



The Committee for Hispanic Children and Families, Inc.

UNLEASHING THE ECONOMIC POWER OF FAMILY CHILD CARE PROVIDERS

Executive Summary



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Family child care providers represent a unique and complex small business sector that requires tailored services, products, and support to ensure financial viability. The primary reason early care and education (ECE) programs fail is financial mismanagement, a phenomenon that has not received significant attention in that field (Entrepreneur, 2001 and Stoney and Blank, 2011). The majority of currently available services and professional development for this sector have addressed competencies and best practices with regard to health, safety, and curriculum; but, little focus has been directed towards the support of this sector as small businesses vital to the economic growth of underserved communities in New York City.

The Committee for Hispanic Children and Families (CHCF) recognized and sought to address the observed need to incorporate business and financial education in programming for Spanish-speaking family child care (FCC) providers who run ECE programs. CHCF has worked with FCC providers since 1982, assisting them in building quality child care programs. CHCF's unique position as a leading expert in FCC furnishes access to providers' homes, which in turn provides firsthand information regarding providers' environments, skills, strengths and needs.

During 2013-2014, CHCF undertook a financial education needs assessment to identify the needs, their nature and causes, and important next steps for collaborating with FCC providers toward their financial independence. Guided by the principle that "the most effective way to serve Latino families is by building upon their existing strengths and fostering self-sufficiency," CHCF contacted 140 providers (primarily women) via telephone, a questionnaire, review of provider grant applications, and home visits. This report provides a description of the methodology and findings of the needs assessment as well as a background on the child care market and a snapshot of the supply, demand, and cost of care. The report concludes with recommendations and important next steps in fortifying the viability and sustainability of FCC businesses.



Key Findings/Lessons Learned

The data analyzed show that family child care (FCC) providers encounter many of the same challenges of any sole-proprietor, any micro-enterprise and/or any highly regulated sector. Additional challenges arise from limited financial acumen and cultural and linguistic barriers, including limited English proficiency and limited literacy in general, in some instances. Nonetheless, these providers are using their own drive and efforts to sustain their households, send their children to college, purchase homes and/or build retirement homes in their native countries.

- **FCC PROVIDERS DO NOT PERCEIVE THEMSELVES AS BUSINESS OWNERS**

For many, entry into the sector was motivated by the desire to care for their own children. Providers view themselves as babysitters, a perception echoed by the general public. This sentiment is further solidified by the relatively low income generated, particularly by women serving the publicly subsidized market.

- **FCC PROVIDERS FACE SERIOUS TIME CONSTRAINTS**

Hours of operation, generally, are Monday through Friday from 8:00am to 6:00pm. Yet, their actual work day is considerably longer, including prep time before arrival of the children, clean-up after the children depart, and administrative tasks.

- **FCC PROVIDERS REQUIRE A CLEARER UNDERSTANDING OF THE REGULATIONS AND THE GOVERNING AGENCIES**

The work of FCC providers is governed by an intricate web of government agencies, each with its own rules and regulations. For those serving the Administration for Children's Services (ACS) subsidized market, another layer of complexity exists with regard to regulations.

- **FCC PROVIDERS ARE UNFAMILIAR WITH THE TAX LAWS APPLICABLE TO THE SECTOR**

The high level of intermingling between household and business expenses presents a special challenge. Tax forms submitted with grant applications indicate that although providers are using paid tax preparers, the returns are not completed correctly.

- **FCC PROVIDERS' FINANCIAL ACUMEN IS LIMITED**

Providers are familiar with savings and checking accounts, although savings accounts are used to a lesser degree. Other products such as credit and insurance are less understood and utilized.

- **THE FCC BUSINESS IS VOLATILE**

The capacity utilization rate can fluctuate significantly as persons relocate or children age out (either into center-based care or school). Additionally, for providers serving the subsidized market, changes in parents' eligibility status can result in the loss of clientele.

- **FCC PROVIDERS ENCOUNTER CASH FLOW ISSUES**

Providers reported frequent payment delays from food programs from networks affiliated with the Administration of Children's Services (ACS) for subsidized care, creating a gap between expenses and income. Cash flow can further be affected by children aging out, clients' loss of subsidy eligibility, clients' relocation, tax liabilities, and restrictions on serving the private market by some ACS networks.

- **FCC PROVIDERS' RIGHTS AS TENANTS ARE BEING VIOLATED**

While this is not a frequently recurring theme, FCC providers reported that landlords raised rent or threatened eviction on the grounds that they were running a FCC program; neither landlord action is permissible by law.

- **FCC PROVIDERS ARE INTERESTED IN MAXIMIZING CAPACITY UTILIZATION**

Expansion generally relates to maximizing capacity utilization rather than increasing capacity, which in many instances would require physically moving into a larger space or a commercial property. The latter is too expensive, particularly for women serving the subsidized market. Providers, generally, were not inclined to utilize debt to grow their business. Furthermore, their status as sole proprietors of microbusinesses all but disqualifies them from accessing traditional loans.

