



FAMILY AND CHILDREN RESEARCH UNIT

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Economic Vulnerability in U.S. Child Care Settings

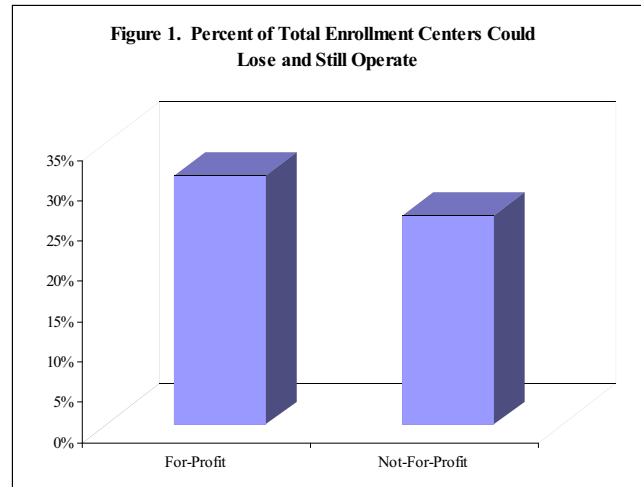
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Over 17 million children receive care outside their home for some part of each day, with a national price tag of \$38 billion annually for licensed child care. Yet, many child care facilities operate on a shoestring budget, and salaries for early education and child care professionals are disproportionately low. In this report, we examine the economic vulnerability of child care centers and volatility in care for many young children.

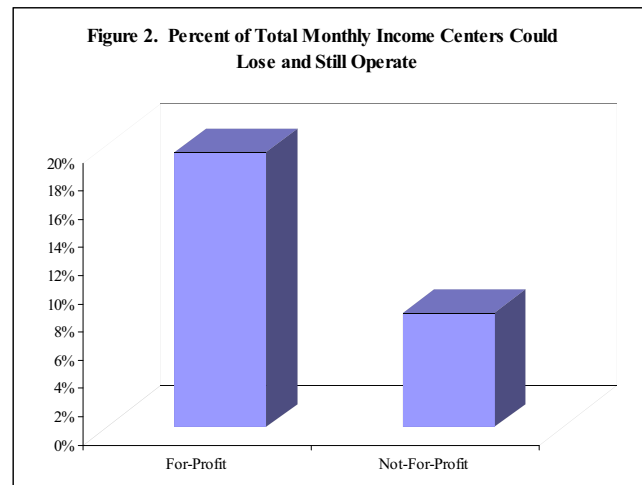
Volatility is an important issue because inconsistent child care may limit a child’s opportunities for social and cognitive development and diminish a caregiver’s ability to pursue steady employment. In the current study, this issue is addressed by examining two important determinants of continuity of care: the resilience of early education and child care centers in the face of economic cuts through changes in enrollment, and centers’ policies and practice in expelling children whose parents fall behind in payments.

Economic Resilience

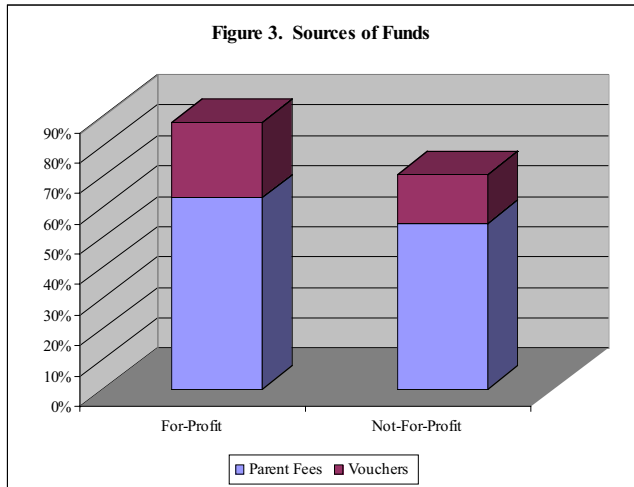
Our survey of child care centers reveals that centers are vulnerable to shifts to their budgets due to changes in enrollment. In response to the question “How many children could your center lose and not replace and still operate?” center directors indicated, on average, that they could remain open after losing 28% of enrolled children. In our sample, not-for-profit centers are slightly more vulnerable, indicating that they would have to close if they lost 26% of their children, compared to 31% among for-profit centers.



