The Impact of the Economic Downturn on Child Care in Georgia

Child care is key to the economic health of our community – now and in the future. The industry generates $4.1 billion of economic activity in the state each year (on par with industries such as computer and electronic product manufacturing; the arts, entertainment, recreation industries; and pharmaceutical manufacturing.) [i]

1. **Parents need child care to work.** Child care provides parents the opportunity to go to work, and if they lose their jobs, to find another. According to Georgia's Child Care Industry: Economic Impact and Workforce Development Study, [i] parents' annual earnings that are supported by the availability of child care in Georgia may be as large as $32.7 billion.

2. **Child care is an important source of employment and an economic engine in our state.** The total annual level of gross receipts of the industry is estimated to be $2.4 billion. Early care and education provides 61,203 jobs in the industry itself and generates an additional 13,500 jobs in other market segments.[i]

3. **Child care plays a vital role in the education of our children.** When child care is quality, children learn and enter school with the foundation to be successful. A strong quality child care system is critical to preparing the workforce of tomorrow.

With this in mind, QCC conducted a survey to determine the impact of the economic downturn on the child care industry. We surveyed licensed and regulated child care programs in a 36 county area covering Northwest Georgia, Metro Atlanta, and Central Georgia between January 1st and January 15th. This included large child care centers and the smaller family child care homes (where up to 6 children are cared for in a provider's home.) The survey included for profit child care programs as well as non-profit and church-based programs. Responses were received from 133 child care centers and 228 family child care homes.

Survey Results

Low enrollment is hurting revenue and putting child care programs at risk.
With few exceptions, child care is a business with little, if any, profit. Child care programs can only charge what parents can afford to pay. In most communities family child care providers and child care center staff are paid low wages with few, if any, benefits. With profits so low, every bit of revenue is crucial. The biggest revenue hit comes from vacancies. **In order to stay afloat, most child care programs need to be full or nearly full at all times.**

According to our survey, approximately 68% of family child care providers and 86% of child care centers are experiencing an increase in vacancies beyond what they might normally experience. In fact, 57% of family child care homes are currently only caring for two or fewer children, about 1/3 of their capacity. Only 19% of child care centers reported being full or nearly full with 55% of child care centers between 1/2 to 2/3rds full. Approximately 17% of child care centers were less than half full.

Increased vacancies translate to declining revenues. Approximately 79% of child care programs reported declining revenue, 36.4% of those stating that revenue has gone down "a lot". Sixty-seven percent (67%) of family child care providers report that their incomes have gone down.

Late payments from parents are further exacerbating issues. Sixty-three percent (63%) of family child care providers and 87% of child care centers report an increase in the number of parents who are behind in paying for child care. For a family child care provider who is often herself living on a low income, this can have a domino effect. Forty-nine percent (49%) of family child care providers are reporting that, as a result of parents' late payments, they are late in paying their own bills. This can also create major challenges for child care centers that operate on tight budgets with little cash reserve. Late payments make it difficult for them to meet payroll and to pay other bills on time. More than 28% of child care centers are reporting that they are late in paying their own bills.

As a result of these challenges, **39% of family child care providers state that they are struggling to make ends meet, 24% are worried about closing, and 6% are making preparations to close. Thirty-eight (38%) of child care centers report struggling to make ends meet with 16% worried about having to close the business**.

With unemployment high, many parents no longer need child care in order to work. Some parents have experienced a decrease in hours and a reduction in their incomes. **Sixty-three percent (63%) of family child care providers and 92% of centers reported an increase in the number of parents who report that they are no longer able to afford their child care fees.** Some parents are seeking to reduce expenses and looking for less expensive child care options. In some cases they find a less expensive child care program. In others, they leave their children in the care of a friend, relative, or older sibling. Sometimes this can have the advantage of reducing the parents' expenses and offering income to an unemployed friend or relative. However, there is no guarantee that the environments are safe and that the caregivers are prepared to support early learning.

While child care programs may see this phenomenon from time to time, we asked them if they had seen an increase in these areas related to the economic downturn. **Fifty-seven percent (57%) of family child care providers and 92% of child care centers reported seeing an increase in the number of parents losing their jobs and taking their children out of child care.** Among family child care, 31% reported an increase in parents leaving their child care program for another less expensive program, and 48% reported an increase in parents leaving child care to place their child with a friend or relative. Among child care centers, 59% reported an increase in parents leaving their child care program for another less expensive program, and 79.4% reported an increase in parents leaving child care to place their child with a friend or relative.

Many child care programs are assisting parents during these hard economic times, usually at their own expense. Thirty-five percent (35%) of family child care providers and 30% of child care centers reported adjusting their pay schedule to give parents more time to pay for child care. Thirty-four percent (34%) of family child care providers and 22% of child care centers reported reducing their child care fees, and 54% of both child care centers and family child care providers reported that they waived late fees for parents. Among family child care providers, 18% report allowing parents who are struggling financially to skip one or more payment and 20% report allowing some children to attend for free. Some child care programs report offering parents with multiple children free child care for one child to keep them enrolled, or providing care for free while a parent seeks a job in hopes that once a job is found the parent will be able to pay.

