeover deals and with tax evasion on the $965,000 kickback. Grassgreen was a prominent witness for the prosecution in the trial of Michael Milken.

As part of their diversification schemes, Mendel and Grassgreen had severed the day care business (still called KinderCare Learning) from the parent company in 1987, although the former remained a wholly owned subsidiary of the parent (Shearson Lehman Hutton Inc. 1989). Nevertheless, the day care business continued to serve its owners’ diversification scheme. For instance, in late 1987 and early 1988, KinderCare Learning raised $150 million by selling fifteen-year subordinated notes; it then loaned the money to its parent company for the purchase of American Savings & Loan (Alex, Brown, and Sons 1988). By the late 1980s, the parent company had “$620 million worth of Milken junk versus $278 million in tangible net worth.” Facing a severe financial squeeze, Mendel and Grassgreen sold KinderCare Learning in 1989 (Dubashi 1993, 32). This did not put the day care business back on its feet, however. For one thing, the operational side of the company had suffered since 1986, when senior management started funnelling profits from day care into the other businesses.
and neglecting the day care business. As a consequence, buildings were not properly maintained and day care programming stagnated (Neugebauer 1994). A second and more severe problem was the terms of the takeover deal. The new owners purchased KinderCare Learning for only $200 million but agreed to assume $350 million in debt. The huge debt load inhibited growth in the early 1990s since it entailed $45 million in annual interest payments, and it eventually forced the company to seek bankruptcy protection in 1993; the debt load was relieved by convincing creditors to accept equity in exchange for debt (Neugebauer 1994).

The owners of KinderCare Learning had used profits from their day care business as a springboard for entry into the 1980s world of junk bond financing and corporate diversification. The speculative activities of Mendel and Grassgreen compromised the quality of the care offered at KinderCare Learning Centers in the late 1980s and early 1990s, and the firm was eventually forced into receivership. Greed, excess, corruption, and failure—one might argue that these are merely the negative consequences that one must be prepared to tolerate in a dynamic economic system that rewards risk taking and innovation, and values profit above all else. But when the integrity of a day care business is put in doubt by speculation and when the quality of children’s care is compromised because financial resources have been squandered on other investments, the appropriateness of corporatized day care is certainly called into question.

When Dennis Sorensen’s Kindercare chain in Calgary collapsed in 1994, a number of investors competed against each other to pick up the pieces. In addition to the six centres purchased by the Kidsland chain, three centres were purchased by the Magic Mountain chain based in Airdrie, two by the Panda chain, and one by Playcare. For the best of the Kindercare centres, these companies bid against each other. Nevertheless, one thing this receivership sale did was put a lie to the notion that one’s principal is safe in a commercial investment in a day care in Alberta. Day care buildings have very specific design features and are not easily converted to other uses, so the market for a day care property is fairly small, especially when the day care vacancy rate is high and the property itself is in poor condition.

Dennis Sorensen survived bankruptcy and the dismantling of his day care chain in 1994, and he persevered to remain in the day care business. After his tragic death from a heart attack, Pierette Sorensen continued to operate the downsized Kindercare chain for a few years: a Yellow Pages advertisement featuring all five Kindercare centres ran until 2004–5.
SIZE WARS: HOW THE BIG CHAINS KEPT GETTING BIGGER

Responding to pressure from both commercial and non-profit groups, and to the recommendation of the ADCAC, in 1983 the government moved to formally limit the power of Dennis Sorensen and other entrepreneurs with ambitions of building large day care chains. A regulatory amendment (Alberta 1983) was intended to prevent a single operator from controlling more than five hundred day care spaces. 30 Five reasons for the amendment were subsequently listed by a civil servant:

a) to ensure a continued variety of auspices and parent choice,
b) to reduce the risk of unions entering the industry, as they have with Mini-Skools in Ontario, and the passing on of increased costs to parents,
c) to prevent a large single lobby of operators and parents, when government funding or program standards are being amended,
d) to reduce the possibility that as programs of chain operations tend to become institutionalized, staff may become less responsive to needs of individual children and families,
e) to prevent unfair competition with small, family operated centres. 31

Of particular note are (b) and (c). Point (b) reveals the willingness of the provincial government to take the unusual step of restricting the ownership rights of day care owners in order to reduce the likelihood of the unionization of commercial day care workers. Point (c) indicates that the government not only favoured a fragmented day care lobby but enacted policy to sustain that fragmentation.

