

# The Impact of the Recession on Child Care Centers in North Carolina



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## Introduction

At this point in history, our country is mired in one of the worst economic times since the Great Depression. Unemployment is at high levels not seen in decades. Child care centers have not been spared. From May 2009 through July 2009, Child Care Resource and Referral agencies conducted phone surveys of child care centers across the state to determine the extent of damage these hard times have caused programs and, by extension, families and children. This report outlines those findings both statewide and regionally.

Across the state, approximately 10% of child care centers that serve preschool children (birth to five) provided information about their programs over the past year. Detailed information about survey methods and response rates is in Appendix A. The surveys were conducted over the phone using an online survey tool. A copy of this survey can be found in Appendix B. Totals may not equal one hundred percent due to rounding or because several questions allowed for multiple responses.

## Child Care Center Size

From April 30, 2008 to April 30, 2009, child care center enrollment has grown overall by 1.08%. This growth, however, is misleading as 43% of programs indicated that enrollment over the preceding year had declined and 30% said that enrollment had stayed the same over this time period. The median enrollment statewide grew by two, from 45 to 47. Similarly, the median number of vacancies doubled over the year from 3.5 to 7.0. This information may point to programs increasing child care slots within their programs as a strategy to combat a weak economy (see New Strategies section). Additionally, the increase in More at Four slots during this time period as well as new programs opening may account for the overall growth in enrollment.

**TABLE 1:**

**Why are you serving fewer children?**

By Choice	4.49%
Enrolled Children Leaving	77.53%
Unaffordable Operating Costs	65.73%
Vacancies	15.73%
Other	16.29%

When asked, “Why are you serving fewer children?” 78% responded that enrolled children are leaving. (See Table 1.) Further, 66% said that they were unable to afford operational costs at full capacity. (Programs were instructed to check all that apply so percent totals are greater than 100.) Inability to fill vacancies was reported by 16%. Sixteen percent (16%) of programs also listed “other” with responses that included reasons related to subsidy, the economy as a general catch phrase and parents losing their jobs. A mere 4% responded that they are serving fewer children by choice (not related to the economy).

## Families

Child care programs were asked to speak to the numbers of families that had left their programs over the time period and to indicate the reason these families left. By far, the highest number of families left because of unemployment. A distant second was the loss of child care subsidy. Because there were no instructions concerning non-duplication, the possibility exists that these two numbers are related. A significant number of families also left due to reduced work hours and/or reduced pay.

For many programs, the period from April 30, 2008 to April 30, 2009 saw an increase in the number of families who were unable to make child care payments or those who were falling behind in their payments. Over half, a full 52% of programs indicated that the number of families falling into one of these two payment situations had increased. Thirty-four percent (34%) indicated that the number of families having difficulties with payments had remained constant over the time period. Only a handful, 12 out of 413 programs, or 3% indicated that the number of families with financial difficulties related to child care had decreased.

**TABLE 2:**

**What Strategies/solutions do you offer families having payment difficulties?**

None and/or Care is Free	18.70%
Discounts	17.21%
Scholarships	8.23%
Payment Plans	67.33%
Sliding Scale	7.23%
Part Time Care	29.18%
Drop In Care	18.45%
Other	7.98%

A related question then asked providers to discuss the strategies or solutions employed to help families that were having payment difficulties. (See Table 2.) Of the responding programs, 19% said either that they do not offer options for families that cannot pay or that care is free (i.e. Head Start, Public PreK, etc.). Other strategies used to help families included payment plans (67%), offering part-time or drop-in care (29% and 18% respectively) and offering discounts to families (17%). A handful of programs also indicated that they offer scholarships (8%) or a sliding scale (7%). Eight percent (8%) of programs indicated that they have “other” strategies to help families and both reiterated options listed above such as discounts, payment plans, etc. and offered other solutions such as “work individually with family depending on need,” bartering, and dropping late fees.

Specific to discounts, programs were asked if they offered discounts that were not typical due to the economy. Nearly three-quarters (74%) said that they did not offer any unusual discounts during this time period. Of the programs that did offer atypical discounts, many said that they waived the registration/enrollment fee, offered multi-child discounts or discounts for staff members. Programs also indicated that they dropped late fees, offered a reduced rate for the first month and offered families who referred other families a referral fee. Another program indicated that for currently enrolled families, if a job loss occurred, the program would reduce the child care fee in half.