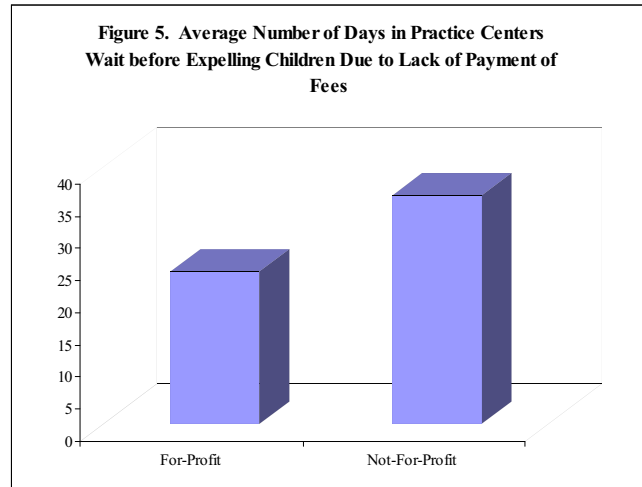
When viewed in terms of income, the economic resilience of child care centers appears quite low. On average, child care centers in our sample indicate that they could weather a 14% cut in their total monthly income due to changes in enrollment. Not-for-profit centers are more vulnerable than for-profit centers. Directors of not-for-profit centers indicate that they could not survive an 8% drop in monthly income due to changes in enrollment, compared to 20% among for-profit centers. Even as little as a loss of a month’s total income or more would force closure of 52% of centers.



Funds that accompany each child – parent fees and vouchers – constitute the overwhelming majority of income for all centers. Not-for-profit centers, however, generally derive almost 30% of their total incomes from other sources.

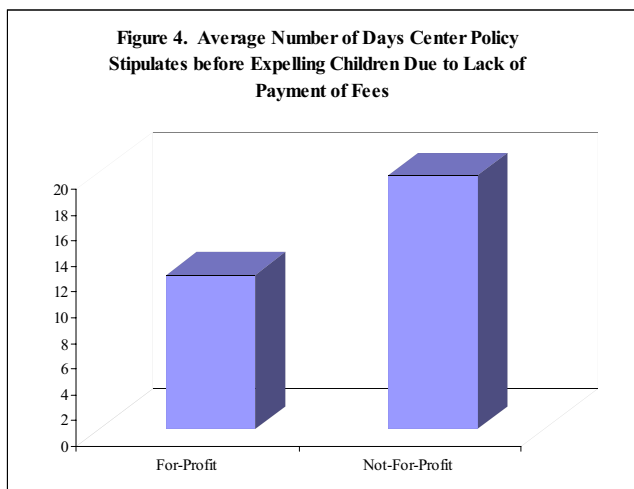


In practice, 41% of centers do not follow their stated policies, keeping children longer than policy requires. While this pattern applies to both for-profit and not-for-profit centers, for-profit centers deviate from their policies to a greater degree than not-for-profit centers.



Expulsion due to Inability to Pay

While centers are vulnerable to loss of income due to changes in enrollment, children are vulnerable to loss of care due to inability to pay. The majority of centers in our sample report expelling at least one child due to parents not being able to pay tuition or fees during the last 12 months (see Blanchard, Southward, Hanna and Buffum). On average, centers in our sample maintain policies of expelling children who fall behind on parents after 18 days. For-profit centers’ policies stipulate expelling children more rapidly than not-for-profit centers.



Conclusions

Child care centers appear to have little economic resiliency, with child care center directors reporting, on average, that just a 15% cut in monthly income would necessitate closure. Not-for-profit centers are even more economically vulnerable. Furthermore, centers have policies requiring the expulsion of children for nonpayment after just 18 days. For-profit centers have policies requiring the expulsion of children even more quickly, after 12 days. Many directors admit to keeping children longer, however, placing centers in further economic jeopardy. Children’s opportunities for social and cognitive growth depend on stable child care, which can be threatened by the economic vulnerability of child care centers and the abrupt expulsions of children for nonpayment of fees.

Data Note: All statistics produced for this report come from the 2005 Child Care Center Director Survey Wave II collected by the Survey Research Unit of the Social Science Research Center for the Family and Children Research Unit under a grant from the National Center for Rural Early Childhood Learning Initiatives. To explore the contours of student expulsions among child care centers, we examine the percentage of centers that have expelled at least one child in the past 12 months. These findings are based on a sample of 807 child care centers. These centers were randomly selected from a sample of child care centers participating in a general survey of child care centers in Florida, Mississippi, New Mexico, Ohio, and Vermont.