At the time of the 1983 amendment, Dennis Sorensen already controlled in excess of five hundred licensed spaces. The good news for him was that the five hundred limit did not apply to the ownership of existing centres or centres under construction. Furthermore, in an interpretation that appears to contradict the wording of the 1983 amendment, “both Dennis Sorensen Day Care and Canadian Kindercare Ltd. were viewed as separate business entities” with independent aggregate capacities of five hundred when the amendment took effect. 32

It must be remembered that this amendment was introduced at the exact moment when there were huge profits to be made in commercial day care (due to the size of the public subsidy available through operating allowances and the low wage costs associated with an unskilled workforce). As a consequence, Dennis Sorensen and his partners in Canadian Kindercare first tried to prevent
the introduction of the amendment and then, after it was implemented, actively circumvented it.

The new minister of SSCH, Neil Webber, received a letter from Canadian Kindercare on this matter in late December 1982. It argued that the proposed restriction “would be an unwarranted intrusion by government into the private sector” and that its intent “seems to be an attempt to limit the growth of a very successful company.” It also complained that the ADCAC had not given them early notice of its proposed amendment and had “declined to meet with us on other issues.” Minister Webber met with the Canadian Kindercare president on 9 February 1983.

The Kindercare partners were unsuccessful in blocking the ownership limit from becoming law. Nevertheless, they did not let the new regulation slow down their planned corporate expansion. They circumvented the regulation through leasing arrangements by having an employee or a family member hold the license for a particular day care and by splitting the ownership of the day cares in their chain among different registered companies. By 1985 two other Calgary day care chains—Panda and Educentres—were butting up against the five hundred limit. They also chose creative ownership arrangements to bypass the regulations.33 Provincial civil servants favoured closing the loopholes being used by day care capitalists to create large chains in Calgary, but their recommendations to this effect in July 1985 and July 1986 were not acted upon.34

The regulation capping day care ownership at five hundred spaces had been approved at a sensitive point in provincial day care politics. On 25 May 1983, the executive committee of SSCH recommended against the ADCAC’s proposal for a special act for day care. This negative recommendation was based upon the Executive Committee’s opposition to mandating a developmental focus for day care in Alberta, partly because it would require increased regulations and “the infusion of a substantial amount of new funds” and partly because “as yet, there does not appear to be a very strong demand for such focus from parents using day care centres.”35 This negative decision was followed within weeks by the decision to proceed with a regulatory limit on the size of day care chains. The five hundred-space limit can thus be seen as a concession to the ADCAC and the broader movement for quality day care at a time when most of its agenda had been swept aside.

In the years immediately after the proclamation of the regulation, however, there was a substantial change in the political dynamics of the day care issue in Alberta. The ADCAC was disbanded in 1986, removing a constant thorn in the government’s side. Furthermore, advocates for early childhood education and
care (such as the Alberta Association for Young Children and municipal social services bureaucrats) had less and less influence on provincial policy. Not coincidentally, the influence of the DCSA grew in this period in step with the rapid expansion of commercial day care, especially the chains. Civil servants captured this change in political climate with their 1986 observation, “Of particular note is the fact that while Kindercare has continued over the past year to grow through leasing arrangements, there appears to have been no public concern expressed on the part of day care operators or the community at large.” By 1986 there remained very little political pressure on the government to rein in the growth of Calgary’s expanding day care chains.

GOVERNMENT AND COMMERCIAL OPERATORS UNITED AGAINST LABOUR UNIONS

The difficulties that labour unions have had in trying to organize workers at bank branches, fast food restaurants, and even department store outlets are well documented. The unity of a small group of workers can easily be disrupted by the employer, and a large employer can spend large sums of money in fighting unionization. As a last resort, a pretext can be found to close a unionized branch, restaurant, or store since any one outlet is relatively insignificant to the overall business.

A drive to unionize the workers at one of the centres owned by a large American day care chain like KinderCare Learning or La Petite Academy would run into exactly the same difficulties. Indeed, apparently not a single centre owned by a major American chain was unionized in 1998. In the early 1980s, however, a number of Mini-Skool centres in Ontario were successfully unionized, and a lengthy strike ensued. This development was closely monitored in Alberta by both provincial bureaucrats and commercial operators who feared the same thing might happen in their province.

