2011 STAM – CCPRC Meeting
Workshop C5
November 16, 2011, 2:45-4:00 pm

Providers, the Recession, and CCDF: Research Insights for Policy

Description

Child care providers are key to the success of the CCDF program's goal of supporting working parents' child care options and access to good quality care. This workshop provided insights from research about how providers are faring in the recession, what we know about how CCDF policies might affect providers, and what the implications are concerning resource scarcity for providers' decisions about quality. It concluded with a discussion among participants about the research and policy issues raised by the presentations.

Facilitator

Gina Adams, Urban Institute

Presenters

Richard (Rick) Brandon, RNB Consulting
Monica Rohacek, Urban Institute

Discussant

James Bates, Wisconsin Department of Children and Families

Scribe

Laura Rothenberg, Child Trends

1. Documents in Session Folder

- "Understanding Quality in Context: Child Care Centers, Communities, Markets, and Public Policies: Exploring Director View of Revenue and Financial Management Practices," Monica Rohacek
- "Factors Shaping Provider Willingness To Serve Families with Child Care Vouchers," Gina Adams and Monica Rohacek (Handout)
- "UI Research on Child Care Providers and CCDF: Insights Relevant for the Recession," Gina Adams
- "ECE Employment through the Great Recession," Richard N. Brandon

2. Summary of Presentations

- **Summary of Presentation #1:** Rick Brandon
  - Rick described an exploratory study of ECE employment through the last five recessions, which separates the cyclical effects that go up and down as recession does, from long-term trends due to the nature of society (secular trends). It compares overall employment and other sectors with significant public financing such as education and health care.
  - Data Sources: used only national data (States and regions vary).

- During the economic downturn, 2007–2010, female employment decreased less than all private non-farm employment. Most notably, child care service employment did not really change across the recession.
- In many cases, annualized child care employment increased during recessions. Comparing this to health services and K–12 education, employment across these sectors show similar patterns. These are considered vital services, they have components of public funding, and though they may flatten out during recessions, they do not go down.
  - What happened to child care jobs in terms of hours and wages? Average wages increased 8.4 percent across recession; and average weekly hours increased 3.3 percent, from 30.0 hours to 31.0 hours
- What has happened in the year after the American Recovery and Reinvestment Act funding (ARRA) ended?
  - Child care employment has flattened out, with the same number of jobs. The weekly hours have increased slightly, but average hourly earnings decreased slightly.
  - Total private female employment during the same period went up 200,000 jobs. The money spent on ARRA probably saved roughly 57,000 jobs.
  - With the end of ARRA, we could lose up to 20,000 jobs (or 2% of child care sector employment) with no substitution of the ARRA dollars.
- Further desirable analysis: compare trends in groups of States with different levels of recession impact; explore relation between child care centers and FCC employment; explore impacts of State policies (CCDF and prek funding).

- **Summary of Presentation #2**: Gina Adams
  - Gina described a study of child care providers and their experiences with the voucher subsidy system. The data included surveys of centers and FCC; focus groups and interviews with providers, agency staff, and key experts
  - In the five counties, they looked at providers who were serving children on vouchers or had recently served children with vouchers. There were several concerns surrounding the vouchers: overall payment levels, non-payment for services provided, uncertain cash flow, transaction costs, and hidden costs.
    - Providers appear to engage in informal “cost-benefit” analyses of voucher involvement. This depends upon: provider characteristics, characteristics of clients, market/policy/community context, and voucher policies/implementation.
    - Providers concerned about “costs” of vouchers involvement appear to employ one or more of the following strategies: limit number of families with vouchers or screen individuals, buffer costs with other resources, and/or use business/voucher management skills.
    - The providers who have the fewest alternatives are more dependent on the voucher system. With the recession, more providers have limited ways to manage the cost of families in the voucher systems because other alternatives are lacking.
    - Some providers appear to limit voucher involvement to protect financial well-being and stability, which affects parent choice options. Some providers appear to limit voucher involvement to protect quality, which limits parental choice of these providers (which may be those of higher quality).

- Implications of the Recession for Providers and for CCDF:
  - Responses vary depending on: providers' characteristics, other financial resources, voucher availability/value/ease of use, and market demand.
  - These effects will vary across providers.
  - Administrators can benefit from thinking about what they know about their provider base in light of this research. They can examine payment policies/practices to ensure they do not contribute to financial instability, inadvertent reduction of resources, or other challenges for providers. Lastly, administrators can explore other supports for quality and stability, including "hidden" issues around voucher and financial management skills for vulnerable providers.