### Referrals for Families

Because many families are struggling as indicated by the increased number of families who are unable to pay or are behind on child care payments, many programs indicated that they routinely refer families to community resources. An overwhelming majority of programs said that they give families information about subsidy (80%). Programs also often referred families to the local Resource and Referral agency (53%). Other information was given about unemployment (43%), WIC (42%), and public Pre-K programs (38%). Mental health referrals were given by 19% of programs along with substance abuse information (12%), financial counseling (9%) and SCHIP (9%). Seven percent of programs also indicated “other” referral sources and listed such agencies/programs as the Child Development Services Association (CDSA), churches, dental health, community colleges, United Way, Smart Start and food banks. A full 10% of programs said that they did not refer families anywhere.

## Increased Costs to Programs

Clearly increased costs throughout the state have not bypassed child care programs. Eighty-two percent (82%) of programs indicated that the cost of “goods and services” increased over the previous three months. Of the 81 programs that listed specific increases in costs of goods and services, 84% listed food/groceries as either the item or one of the items that has increased. Likewise, 69% agreed that the cost of other business operating costs had increased. Though specific comments varied, bills/utilities was cited most often by programs.

## Impact on Programs

Increasing costs, as well as other economic factors have impacted programs in a variety of ways. Child care centers were asked to indicate all areas in which their programs had been affected. (See Table 3.) Nearly a quarter (23%) said that the recession has had no impact on their program. For the remaining 77%, the impact was felt in a number of ways. Forty-one percent (41%) of programs have reduced staff hours. Further, 39% said that they are not hiring staff as needed. Continuing with staffing trends, 22% said they had to lay off staff. For those staff that are employed by centers, in 26% of programs, salaries had been frozen and 17% of programs no longer provide bonuses. With frozen salaries and no bonus, 13% of programs said that they have reduced benefits for staff.

**TABLE 3:**

### How is the recession impacting your program?

No Noticeable Impact	23.41%
Closing Classrooms	18.29%
Restructuring/Combining Classrooms	27.32%
Combining Age Groups	22.93%
Laying Off Staff	22.20%
Reducing Staff Hours	41.46%
Not Hiring Staff	39.27%
Reducing Benefits for Staff	13.41%
Freezing Salaries	26.34%
Holding Back on Staff Bonuses	16.83%
Reducing Meal Service	2.20%
Not Buying Needed Equipment, etc.	31.95%
Other	14.63%

Besides staffing issues, the recession has impacted programs in a more direct way as well. Thirty-two percent (32%) of programs have not bought needed equipment, materials and/or services. Restructuring classes has occurred in 27% of programs. Part of this restructuring includes combining age groups which has occurred in 23% of programs. For some programs, 18%, programmatic changes have not helped and they made the decision to close classrooms.

Fourteen percent (14%) of programs indicated “other” as an impact the recession has had on their programs. These programs listed such ways as buying generic, less expensive items, the director spending more time in the classroom replacing staff and, for those programs that are hiring, bring in staff that do not have as much education. A small number of programs also listed that, due to the recession, they will be closing in the upcoming months.

## Strategies for Programs

Despite the poor economy and the impact the recession has had on programs, many child care centers have developed new and innovative strategies to either increase the program’s revenue or reduce expenses. (See Table 4.) Nearly half of child care programs (45%) began offering part-time slots as a way to boost revenue. Perhaps this idea was discovered through working with the local resource and referral agency which was a strategy for 40% of providers. (Though there may be some duplication in responders, 10% indicated that they used the service of resource and referral agen-

**TABLE 4:**

**What new strategies, if any, are you using to increase your program’s revenue or reduce your program’s expenses?**

None	19.41%
Maintaining and Utilizing Waiting Lists	31.20%
Offering Part-Time Slots	45.21%
Allowing Families to Share Slots	18.67%
Offering School-Age Care	35.87%
Offering Summer Care	38.08%
Offering Track-Out Care	4.91%
Offering Transportation Services	18.43%
Participating in Local CCR&R Programs	39.56%
Participating in CCR&R Programs in Other Counties	9.83%
Utilizing Free Advertising-Bulletin Boards, Newsletters (Church, Grocery, etc.)	34.64%
Targeting Relocated Families That Are New to the Area	18.92%
Distributing Advertising/Flyers Door-to-Door in Your Neighborhood	17.20%
Increasing Physical Visibility of Your Facility	28.75%
Soliciting Help of Enrolled Families with Referral Incentives	25.31%
Offering Discounts to New Families	21.87%
Offering Use of Facility Space to Other Community Agencies	10.57%
Other	14.99%

cies outside of their local area.) Another strategy used to increase revenue by 38% of programs was to offer summer care, with the offering of school-age care following closely at 36%. Only 5% of programs said that they now offer track out care.