Three Mini-Skool centres in Ontario were organized by the Ontario Public Service Employees Union. When contract negotiations broke down between the union and Mini-Skool Ltd., workers at the three centres went on strike in early October 1982. The major issue in the Ontario strike was wages. In 1982 the minimum wage in Ontario was $3.50 per hour while unionized workers in municipally run centres in Toronto earned around $10 per hour. The largest category of worker at the Mini-Skool centres, assistant room supervisors, earned just $4.08 per hour before the strike. A contract agreement between the
Ontario Public Service Employees Union and Mini-Skool Ltd. was finally reached in late May 1983 to cover two centres (a third centre was closed). The wage rate of assistant room supervisors was raised to $5.16 per hour as of 1 September 1983, an increase of 26 percent compared to October 1982.39

While the Ontario strike was ongoing, the DCSA held its first meeting with Minister Neil Webber.40 Although the previous minister, Bob Bogle, had abandoned the government’s promise to establish a registry of day care workers, the DCSA was concerned that the idea might make a comeback. President Jacqui Kallal wrote, “The Registry of the type being proposed by some people in your department is in our opinion a stepping stone for the unionization of day care workers in Alberta.” After this meeting, Minister Webber asked the civil service to comment on the issues raised by the DCSA. In regard to the proposed registry, Webber asked a number of questions, including “Would it facilitate unionization?”41

The director of the day care program, Melane Hotz, prepared a twenty-one-page document that systematically addressed the issues raised by the DCSA with Minister Webber. The section “Potential for Unionization” began with the observation: “The registry of workers proposed will, in the first place, lead to higher salary demands, rather than unionization.” Hotz stated that if day care workers were legally required to hold college credentials, they would soon be demanding salaries on a par with individuals holding similar college credentials in other fields. This eventuality would put pressure on both commercial operators’ profits and parent fees. In turn, increased fees would increase the vacancy rate in day care.

It must be remembered that when Hotz wrote this document, the Mini-Skool strike in Ontario was ongoing and the Ontario Public Service Employees Union was using the wage levels in municipally run centres as a reference point for its contract demands. Hotz apparently had this situation in mind when she made the following prediction for Alberta: “Unionization is likely to spread to the private sector, using the union salary levels in municipally operated centres as the benchmark, if a registry of workers is put in place. This has been the pattern elsewhere.”

Melane Hotz’s prediction had the effect of legitimating the DCSA’s strident opposition to a provincial system of staff qualifications. This likely had a significant effect on the new minister, who was just learning about key policy issues. When Neil Webber replied to Jacqui Kallal, he made it clear that his department had no intention of proceeding with a mandatory registry of day care workers.42
Nevertheless, even in the absence of a staff qualifications regulation, CUPE had fleeting successes in unionizing commercial day care workers in Calgary in the late 1980s. Although these successes did not involve any of the large day care chains in the city, the owners of those chains played a crucial role in the eventual defeat of this drive. A number of them, along with other commercial operators who belonged to the DCSA, made financial contributions to cover the cost of the negotiator and lawyers who worked against the union.

In the middle of 1988, employees at five day cares in Calgary were members of labour unions: Calgary’s three municipal day cares, the day care on the grounds of the Calgary Forces Base in Calgary, and the day care run by the Providence Child Development Society. Significantly, none of the unionized centres were in the commercial sector.43

In 1988 a majority of the forty-two employees at the two Children’s Creative Learning Centres in downtown Calgary signed CUPE membership cards. The owners of the Children’s Creative Learning chain, Tanya Bobbitt and Kory Smith, opposed the certification of CUPE as the collective bargaining agent of the workers. This union drive was also opposed by many of the other commercial day care owners in Calgary, who were concerned that if CUPE gained a foothold in the industry, their employees could be the next to unionize. The analysis of CUPE business agent Susan Keeley would not have reassured those owners. “If this one goes ahead,” she stated, “it will show other daycare workers it can be done without much pain and anguish.” The response of Calgary’s day care capitalists was to cause the Children’s Creative Learning workers as much pain and anguish as possible in order to discourage other commercial day care workers from pursuing unionization.

As would be expected, the president of the DCSA, John Samaska, spoke against unionization of commercial day cares. He predicted that unions would drive commercial day cares out of business, leaving only “socialized day cares.” Surprisingly, the chair of the Calgary Association for Quality Child Care also strongly opposed this development. It just so happened that the chair at the time, Patti Penner, was the owner of one of the very few commercial centres that belonged to the association. “With unions,” she inaccurately argued, “owners no longer will make decisions on what they can financially and reasonably do.”44

The Alberta Labour Relations Board certified CUPE as the collective bargaining agent for the workers at the Children’s Creative Learning centres on 15 December 1988. It also ruled that an employee, Brenda Ames, had been unjustly fired for union activity and ordered her reinstatement with full back pay. This
success sparked another unionization drive that culminated in a representation election at the Lynnwood Child Care Centre, an independent commercial centre. **CUPE** won that election in early 1989 by a narrow ten-to-nine count.\(^{45}\)

