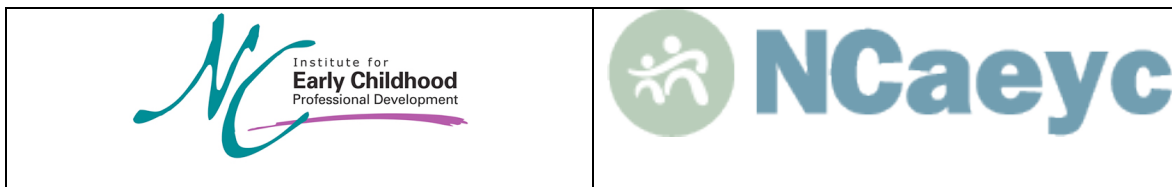


Managing a Child Care Business During an Economic Downturn February, 2009



www.ncchildcare.org

The North Carolina Institute for Early Childhood Education Professional recognizes the difficulty of providing quality child care during hard economic times. To determine the concerns and issues facing small business child care owners and operators, the Institute joined with the North Carolina Association for the Education of Young Children to conduct listening sessions.

Three sessions (December 4 and 8, 2008 and January 14, 2009) were conducted using a toll free telephone line contributed by NCAEYC. It is anticipated that the results will lead to educational outreach strategies and policy changes that are supportive during the coming year or until the economy improves.

A focused group of urban and rural directors was targeted with E-mails asking them to join one of the calls. An online registration system was used to register child care directors for the free telephone session. The first session had 6 enrolled, but only one attended. The second session had 6 enrolled and two participants called in. For the third session, a broader announcement was made to invite the first 20 Directors to participate in the session. The third session enrolled 52 participants and approximately 30 were on the call. Attending were participants from: Alamance, Guilford, Craven, Catawba, Dace, Wake, Cumberland, Robeson, Brunswick, Henderson, Buncombe, Wilson, Jackson, Union, Hampton Roads, VA. Forsyth, Lincoln Counties.

The results follow.

Concerns

Enrollment

Child Care Directors expressed concerns ranging from enrollment slumps to stress levels and fears about losing quality points on their child care license. Most providers indicated that their enrollments are down. One comment was that *"counties with high More at Four slots led to decreased enrollments since MAF is free to parents."*

One center has implemented a referral program for parents. If parents refer other parents who are retained for 4 weeks, the parent who refers gets a free week of care. It is unlimited. *"I have one parent who has received 10 free weeks this year."*

Families

Families who are becoming unemployed still need child care when job hunting or working part time. Parents are pushing themselves to the limit to make ends meet, and then they withdraw without any notice. Some parents that work in the health care field have been moved to night shift. Their children's care is patched together and often the children picked up at 11:00 at night. *"But they had to do it to keep their jobs."*

When parents lose their jobs, there is a *"trickle down effect for child care to our staff and operation."* There is an increase for all child care programs in delinquent payments. A director shared that one mother was over a year behind in her tuition, but that she paid when she could. *"Luckily, the provider said, I am part of a church center and they may help forgive the debt."* Another director remarked that it is a chain reaction; *"when parents can't pay, then teachers don't get paid- it's a domino effect."* At first we *"let staff voluntarily cut their hours, then we laid off part time staff, then one full time staff member."* It seems that with parents, at least one parent has lost their job but *"we work with families to try to make arrangements for them to pay it down."*

Child care programs are absorbing the costs of child care for families and essentially providing a community service. *"I have never charged the difference in the rate and the parent fee for DSS parents. There are other owners who don't do this too. The Legislature needs to understand we already have taken this cut for several years now."*

There was concern that with the budget shortfall that some children would be terminated in March before the end of the fiscal year from the DSS subsidized rolls.

Staff & Operations

Directors fear lowering the quality of care when teacher hours are necessarily reduced to make ends meet. One center says that they have prided themselves in maintaining a teacher-child ratio that is better than the state requires, but now they are *"only meeting minimal requirements to keep afloat."* Many staff have been cut to 32 or less hours. One Director said, *"I have had to cut the hours of staff who have been with me for over 8 years."* In addition, Directors are spending more time in the classroom and have fallen behind on administrative work. One says she works weekends to catch up.

One director said she holds her own check from deposit to be sure all teachers are paid first.

"Everyone is looking for a job. We have a core staff, then backfill with part time and temporary from our substitute pool/staffing agency. We are a temporary staffing agency (criminal checks, TB, etc) for child care. Our lawyers set-up contracts and we have liability insurance. We are just listing who has TB and

criminal checks and other centers can interview them and use them part time. We just started this. See www.childrensworkshopchildcare.com.

Directors expressed that legislators and the Division of Child Development need to know that there is an increased expectation on the field of child care that can't be taken for granted. They expressed that programs like WAGES and TEACH are all under funded and just because they are available doesn't make everything smooth sailing.