Parents are turning to their child care programs for assistance in meeting other family needs. The trust and communication that develops between parents and their children's caregiver/teacher is essential to ensuring the best early care and education experience for children. As a result of that trust, child care providers are often the first place parents turn when they need extra assistance. Thirty-three percent (33%) of family child care providers and 50% of centers report an increase in the number of parents asking them for assistance meeting critical needs, e.g., food, clothing, transportation, housing, and income support. If they are equipped to do so, child care programs can be an effective avenue for getting critical information about social services to families.

Child care programs have employed a variety of strategies to reduce their expenses in response to declining revenues. Some of these strategies, especially if they are employed over a long period of time, raise **concerns about the impact on child care quality** and ultimately, the ability of providers to maintain safe learning environments and prepare children for school. Others raise concerns about the impact on providers, teachers, and staff who are often times low income working mothers themselves.

When surveyed about how they are responding to the reduction in revenue, family child care providers reported the following strategies:

- Cutting spending on things like materials, toys, books, and other equipment (60%)
- Putting off needed, planned improvements (52.8%)
- Eliminating extras like field trips (27.1%)
- Changing or putting off plans to attend training (25.2%)
- Extending their work hours to care for children during evenings or weekends. (23%)

Child care centers report employing similar strategies to reduce expenses. Strategies include:

- Reducing staff hours (65.4%)
- Putting off needed, planned improvements (51.9%)
- Cutting non-staff related expenses like materials, toys, and books (41.4%)
- Cutting staff (30.8%)
- Eliminating extras like field trips (29.3%)
- Holding a fund raising event to cover basic center expenses (15.8%)
- No longer paying for teacher/staff training and/or providing training (12.8%)
- Cutting teacher/staff benefits (12.8%)
- Expanding center hours to care for children during evenings or weekends (2.3%)

If the current economic trend continues, the impact on child care will no doubt worsen. We may see programs close and many family child care providers and teachers leave the child care field altogether. In the immediate, this may more closely align the supply of child care with the demand. The remaining programs may be in a more stable financial position. But even if the final result leaves the industry stronger, here are some things to consider:

- As programs adapt to revenue reductions, how will quality be impacted? Child care programs are already making sacrifices that will impact quality – and therefore children. In most communities, parent fees alone have never been enough to support the provision of high quality child care. The current economic climate has only exacerbated what was already a problem for many working families and young children.

- How can we help those programs at risk survive the economic downturn? As programs go out of business, and we know some will, how do we ensure that the high quality programs in our community remain healthy, and that the most qualified child care workforce stays in the field? Where are we most likely to lose child care supply? Will low income communities and families, those who may have the hardest time finding a good alternative arrangement, be disproportionately impacted? Will some communities be left with an inadequate supply? What will working parents in these communities do? How can we support the newly unemployed teachers and staff, primarily low income working mothers themselves, to stay in the field?

- How will this impact children and families? Research has demonstrated the importance of a consistent caregiver in laying the foundation for children's learning. As parents move their children because a center closes, or because they need a more affordable alternative, as they patch together a child care arrangement they can afford to meet new irregular hours or reductions in their income, what supports can we provide? How can we intervene to minimize the disruptions in children's lives and ensure that children are safe and learning?

- What will this mean for the future child care infrastructure? Will we be left with a child care infrastructure ill prepared to meet an increased child care demand as the economy recovers? Will we lose the progress made through state, foundation, and non-profit investments in Georgia's child care system?

What can we do?

Unfortunately, there is currently no bailout for child care programs in Georgia. Quality Care for Children is tracking the impact of the economic problems on the child care industry and will continue to do so. We are also providing resources and support to help child care programs weather these difficult times. However, we alone cannot make up for a bad economy. We want to encourage public dialogue about these impacts and what we as a community can do to ensure that quality child care programs, those programs so important in helping children learn and parents work, remain healthy. Our child care industry, just like our banking and manufacturing sectors, are important to our economy and our future.

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Quality Care for Children ensures all children have superior early learning experiences and are ready for school. We are Georgia's leader in equipping parents and child care providers with the tools they need to receive and provide high quality, affordable child care.

(Endnotes)

[i] Georgia's Child Care Industry: Economic Impact and Workforce Development Study. *Child Policy Partnership, Juanita Blount-Clark, UGA; Sharri Byron, UGA; Arati Dahal, UGA; Angela Fertig, UGA; Kelly Foster, UGA; Harini Kannan, GSU; Stacey Neuharth Pritchett, UGA; Dana Rickman, GSU; Angela Snyder, GSU; Erdal Tekin, GSU; Sally Wallace, GSU.* Commissioned by Bright From the Start, Georgia Department of Early Care and Learning.