**CUPE** alleged that in early 1989 a number of commercial operators had started a “war chest” so that the owners of the Children’s Creative Learning and Lynnwood centres would not have to carry the high costs of fighting the union. Co-owner Kory Smith refused to comment on the allegation, and his lawyer, David Laird, said he did not “intend to reply to unsubstantiated allegations made mainly to get press attention.” But **DCSA** president John Samaska more or less confirmed the allegations when he said that while he had heard talk about starting a war chest, the **DCSA** had not organized contributions. If there is a war chest, stated Samaska, “private operators are doing it on their own.”

Both Children’s Creative Learning Centres and Lynnwood Day Care Centre hired Ken Barrass to negotiate on their behalf—further evidence of coordinated action to oppose the unionization of commercial day care in Calgary. Barrass, in conjunction with company lawyers, engaged in prolonged negotiations with **CUPE** over the Children’s Creative Learning contract, apparently without any intention of coming to an agreement. Unlike a number of other provinces, there is no arbitration mechanism in Alberta’s Labour Relations Code to force a first contract when negotiations are unsuccessful. Furthermore, the code gives a certified union only a ten-month window to sign a first contract before allowing disgruntled employees to file a decertification petition. Therefore, Ken Barrass’s instructions would have been to drag out negotiations until the ten months had elapsed—the middle of October 1989. Shortly thereafter, the Alberta Labour Relations Board received a petition, signed by eighteen of the company’s thirty-six employees, calling for the decertification of **CUPE**. By this time, all of the original union organizers among the staff had quit. “Life was made pure hell for them until they gave up,” remarked Susan Keeley. The union was decertified by a vote of twenty to eleven on 17 November 1989.

One of the workers who voted for decertification, Patricia McAuley, had only been with the company for three months. She was hired without any training or experience in day care, and was being paid $6 an hour, $1.50 above the minimum wage. This elevated wage rate (at least, elevated for entry-level workers in commercial day care at that time) suggests that the owners were trying to buy the loyalty of at least some of their employees during this crucial time. In the case of McAuley, the relatively high wage worked as intended, since she stated, “I feel I’m well paid for what I’m qualified for.”\(^{46}\)
An identical scenario played out at Lynnwood Child Care Centre, where the union was decertified in the first part of 1990.47 Thus ended CUPE’s campaign to organize the commercial day care sector in Calgary. The campaign had cost tens of thousands of dollars (mainly in staff labour costs), costs that would have only been recouped if hundreds of day care workers had eventually joined the union, following the lead of their colleagues at the Children’s Creative and Lynnwood centres. It was the union’s hope that being able to negotiate first contracts at an initial group of day cares would spark widespread interest in unionization across Calgary and the entire province. Commercial operators were among those who saw this as a plausible scenario, so they did everything in their power to stop CUPE from gaining a toehold in the sector. It is even reasonable to presume that if the attempts to decertify the union had failed, commercial operators might well have employed a Plan B that involved closing the centres in question.

IMMIGRANT OWNERSHIP OF DAY CARES

Until 1990 Alberta had no minimum educational requirements for day care directors. For many years, critics condemned the provincial government’s failure to act on this issue. Nevertheless, as so often happens in public policy, there was a positive effect mixed in with the negative consequences of government inaction: immigrants with strong backgrounds in child care and education could become directors of their own day cares without having to worry about whether their foreign educational credentials would be recognized by Canadian authorities. Foreign-trained educators such as Gertrude Darmohray of Marlborough Day Nursery and Gulshan Daya of Kidsland Daycare were blocked from becoming teachers in Canada because their training was not recognized by Canadian authorities. They turned to self-employment in day care because not only did it allow them to work with children and utilize their education, but it promised to yield larger earnings than they would have received as employees in day care or some other industry.

Since the 1970s, major Western cities had seen a boom in immigrant entrepreneurship. Robert Kloosterman (2000) theorizes the institutional context for this development. He argues that “ideal-typical immigrants, lacking appropriate education qualifications and financial capital ... are channelled towards economic activities that require relatively small capital outlays, no specific educational qualifications and where technical barriers are low” (94). Kloosterman
notes that a number of economic activities in post-industrial advanced economies fit this profile, including a range of personal and producer services (95). In some circumstances (such as in the mid-1980s in Alberta when operating allowances made day care very profitable), immigrants might choose to invest in day care over other businesses on strictly business grounds. Most of the time, however, immigrants will choose to invest in day care because of expertise in the area and a desire to apply that expertise in one’s working life.