Programs are using a variety of methods to increase their visibility. Thirty-five percent (35%) are utilizing free advertising such as bulletin boards and newsletters (such as from churches, homeowners associations, etc.) with 29% making attempts to increase the physical visibility of their facilities through such means as signs and banners. A quarter (25%) said that they solicit help from enrolled families through the use of referral incentives. Once new families are identified, 22% of programs offered a discount. Other strategies included targeting relocated families (19%), allowing families to share slots (19%), providing transportation (18%), advertising door-to-door (17%) and allowing other community agencies to use the facility (11%).

In addition to those strategies listed, child care programs were asked to list any other methods used to increase revenue or decrease expense. Fifteen percent (15%) of programs gave responses many of which reiterated previously mentioned strategies. However, some programs listed other strategies such as offering drop-in care, providing free registration and raising rates. Other changes to programs included applying for grants, budgeting more closely and fund-raising.

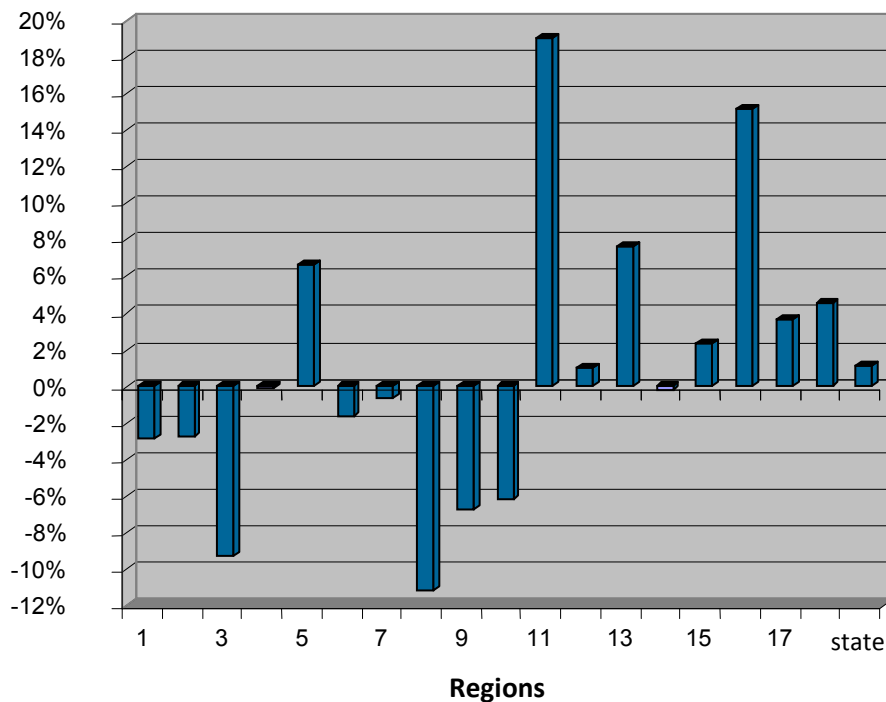
## The Impact of the Recession on North Carolina Child Care Centers

Some programs appear to be working diligently to maintain fiscal viability through these tough times. These programs have employed a variety of new strategies to combat the current recession. Other programs, nearly one-fifth of programs (19%) have not changed their methods and continue to go about business as usual.

### Regional Differences

Data presented thus far combines all of the regional and county specific information to show a general sense of the impact the recession is having on programs across the state. However, though North Carolina is a single state in legal terms, practically, areas across the state look very different in many aspects. For instance, though as a state North Carolina has seen an increase in child care enrollment over the past year, in some regions, this statement is misleading as those areas have seen a decrease. (See Graph 1.) A map of the CCR&R regions can be found in Appendix C.

**GRAPH 1: Change in Center Enrollment**



The reasons for drops in enrollment vary by region as much as the change across regions. Though variability exists across regions, across the board, “by choice” is not cited as a significant reason for lowered enrollment numbers (range of 0.00% for several regions to 15.38% for region 3). Of far greater concern for many regions was the “inability to afford operational costs at full capacity” which was listed as a reason by 100% of programs in several regions, though in region 6, no programs listed this as a reason. Differences across regions were also noted in that enrolled children were leaving. Regions 16 and 18 listed this cause by 100% of programs vs. region 2 which had no programs checking this box. Finally, the “inability to fill vacancies” was not cited in several regions as a contributing factor to serving fewer children, yet in region 9, it was listed by 40% of programs.

