

# Research Notes

Published by the McCormick Tribune Center for Early Childhood Leadership, National-Louis University

SPRING 2009

## A Window into the Business Practices of Family Child Care Providers

Family child care homes are unique because they are both a learning environment for young children and a business environment for the provider. Many providers concentrate their efforts on the educational aspects of their work—fostering children's development—and neglect the equally important business aspects of their work. But research has demonstrated that sound administrative practices support providers' ability to offer high-quality learning environments that assure positive developmental outcomes for children.

This research note offers a window into the business practices of licensed or registered family child care providers across the country so that agencies tasked with improving family child care quality can structure technical assistance efforts effectively based on aspects of provider practices that are in most need of support and resources.

### Sample and Methodology

A sample of 83 family child care providers was drawn from Florida, Tennessee, California, and Illinois. These states represent diverse family child care policy environments. Programs were located across urban, suburban, and rural regions of their states and ranged in size by the number of children served.

Each provider was administered the *Business Administration Scale for Family Child Care* (BAS), a measure found to distinguish between high- and low-quality programs.<sup>1</sup> The BAS consists of 10 items rated on a 1-7 scale, with 1 indicating inadequate quality business practices and 7 indicating excellent quality practices. Item scores are averaged to achieve an overall BAS score. A preliminary analysis of the data confirmed that program quality was not significantly related to the size of the program or to its geographic location, so data were aggregated to determine patterns in business practices across the entire sample.

### Findings

Table 1 provides information on the average item scores and the overall BAS score for the sample involved in this study. The average overall BAS score was calculated at 3.78 with scores ranging from 1.70 to 6.60, suggesting that most providers have less than adequate quality business practices.

### Educational Background and Specialized Business Training

In terms of educational background, 88% of the providers in this sample had earned either a Child Development Associate (CDA) or completed 6-14 semester hours of college credit in early childhood education. Only 16% of the sample held a baccalaureate degree. Over 90% report they had attended 15-29 hours of in-service training during the past year. In terms of specialized business training, 71% of providers report that they have attended 10 or more clock hours of business management training. Further, 90% of the providers are members of a formal family child care network or professional association.

### Business Practice Strengths

Taking a closer look at the data revealed that providers tend to have more sound practices in certain aspects of their family child care business than in others. The items that yielded the highest overall scores on the BAS were Work Environment, Provider-Parent Communications, and Marketing and Public Relations.

**Table 1. BAS Item Scores**

BAS Item	Mean	Std. Dev.
Qualifications and Professional Development	3.60	1.72
Income and Benefits	2.93	1.95
Work Environment	5.87	1.63
Fiscal Management	2.31	2.15
Record Keeping	3.83	2.09
Risk Management	2.84	1.62
Provider-Parent Communication	4.83	2.08
Community Resources	3.99	2.05
Marketing and Public Relations	4.88	1.64
Provider as Employer	2.48	1.57
<b>Overall BAS Score</b>	<b>3.78</b>	<b>1.03</b>

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- 77% of providers have created a work environment conducive to conducting their business by having a defined office space and the technology necessary to support a business (e.g., computer, printer, copier, and Internet access);
- 84% of providers utilize four or more public relations tools such as flyers, brochures, business cards, logos, stationery, newsletters, or Web sites to promote their business; and
- 80% of providers use five or more methods of communicating with parents about program policies and procedures such as newsletters, notes, bulletin boards, Web sites, e-mail, phone calls, parent conferences, family workdays, or planned social events.

Even though Provider-Parent Communication surfaced as an area of strength, 42% of providers do not have a written handbook to give to parents outlining their program practices, educational philosophy, and curricular approach. Further, 21% of providers do not utilize a written contract with information about rates during the provider's absences (sick/personal, holiday, and vacation days), the family's vacations, and the child's absences.

These deficiencies appear to be a function of providers not having formal structures in place as opposed to not communicating with parents (informal processes). This lack of intentionality is an area identified in previous research as affecting the quality of family child care programs and as an area in need of improvement and technical assistance.<sup>3</sup>

## Areas for Improvement

Providers appear to be struggling with business practices in several important areas measured by the BAS—Income and Benefits, Fiscal Management, Risk Management, and Provider as Employer.

- 34% of providers have not raised their fees within the past two years or adjusted annually for cost of living;
- 23% do not make provisions in their contracts for at least five days of annual paid time-off;
- 28% do not have health insurance for themselves and their dependent children and 64% do not contribute to retirement savings;
- 63% of providers do not have a current operating budget;
- 54% do not have comprehensive business liability insurance; and
- 72% of providers do not have a written risk management plan.

Those providers who are responsible for at least one employee also do not typically engage in best business practices that support their employee's welfare. Only 38% provide an orientation to the program including meeting children and families; 35% do not engage in regular co-planning of activities. Fewer than 49% of providers have written job descriptions. Only 48% report they withhold federal taxes or pay the employer's share of Social Security and Medicare taxes. And fewer than 18% pay for worker's compensation insurance.

## Recommendations

Not surprisingly, providers' business practices are most sound in areas that require minimal financial investment, such as communicating with parents, creating marketing materials, or using a computer to support their business. While business practices such as improving income and benefits will, to a degree, require policy changes, there are many business practices that providers are struggling with that could easily be implemented through effective training efforts. These include such things as reporting business income and claiming business deductions, developing an operating budget and cash-flow projections, writing a risk management plan, creating contracts with parents to allow for adequate paid time off and cost of living adjustments, and developing a parent and employee handbook.

Recent research has demonstrated that most providers misreport and do not adequately take into account their revenues and expenditures when reporting their taxes. This does not appear to be a function of dishonesty, but simply a result of not understanding the requirements and necessary procedures to follow.<sup>3</sup> Providers need training and ongoing support to learn how to create budgets and use fiscal summaries in effective program planning. Sustained improvements in the care and education that children in family child care programs receive requires that quality improvement efforts no longer ignore this important aspect of quality.

1. Talan, T. N., & Bloom, P. J. (2009). *The Business Administration Scale for Family Child Care*. New York: Teachers College Press.
2. Doherty, G., Forer, B., Goelman, H., & LaGrange, A. (2006). Predictors of quality in family child care. *Early Childhood Research Quarterly*, 21(3), 296-312.
3. Helburn, S., Morris, J., & Modigliani, K. (2002). Family child care finances and their effect on quality and incentives. *Early Childhood Research Quarterly*, 17(4), 512-538.

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