Another important aspect of immigrant entrepreneurship in day care is that it typically involves a married couple. The wife uses her expertise to direct the day care program and the husband provides supplementary support in the form of outside employment income for continuing investments in the business, construction and repairs, and/or business management.

Robert Kloosterman notes that immigrants often invest in a business sector that is in decline. An example is small-scale retailing, where immigrants have largely replaced indigenous entrepreneurs in recent years (2000, 96). A declining sector attracts investments from immigrants because of relatively low business prices.

Table 6.4 compares the number of commercial day cares in Edmonton and Calgary whose owners had Asian surnames in 1975, 1982, and 1995. My interest is in the ownership of day cares by immigrants, but, unfortunately, no systematic data on the immigration status of owners are available. For the purposes of this study, I have assumed that all of the owners with Asian surnames are first-generation immigrants, although I recognize that this overestimates the extent of immigrant ownership.

In Edmonton, only 4 percent of commercial centres were owned by Asian Canadians in 1975, compared to 21 percent in 1982 and 47 percent in 1995. In the latter year, ninety-one commercial centres in Edmonton had Asian-Canadian ownership. The trend is the same in Calgary, although the number of Asian-

<table>
<thead>
<tr>
<th>Year</th>
<th>Edmonton</th>
<th>Calgary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>2 (4%)</td>
<td>1 (2%)</td>
</tr>
<tr>
<td>1982</td>
<td>19 (21%)</td>
<td>11 (11%)</td>
</tr>
<tr>
<td>1995</td>
<td>91 (47%)</td>
<td>44 (32%)</td>
</tr>
</tbody>
</table>

NOTE: Asian-Canadian owners are defined as those having a Middle Eastern, South Asian, or East Asian surname. Some names may have been misclassified, however, and the data in this table should be viewed only as a rough approximation.
Canadian owners is decidedly smaller. In 1975, 2 percent of commercial centres in Calgary were owned by Asian Canadians, compared to 11 percent in 1982 and 32 percent in 1995. In the latter year, forty-four commercial centres in Calgary were owned by Asian Canadians, with twelve of these centres being owned by Nizar and Gulshan Daya of the Kidsland chain.

By 1995 day care chains had come to dominate the commercial sector in Calgary (table 6.2). This meant that in the 1980s and early 1990s, there were fewer independent commercial centres in Calgary than in Edmonton that immigrant investors could buy. Furthermore, the dominance of large chain centres meant that independent commercial centres in Calgary tended to be larger than in Edmonton, and hence more expensive. For instance, in 1995 the average size of independent commercial centres in Edmonton was only forty-four children compared to fifty-seven in Calgary (table 6.2). Other factors being equal, the larger the capacity of a centre the more it is worth, so price-sensitive immigrant investors would find more day cares in Calgary outside of their price range than in Edmonton.

Not all of the immigrant investors in Alberta day cares in the 1980s were the ideal-typical immigrant entrepreneur with limited financial resources. At least one business-class immigrant invested in Alberta day cares. Under the business-class program, immigration is conditional on the new immigrant making a modest to large capital investment in Canada. (The size of the investment depended upon the part of the country where the immigrant settled.) Prem Singhmar came to Alberta in 1985 under this program. His initial investment of $250,000 was in a chicken and egg farm, but he soon sold the farm and invested in day cares. At one point, he owned three day cares in the Edmonton area before selling out and becoming a property developer. Singhmar is an example of an investor without any long-term or professional commitment to day care.48

More typical of the immigrant day care owners in the Edmonton area in the late 1980s and 1990s was Niwatra Klainatorn, a native of Thailand. In 1988 she purchased Merry Mermaid, a small commercial day care located in the basement of the Sherwood Park United Church. The owner in 1982 had been Colleen Bird. Klainatorn has a PhD in early childhood education (ECE) and represents an example of a highly educated immigrant woman who turned to commercial day care ownership because her occupational mobility in Canadian society was otherwise limited. She operated Merry Mermaid for over a decade until an unfavourable public health inspection reduced enrolment and made the day care uneconomical.49
In the 1960s and 1970s, immigrants from Europe had a very important place in commercial day care in Alberta. Many of these immigrants continued to operate day cares in the 1980s and 1990s, and they were joined by a new wave of immigrant owners. The major sources for immigrants to Canada had changed, however, so there were now many day care owners who had come to Canada from the Middle East, South Asia, and East Asia. Alberta’s commercial day care sector varied, therefore, not only according to the class of ownership (large chain, small chain, and independents) but also according to the ethnic background and immigrant history of the owners. The next section illustrates the diversity of the commercial sector through four distinctive profiles.