## The Impact of the Recession on North Carolina Child Care Centers

The table below (Table 5) illustrates variability across counties on several factors. For all regions, a large percent of the programs said that there was an increase in the cost of goods and services. Though a similar situation exists in terms of increases in operating costs, there is much greater variability with a low of 23% of programs in region 4 experiencing such increases to a high of 100% in regions 2 and 10.

Surprisingly, in region 5, 68% of programs said that the recession has had no impact on their center. For region 2, however, the picture was much different as 100% of programs acknowledged being affected by the economy. Finally, across the state over half of all programs said that there was an increase in the families that were behind on their payments. This ranged from a low of 25% of families in region 12 to a high of 76% in region 18.

**TABLE 5: Various Questions**

	Increase- Cost of Goods?	Increase- Operating Costs?	Recession Had No Impact on Program	Increase- Families Behind on Payments
<b>region 1</b>	61.54%	53.85%	31.25%	26.67%
<b>region 2</b>	100.00%	100.00%	0.00%	50.00%
<b>region 3</b>	85.71%	76.19%	14.29%	61.90%
<b>region 4</b>	77.27%	22.73%	45.45%	45.45%
<b>region 5</b>	97.37%	97.44%	67.57%	38.46%
<b>region 6</b>	66.67%	54.55%	25.00%	30.77%
<b>region 7</b>	77.78%	69.84%	16.67%	67.74%
<b>region 8</b>	84.00%	48.00%	12.00%	72.00%
<b>region 9</b>	83.33%	83.33%	22.22%	38.89%
<b>region 10</b>	100.00%	100.00%	10.00%	70.00%
<b>region 11</b>	73.68%	66.67%	5.88%	47.06%
<b>region 12</b>	84.62%	45.45%	16.67%	25.00%
<b>region 13</b>	73.08%	45.00%	14.29%	37.04%
<b>region 14</b>	87.50%	88.24%	14.71%	57.14%
<b>region 15</b>	82.14%	65.52%	18.52%	67.86%
<b>region 16</b>	70.37%	38.46%	33.33%	40.74%
<b>region 17</b>	71.79%	76.32%	20.51%	46.15%
<b>region 18</b>	92.86%	85.71%	21.43%	76.92%
<b>State</b>	81.46%	68.66%	23.41%	52.30%



### **Conclusion**

The downturn in our economy is no longer news. Families and child care programs are learning to adjust to this new financial reality. Just as other businesses are learning to survive with increased costs and decreased demands, so too must child care programs. Across the state, some programs have begun and, in fact, seem to be succeeding at finding the right mix of revenue and expense. Others seem to be struggling a bit more. Through the results of this study, perhaps programs and funders can find strategies to combat the financial difficulties of our times so that our children can be spared the long term consequences.

## Appendix A Survey Methods and Response Rates

Child care programs selected for survey participation were drawn from the Division of Child Development data for April 2009. Only licensed child care centers serving preschool children were included in the initial dataset. Each program was assigned a random number. The data was then divided into the 18 Child Care Resource and Referral regions. Each region was then subdivided into counties. Each county was then sorted by the random number and the top 10% of programs in each county was selected as the initial set of programs to be surveyed. For counties with very low numbers of programs (less than five) no programs were surveyed.

Regional Lead Agencies were instructed to call each program in the initial set three times in an attempt to complete the survey. After three unsuccessful attempts, the agencies were instructed to move to the next program on the list. Consequently, the final dataset does not represent responses from the initial dataset. However, the programs were randomized and divided into counties to ensure representation across the state. Statewide data represents 10% of each county with the following exceptions: region 5-9.44% of the region, region 8-9.69% of the region, and region 16-9.51% of the region. Overall, responses were received from 424 child care centers across the state. Though not all centers responded to all questions, a response rate of greater than 90% was achieved on all questions.

In three regions, data was obtained by more than 10% of the programs. For these regions, a number of programs were omitted in a random fashion such that the correct number of responses remained in the final dataset to perform the statewide analysis. For information specific to the regions, these additional programs were included resulting in a response rate of slightly greater than 10%. These regions are region 4, region 7 and region 11.

The questionnaire consisted of 18 questions (see attached survey). For each question, the regional lead agency staff person (or designee) read the question and any accompanying answers. The answers were then entered into an online form. Following the completion of data collection, the data was downloaded and cleaned to ensure accurate data.