Recommendations

Adequate support for FCC providers to maintain and grow viable businesses, CHCF projects, will have powerful, positive implications on low-income communities in New York City. CHCF, together with policymakers, advocates, other community based organizations and funders can collaborate to provide this support and promote a circle of sustainability and quality that will enhance the net earnings of providers, increase the availability of affordable child care, facilitate participation of a greater number of persons in the workforce, and improve the quality of early care and education for children throughout the City. Further, providers' commercial and personal consumption and increased disposable income generate benefits for the local economy, such as greater participation in the workforce and the creation of employment opportunities. The following list of recommendations includes activities already underway at CHCF as well as goals for the future:

- **OFFER FINANCIAL EDUCATION AND SMALL BUSINESS TRAINING TO FCC PROVIDERS**

CHCF has designed a Spanish-language comprehensive 15-hour financial education curriculum that approaches the topics of business structure, policies and contracts, taxes/record-keeping, insurance, budgeting, savings and credit, marketing, business plan preparation, and professional development from the perspective of an FCC provider.

Local government can support this through collaboration with agencies such as, but not limited to, NYC Department of Small Business Services, Office of Financial Empowerment, NYC Economic Development Corporation, and Center for Economic Opportunity.

Funders can support the expansion of this training, which will broaden the professionalization and financial capabilities of FCC providers, and could allow CHCF to reach a greater number of providers throughout the five boroughs, positively impacting the supply and quality of child care by improving sustainability.

- **MAKE AVAILABLE AN INFORMATION CLEARINGHOUSE TO FCC PROVIDERS**

CHCF aims to be the premier source of information on early care and education. Our staff and our website will be reliable resources for regulatory updates, best practices in early care and education, and guidance on small business administration and financial matters. This will require in-house professional development and capacity building. To further enhance the breadth and depth of coverage, CHCF seeks to partner with other organizations so that our site would link to other resources, and those sites would link to CHCF's site.

Funders can support providers' access to thorough and reliable information, which will also serve to broaden the professionalization and financial capabilities of FCC providers and serve as a gateway to CHCF's professional programming, further strengthening the professional development of FCC providers.

- **CONDUCT AND FACILITATE ADVOCACY**

FCC providers have played a perfunctory role in shaping legislation and policies that govern the sector. The dispersion of family child care providers throughout the five boroughs means that they operate in relative isolation from one other. CHCF endeavors to give voice to providers by collaborating with FCC providers to inform early childhood influencers and decision-makers in the field for the continued professionalization of the early care and education sector, including networking/support groups.

Local policymakers can support this by becoming familiar with the family child care market in their district and engaging with their area's FCC providers; understanding that providers play a vital role in communities by facilitating participation in the workforce and creating employment opportunities as well.

Policies that would support FCC providers would include:

- Market rates that address the financial vulnerability of many FCC providers
- Timely payments from ACS networks
- Ability to determine their client mix, which also means permitting parents to choose their child care
- Alignment of categories, measurements and regulations across agencies

- **DEVELOP PUBLIC-PRIVATE-NON PROFIT PARTNERSHIPS**
CHCF intends to identify and develop partnerships to deliver relevant professional programming, particularly in the areas of business administration and financial expertise that is culturally and linguistically aligned with the needs of the FCC providers we serve.

Community based organizations serving communities needing affordable and quality early care and education can help by exploring where there may be synergy, thereby creating an outcome greater than the sum of our separate efforts.

- **ENCOURAGE AND EXPLORE FACILITATING WORKSHOPS IN**
 - **AUXILIARY SUBJECTS**
English language lessons.
Gaining an understanding of the English language, both written and verbal, would permit

FCC providers to reduce their legal and financial vulnerability through a better understanding of documentation related to any contractual agreement (business and personal), to better communicate with clients, and to better advocate for themselves.

- Computer classes (Internet, Word and Excel).
While initially a time commitment, computer literacy in the long run could be a time management tool, facilitating online shopping, banking and marketing. Computer know-how would also permit providers to learn English online at their convenience.

Community based organizations that currently offer these workshops as well as funders can support this training, which will improve the efficiency of operations and enhance the ability of FCC providers to better represent themselves and safeguard their interests.

Sources:

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Prepared by Madeleine Villanueva as a National Urban Fellow at The Committee for Hispanic Children and Families, Inc. She has subsequently joined CHCF as our Family Child Care Business Specialist. For questions or additional information you may contact mvillanueva@chcfinc.org.

The Committee for Hispanic Children and Families, Inc. is grateful for the financial support provided by the Citi Foundation for the production of this report. The views expressed in this report are those of the authors and do not necessarily reflect the views of the report's sponsor.

Citi Foundation



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