**THE DIVERSE WORLDS OF COMMERCIAL DAY CARE**

Conny Hippe, owner-operator of Rainbow Day Cares in Edmonton, graduated from a small German university with a degree in education and then travelled to Canada in May 1976 to join her fiancé, a millwright-machinist who had emigrated from Germany in January of that year. In 1978 Hippe purchased a day care in Millwoods, a working-class neighbourhood in Edmonton. She attended several meetings of the PDCS in 1979 and 1980, but then dropped out. She explained:

I could not agree with the policy. The emphasis was, in all discussions, always the business aspect. And I really have a problem with that. So for a while there I felt like an island unto myself until I started working with people such as Ellen Derksen and Sheila Campbell, and they steered me, knowingly or unknowingly, more towards the non-profit sector.

Conny Hippe expanded the Rainbow Day Care business from one to six locations in the 1980s. She contended that her expansion was not the product of overriding entrepreneurial ambitions but a response to what people in the community asked her to do. Indeed, every one of the centres in the Rainbow chain was located in the Millwoods area, all within a short drive of Hippe’s business office.

Conny Hippe did not corporatize her business affairs in the 1980s by investing profits made in her day cares in other businesses or opening day cares that were spread over a wide geographical area. In this regard, she stands in sharp contrast to Dennis Sorensen. Hippe’s approach allowed her to offer a relatively
high standard of day care (for instance, by hiring trained staff and paying higher wages to ensure a low turnover of staff) and also meant that her business did not collapse in the difficult economic conditions of the 1990s. Indeed, during that decade, she closed two centres because of excess capacity but successfully operated her other centres. This planned reduction in capacity was certainly better for children, families, workers, and creditors than the turmoil created by the bankruptcy of the Kindercare and Educentres chains in Calgary.  

Conny Hippe ran her chain with the personal touch of a small business owner. Although in 1995 her business fit my definition of a “large chain,” it was being run more like a small chain where the philosophy of the owner has a strong influence throughout the business. Hippe’s commitment to quality is best seen through her support for college-based training programs. When staff training requirements were finally stipulated in 1990, Conny Hippe proposed a “Daytime/Part-time Early Childhood Program” to Grant MacEwan College. The college accepted the proposal and had the program in place within three months. The new program allowed some staff to take courses in the mornings and then go to work between 11:30 a.m. and 6:00 p.m. while a second group of staff members would study in the afternoons after working the morning/lunch shift. At its outset, Hippe had twenty of the Rainbow Day Care staff enrolled in the program, split between the two shifts.

A second example of an Alberta-based chain is Kidsland Daycare Centres. With the bankruptcies of Kindercare in 1994 and Educentres in 1996, Kidsland became Calgary’s largest day care chain. The owners of Kidsland, Nizar and Gulshan Daya, moved to Calgary in 1980. Because Gulshan Daya’s teaching credential was not recognized in Canada, the couple decided to open a day care so that she could work with children. They looked at day cares that were for sale at the time but found they were too expensive, so they built their own for around $250,000, opening it in 1983. From the outset, Kidsland had a corporatized approach to building a chain of centres, looking for the best possible investments across the greater Calgary region. By the end of the 1980s, Kidsland operated six day cares stretching from Airdrie to Okotoks. A building opened by the Dayas in 1985 was the first in Calgary to receive an OOSC license (for twenty-eight children) on top of the maximum license for eighty preschoolers. The economies of scale that came with a larger building were crucial to the continuing expansion of day care chains in the 1980s.

The Kindercare chain’s bankruptcy in the spring of 1994 occurred when the vacancy rate of day cares in Calgary was fairly high. As a consequence, the
twelve KinderCare centres sold by the receiver represented very good value, and Kidsland bought six of them. The rapid growth of the Dayas’ chain in the mid-1990s was therefore an opportunistic response to the availability of undervalued day cares. The chain’s expansion did not reflect an improved business environment for commercial day care but rather occurred precisely because the business fundamentals were so poor. As shown in Table A.3, the number of day cares and the licensed day care capacity in Alberta had peaked in 1991. Between 1991 and 1995, the licensed capacity declined by approximately three thousand spaces, or 6 percent. The shrinkage of day care capacity in Alberta would continue over the next decade, with a decline of another 6,942 spaces (22 percent) between 1995 and 2005. The business challenge for Kidsland Daycare over this period was how to downsize their chain while preserving capital investment.