"I fear that once staff complete their 2 year degree they will leave and go to the school system for 10 months of work per year for the same or better money."

"We institute policies to slow staff down (2 classes per year) so that they will retain with our center and not leave."

Even with contracts to retain staff, there is not a contract that can hold water –

"We can't sue them for leaving. What would you gain by suing a poor person?"

"I had one teacher that agreed to give me 25% of her last paycheck for leaving."

Some folks don't want to go to the public school system; it's too big. And some prefer child care. Those are the ones who move from center to center in the hiring "buyer's market."

WAGE\$ and benefits (health in particular) would help them stay with us. "My staff must pay \$68 every pay period (every other week) plus retirement. That adds up."

One director said (and others agreed) that they need more financial support for the maintenance of quality (i.e., cost of quality that includes high stars). *"If we are already high, we no longer receive support if we are not still striving for higher stars."* In some counties this differs. One county (Wilson) has a quality maintenance grant with a formula using figures such as the number of children enrolled. *"But this program is on the chopping block for funding."*

One center has implemented a back-up child care service to help FCC providers who have to be out of town.

"We back them up and hold their clients until they can come back. We charge what the provider charges while children are in our care. The provider then pays us. This shows we are helping each other and stand together instead of competing."

Stress

Directors are taking each day "in stride" and depending on their families for support. They agreed it is best to keep staff informed about the changes and tight expenses.

Providers say they can see the difference in children when there is stress in the home. The holidays in particular caused stress in the family over money.

Programs

Child Care Directors said that T.E.A.C.H. and WAGE\$ are already under funded and Directors are concerned that with the state budget short fall, these programs will be cut more. "We have had some folks waiting 2 years to get on (county) WAGE\$." On the other hand, these programs are difficult ("nearly impossible") to participate in with the co-pay and the waiting period. For example, a new program has a temporary license in the first six months of operation. This puts the program at a disadvantage in the DSS subsidy rate because of the temporary license and the limitations about applying for other programs or higher stars during the 6-month wait period. *"Even though we had higher quality (star environment) we had the lowest rate in the beginning so we could not get the better staff and it impacted our quality."* Several agreed.

Due to a governor's legacy, many people are working very hard to enroll all the slots in the More at Four (MAF) program. Smart Start Boards feel this pressure too. These slots take away from our paying parent slots yet the waiting list for subsidized care is not being revisited to send us more enrollees.

"In November things seemed to bottom out and we lost 19 children but we decided to waive the DSS difference and late charges for client retention. We absorb the difference and are up 24 children. We advertised that we were waiving this new fee payment plan."

One Director comments that "apparently families who are part of the military have a good child care assistance program."

Cutting Corners

When the economy started looking gloomy last fall, one Director says she applied for a bank loan for \$5000 as a financial cushion but banks would not loan any money at that time.

Directors are being creative in how to cut \$20 or \$50 from their total budget. Parents are being asked to bring wipes, toilet paper and paper towels once a month. Another Director said that paper towel costs have gone up, so they started using a heavier duty towel to use less. One Director indicated that parents are donating gently used books and toys to the program and that they are sharing wish lists with parents to request materials for the program.

One Director shared that she was eliminating the delivery fee for her center's food by picking up the delivery herself. This of course has consequences in time and her personal gas usage. Instead of stockpiling and perhaps getting a cost savings for buying in quantity, Directors are purchasing food and supplies on a week-to-week basis to assure they can afford it. Others are now purchasing in bulk through warehouse stores.

As far as cutting staff, one center indicated that they are cutting 8 hours per pay period (assuring 72 instead of 80 hours) per pay period. She noted that staff are still with the program, but morale is “down a bit.”

Sometimes checks can be floated by NOT using Direct Deposit with teachers. As well, it seems that agencies (subsidized) are floating their payment deadlines.

One provider wanted to emphasize that: *“[We] must remember that we are talking about all of the problems. That needs to be counter balanced with the positive that we are entering now. Many providers are indeed “taking care of the children!”*

Change Recommended

One provider says she needs help with food costs but has not reviewed the USDA food program requirements lately. Another said to hire staff, there are multiple up front costs (Fingerprinting-\$15, TB test-\$10, Background check-\$25), CPR/FirstAid-\$30, SIDS class -\$5) and asked about grant assistance with these costs. Another Director said that her teachers pay those fees themselves.

What Directors need

- Low interest loans
- A statewide umbrella healthcare policy in which to enroll staff
- Quality maintenance grants
- Asking that the state and localities work on their waiting list to free up some families who need to be enrolled.
- Grants for start-up costs
- Information on boosting staff morale
- Low cost recipes to prepare for feeding children
- Direction on how to appeal to community clubs and organizations for scholarship money
- Communicate with legislators and run news stories that child care programs are subsidizing families and employers to provide care. They have been for a long time, *“it’s just worse now.”*

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