## Appendix B Statewide Economic Impact Provider Survey

Survey on the Impact of the Recession on Child Care Providers



Page 1 - Question 1 - Open Ended - One or More Lines with Prompt

Please enter Agency information

- Agency
- Agency Staff Initials
- Region

Page 1 - Question 2 - Open Ended - One or More Lines with Prompt

Please enter Survey/Participant information

- Date of Survey
- Child Care Program Name
- Program Contact
- County
- Zip Code

Page 2 - Question 3 - Open Ended - One Line

As of April 30, 2009, what was your enrollment?

Page 2 - Question 4 - Open Ended - One Line

What was your approximate enrollment one year ago (April 30, 2008)?

Page 2 - Question 5 - Open Ended - One Line

As of April 30, 2009, how many vacancies did you have?

Page 2 - Question 6 - Open Ended - One Line

What was your approximate number of vacancies one year ago (April 30, 2008)?

# The Impact of the Recession on North Carolina Child Care Centers

Page 2 - Question 7 - Choice - One Answer (Bullets)

[Mandatory]

Compared to April 2008, has your enrollment increased, stayed the same, or decreased?

- Increased [Skip to 4]
- Stayed the same [Skip to 4]
- Decreased [Skip to 3]

Page 3 - Question 8 - Choice - Multiple Answers (Bullets)

Why are you serving fewer children? (Check all that apply)

- By choice (not related to economy)
  - Enrolled children leaving
  - Inability to afford operational costs at full capacity (e.g., staff costs to keep classroom open)
  - Inability to fill vacancies
  - Other, please specify
- 

Page 4 - Question 9 - Open Ended - One or More Lines with Prompt

In the last 3 months, approximately how many families have left your program for one or more of the following reasons -

- Unemployment
- Reduction in work hours
- Reduction in pay
- Loss of child care subsidy
- One of the above but not sure which

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Page 4 - Question 10 - Yes or No

In the last 3 months, have you experienced significant increases in the cost of goods and services?

- Yes
  - No
  - Additional Comment
- 

Page 4 - Question 11 - Yes or No

In the last 3 months, have you experienced significant increases in other business operating costs?

- Yes
  - No
  - Additional Comment
-

## The Impact of the Recession on North Carolina Child Care Centers

### Page 5 - Question 12 - Choice - Multiple Answers (Bullets)

How is the recession impacting your program? (Check all that apply)

- Closing classrooms
  - Combining age groups
  - Freezing salaries
  - Holding back on staff bonuses
  - Laying off staff
  - No noticeable impact
  - Not buying needed equipment/materials/services
  - Not hiring staff
  - Reducing benefits for staff
  - Reducing meal service
  - Reducing staff hours
  - Restructuring/combining classrooms
  - Other, please specify
- 

### Page 6 - Question 13 - Choice - Multiple Answers (Bullets)

What new strategies, if any, are you using to increase your program's revenue or reduce your program's expenses? (Check all that apply)

- Allowing families to share slots
  - Distributing advertising/flyers door-to-door in your neighborhood
  - Increasing physical visibility of your facility (e.g., signs, banners, etc.)
  - Maintaining and utilizing waiting lists
  - None
  - Offering discounts to new families
  - Offering part-time slots
  - Offering school-age care
  - Offering summer care
  - Offering track-out care
  - Offering transportation services
  - Offering use of facility space to other community agencies
  - Participating in CCR&R program(s) in other county(ies)
  - Participating in local CCR&R program
  - Soliciting help of enrolled families with referral incentives
  - Targeting relocated families that are new to the area
  - Utilizing free advertising – bulletin boards, newsletters (church, homeowners associations, grocery stores, etc.)
  - Other, please specify
-

## The Impact of the Recession on North Carolina Child Care Centers

### Page 7 - Question 14 - Choice - One Answer (Bullets)

Comparing April 2009 to April 2008, have the number of families unable to make child care payments or those who are falling behind in making payments increased, decreased or stayed the same?

- Increased
- Decreased
- Stayed the same
- Unknown

### Page 7 - Question 15 - Choice - Multiple Answers (Bullets)

What strategies/solutions do you offer families having payment difficulties? (Check all that apply)

- Discounts
  - Do not offer options for families
  - Drop-in Care
  - Part-time care
  - Payment Plans
  - Scholarships
  - Sliding Fee Scales
  - Other, please specify
- 

### Page 7 - Question 16 - Yes or No

Are you currently offering discounts that you do not typically offer due to the current economy?