Despite the growth of day care chains like KinderCare, Rainbow, and Kidsland in the 1980s and early 1990s, independent commercial centres continued to hold an important share of licensed spaces in 1995, albeit much larger in Edmonton (59 percent) and Alberta outside of Calgary and Edmonton (51 percent) than in Calgary (27 percent) (Table 6.3). The remaining business profiles involve two independent commercial centres in Calgary that were operated by the same owners throughout the entire period of chain ascendancy. Both Marlborough Day Nursery and Charleswood Day Nursery successfully withstood competition from chains and the ups and downs of the economy even though they operated according to very different business models.

Kurt Darmohray designed Marlborough Day Nursery so that his family could live in a second-floor apartment in the building. It opened in 1972 and by the end of the 1970s, the day care’s capacity was ninety children. In contrast, the average capacity of independent commercial centres in Calgary in 1982 was forty-nine while the average capacity of large chain centres was ninety (Table 6.3). Because of its size, Marlborough Day Nursery was an independent commercial operation that shared many of the concerns of chain operators. This partially helps to explain the active involvement of Kurt Darmohray and his daughter, Traudi Kelm, in the DCSA over the years.

Nevertheless, the family never expanded beyond its single centre. I wondered why this was the case. “Quality of care” was Traudi Kelm’s short reply in 2002. She explained:

> You know it’s really easy to lose control over the quality of service you provide if you’re not a hands-on type of an operator, and we’re very hands on. I think
we can do well in one. We know what’s happening in one. We can maintain a
high standard in one and when you start diversifying and moving out into the
community and having more than one facility I believe that you lose a little bit
of that control.54

Traudi Kelm indicated that she had never been tempted to expand the busi-
ness although her father might have been. “He was more of the businessman
in the family and we [her mother, Gertrude, and herself] were looking at what
was in the best interests of the children.” Kelm’s aversion to expanding her own
business beyond one facility, however, did not stop her from identifying with
and even representing the interests of large day care chains. Over the years, she
became the public face of the DCSA. More recently, she agreed to become a direc-
tor of Edleun, a venture capitalist firm that announced its intentions in late 2009
to buy the 123 Busy Beavers chain of eleven day cares in Alberta and then to build
a Canada-wide chain of day cares.55 Traudi Kelm failed to see the many pitfalls of
child care organized as the source of profit for speculative investors. Her record
in this regard compares poorly with commercial operators like Conny Hippe,
who consciously distanced herself from corporatized day care despite the fact
that she was the owner-operator of the Rainbow Day Cares chain.

Central to the longevity of Marlborough Day Nursery has been its willingness
to diversify the range of its services. An out-of-school program was added in the
1990s and a teacher was hired to teach in a kindergarten program based at the day
care. Furthermore, many services were added for the 30 percent or more of the
children who, in later years, had special needs. Traudi Kelm reported: “We have
speech language, occupational physical therapists that come on in a weekly basis,
we’re connected with mental health.” In 2002 there were five full-time resource
people at the centre to work with these children. Funding for children with high
needs was provided through Alberta Learning. Funding for children with mild
to moderate needs was provided by the Child and Family Services Authority.
Therefore, a key component of the success of Marlborough Day Nursery was that
it took advantage of the availability of dedicated funding for specialized programs
and thereby better served the needs of families in the area. In an important sense,
it transformed itself into a commercial version of a Preventive Social Services
(PSS) day care, combining child care with education, health, and social services. It
is hard to imagine a corporate day care chain taking on this sort of responsibility.

The second independent commercial centre featured here is a small day care
in a modified private home. Irmtraud Walter bought Charleswood Day Nursery
In her early years in business, Walter’s clientele came from the young families in surrounding neighbourhoods. As those communities aged, the clientele expanded to the many new suburban neighbourhoods to the west and north. Because all of these communities have a predominantly middle-income or upper-middle-income population, Charleswood Day Nursery has enrolled relatively few children whose families qualified for a low-income subsidy. Irmtraud Walter estimated that on average only six of the twenty-six children would have qualified for a government subsidy. In contrast, Traudi Kelm estimated that 85 percent of the children at Marlborough Day Nursery qualified for a low-income subsidy in 2002.