- **Summary of Presentation #3**: Monica Rohacek
  - The motivation for this study is the desire to increase evidence about what children need for healthy development. Why can some providers reach higher levels of quality while others do not? Research questions included: How do child care directors define quality, what key factors must come together to yield good quality, how directors talk about quality, etc.
  - The research used a conceptual framework, seeing the director as the gatekeeper to practice. The sample consisted on 38 center directors; classroom observations were included. They looked for key themes in the qualitative data about how directors differ in how they talk about quality.
  - Findings:
    - Observed quality was related to how the director described her vision of quality. The lowest levels of quality were found when directors talked about quality in terms of safety and health.
    - Observed quality was also related to how directors talked about their staff. When the director had higher expectations and confidence in the staff, quality was typically higher in the classroom.
    - Observation Results: The highest quality centers tended to have the highest scores on all subscales.
    - Classifying Centers by Financial Stress: Every director mentioned funding as an important constraint to meeting their goals. There were three different groups of providers: those relatively comfortable with their financial position, those who were pinched (relatively fewer resources), and those who were financially struggling. Classrooms with lowest observed quality were typically in centers struggling with funding.
  - Implications for Understanding How Providers Manage Recessionary Factors
    - Comfort with financial position is necessary but not sufficient for reaching the highest quality category. As financial stresses increase, there may be concerns that providers have difficulty engaging in quality improvement efforts.
    - Providers vary in their capacity to manage fluctuations in enrollment/revenue. There is an opportunity for effective supports to address the needs of those with both lower and higher capacity.
  - Implications for Policymakers and others Supporting Work of Providers

        - How can we help providers increase the likelihood they will operate at full enrollment?
        - How can we help providers set fees and fee collection policies to meet both the needs of parents who struggle to pay and the needs of the center in delivering good services?
        - How can we support providers in good budgeting and financial management practices?

- **Summary of Presentation #4:** Discussant: James Bates
    - Business knowledge of providers is important in light of the recession. Providers are struggling with being a business, especially family providers. Where do providers fall in terms of their business knowledge?
        - Risk management associates publish industry studies based on private banks, and they have a section on child care providers. It documents woefully low profitability.
        - Gina: One thing that's interesting is that the business model is all over the map—some people run it in a church or in their home, etc. Is it for profit, not for profit? Do they have a board that makes the decisions? Do they get funding? All of these play out in very different ways across providers.
        - Monica: We wanted to explore how profitability plays out in terms of provider's goals for their programs, but this never came up in terms of a goal for the program.
        - Group member: States that have been doing director's credentials have begun to do more in business practices, financing, personnel, supervision, etc.
    - How much have we recession-proofed providers by using subsidy dollars?
        - Rick: It is less a matter of particular legislation and more a matter of an overall level of public support. Part of the reason our economy doesn't tank in recession is that we have supports built in. We need to do more research into substitution and shifts to answer that question.
        - Gina: One of the business management options you find when you talk to providers is that they are much more likely to collect co-pays now.
        - What about practices with Medicaid/Medicare? In that system, there is the expectation that you always make co-pays. Gina: I think child care is a different culture. It's a public system based on paying providers directly, but the nature of the provider is different. In Medicaid you don't see the provider every day unless you're a chronically ill child.
    - As a State administrator, I have to try to justify to our state legislators the idea that we're going to be paying for attendance that doesn't take place. How do we balance those two things? In Wisconsin, we have a combination of paying for actual hours versus paying for full enrollment.
        - Absent-day policies wreak havoc on providers. I don't see how a child care program, especially with low-income children, can stay afloat when it already has low rates and then forgoes the parent co-pay. If we stretch so much, parents will only have informal options.
        - Rick: How do we provide financial stability for ECE providers? Absent days may be band-aids to make up for the fact that this is the only part of the education

system that does not have constant funding. Public schools have government funding, and about 50 percent of institutes of higher education have funding. This does not address the issue of needing a financially stable organization providing funding.

- Group member: I keep thinking there have to be ways that I can better inform a provider about changes in family circumstances so they can keep full enrollment.

3. Summary of Discussion with Presenters and Participants

- Rick presented on child care employment trends across recent recessions. His research illustrated that child care employment was not affected by cyclical recession trends (likely because it is considered a vital service and has components of public funding).
- Gina presented a study of child care providers and the voucher system that examined how providers manage within the constraints of voucher systems (such as limiting the number of families with vouchers, buffering costs with other resources, and using business/voucher management skills. She encouraged administrators to examine what they know about their provider base in light of this research, e.g., to examine payment policies/practices to ensure that they do not contribute to financial instability.
- The study discussed by Monica found that observed quality was related to how providers described their visions for the quality of their centers including how they talked about their staff. Classrooms with lowest observed quality were typically in centers struggling with funding.
- Group discussion focused on the implications of subsidies and how subsidy policies such as parent co-pays and absence policies affect the financial viability of providers.