Irmtraud Walter’s capacity to offer a quality service was grounded upon her post-secondary training in early childhood development, obtained before she emigrated from Germany in 1960. “Why is there no training for any of the day care staff?” was the question she asked government inspectors from her first years as the owner-operator of Charleswood Day Nursery. Walter supported the staff qualification requirements that were introduced in 1990, which specified that directors of day care centres must hold a Level 3 qualification certificate, issued to those with a two-year college diploma in ECE or equivalent formal education. She gained partial credit for her courses in Germany but was required to complete five courses through Mount Royal College before being eligible for a Level 3 certificate. She was pleased to take these courses and she responded to the new staff qualification requirements by hiring another Level 3 staff as well as a Level 2 (granted for a one-year certificate in ECE). To keep these staff, she had to pay them more than they would have received from most commercial day cares.

A low staff turnover was one of the features of the Charleswood Day Nursery that parents appreciated. They also liked the way Walter treated children like part of her family—in this sense, the day care was like a very large FDH. In keeping with the family atmosphere of the day care, children called her Auntie Irma.

Irmtraud Walter’s political views on day care were consistent with her class position as a small, independent owner-operator. She had been a member of the DCAC and later had joined the PDCS, but only for a short time. She said she didn’t like meetings and didn’t have time to attend. But despite her political inactivity, she had strong opinions on arrangements that appeared to threaten the family-like relationships of her business. Her view of Dennis Sorensen was this: “Children are not a business. Children need that personalized care and the
love and the attention and the hugs that they might not get in bigger day care.” She was even more adamant in her opposition to unions in day care:

There was a time when the unions were pushing to get into day care. And I would have closed the day care right then and there. I would have never gone for unionized day care because I felt it would get too impersonal, it would be just business, and I didn’t want a business.... Day cares can’t afford to carry a union on top of the other expenses they have.

Finally, Walter also objected to the introduction of operating allowances. At the time, she was making a comfortable living running a centre that had no vacancies. Her preference was for the government not to become involved in the commercial relationship between herself and parents who could fully pay for day care. Her concern in 1980 was that the government would eventually take away the allowances, causing a sharp jump in fees that might hurt enrolments.

It is difficult to dismiss Alberta’s entire commercial day care sector out of hand after considering the preceding four profiles and the earlier analysis of the rise and fall of the Kindercare chain. While corporatized day care commodifies the care and education of young children and presents an unacceptable risk to the long-term integrity of the service, other sorts of commercial operations need not follow this business model. Indeed, some of the commercial day cares encountered in this study appear to confirm Colin Williams’ contention that private businesses need not be driven primarily by the profit motive (2009, 72). It thus seems apparent that in commercial child care in Alberta, processes of decommodification co-exist with processes of commodification. When commercial operators are committed to children’s interests, have a strong background in ECE, and do not have overriding entrepreneurial ambitions, outcomes for young children may well be exceptional. It is my contention that a not-for-profit centre will necessarily be superior to a decommodified commercial centre only because of its capacity to be the hub for family involvement and community development.

The single unambiguous conclusion of this chapter is that when day care is treated as a centre of profit to fuel corporate expansion, sooner or later children and their families will suffer. Since corporatized day care has been shown to have a fatal deficiency, it is reasonable to ask whether this deficiency is shared by corporatized health care, elder care, and educational services. One need not be an ideological foe of corporate capitalism to recognize that in certain essential
fields of human life, the pursuit of an entrepreneurial logic has public policy risks that may well be intolerable.

Day care had been established as a core responsibility of the provincial government for less than two decades before critics—both inside and outside the government—began to question that responsibility. This questioning resulted from the conjunction of two factors: the strong desire of the provincial government to limit its spending on day care and the rise of a pro-family movement that challenged the notion that day care was good provincial social policy. This mix of fiscal and social conservatism proved to be a heady brew for Tory politicians. By 1988 it looked like it was only a matter of time before the government would eliminate operating allowances and redefine day care in Alberta as either a private responsibility or a welfare service for low-income families. Nevertheless, the DCSA, along with other advocates for publicly supported day care, managed to dissuade the province from eliminating operating allowances for over a decade. This demonstrates that large commercial operators still had some political clout with the government into the 1990s, even if their influence had diminished. It also indicates that once social policy has developed in a particular direction over a period of time, there are many institutional and political impediments to changing the direction of that policy. In the case of Alberta in the early 1990s, at the same time as politicians toyed with cutbacks, privatization, and deregulation in day care, civil servants managed to keep a long-standing promise and introduce requirements for staff qualifications.