- Yes
  - No
  - If yes, please specify
- 

### Page 8 - Question 17 - Choice - Multiple Answers (Bullets)

What common resources and services do you currently find yourself referring families to? (Check all that apply)

- Child Care Subsidy/Scholarship programs (DSS, Smart Start, other)
- Financial/credit counseling
- Local CCR&R agency
- Mental health counseling/support services
- None
- Public PreK (i.e., More at Four, Head Start, etc.)
- SCHIP
- Substance abuse services
- Unemployment/Work First/TANF
- WIC
- Other, please specify

# The Impact of the Recession on North Carolina Child Care Centers

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Page 8 - Question 18 - Open Ended - Comments Box

Is there anything else that you would like us to know about the impact of the economic downturn on your child care program?

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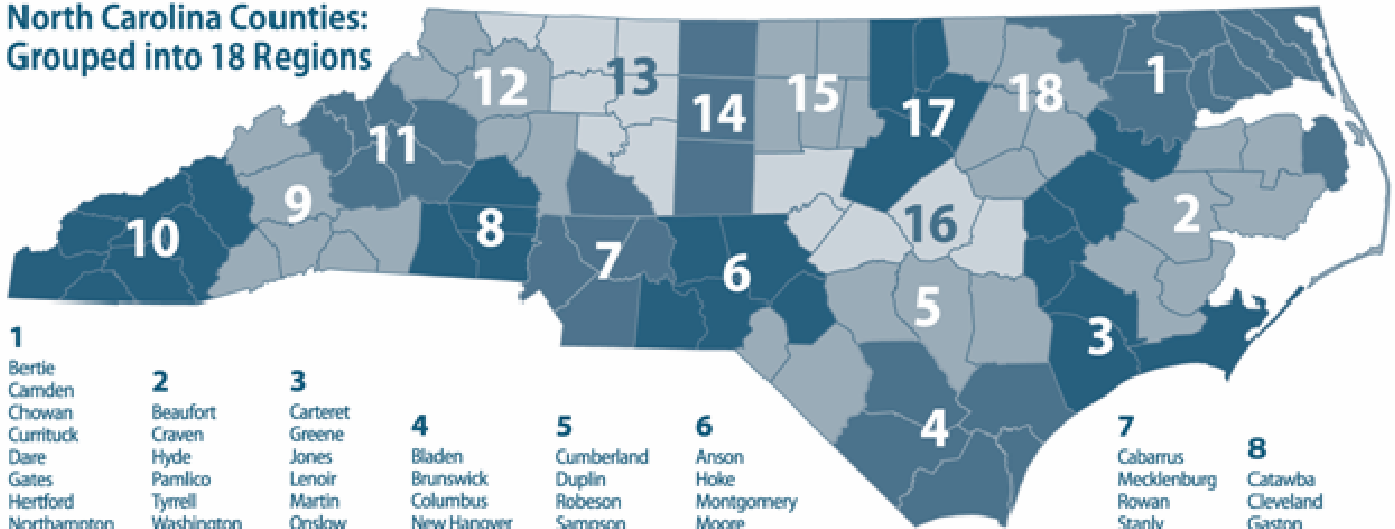
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## Appendix C

### NC CCR&R Regions

North Carolina Counties:  
Grouped into 18 Regions



- |   |   |   |  |   |  |   |   |   |   |
|---|---|---|--|---|--|---|---|---|---|
| <b>1</b><br>Bertie<br>Camden<br>Chowan<br>Currituck<br>Dare<br>Gates<br>Hertford<br>Northampton<br>Pasquotank<br>Perquimans | <b>2</b><br>Beaufort<br>Craven<br>Hyde<br>Pamlico<br>Tyrrell<br>Washington      | <b>3</b><br>Carteret<br>Greene<br>Jones<br>Lenoir<br>Martin<br>Onslow<br>Pitt | <b>4</b><br>Bladen<br>Brunswick<br>Columbus<br>New Hanover<br>Pender | <b>5</b><br>Cumberland<br>Duplin<br>Robeson<br>Sampson<br>Scotland                  | <b>6</b><br>Anson<br>Hoke<br>Montgomery<br>Moore<br>Richmond | <b>7</b><br>Cabarrus<br>Mecklenburg<br>Rowan<br>Stanly<br>Union | <b>8</b><br>Catawba<br>Cleveland<br>Gaston<br>Lincoln       |   |   |
| <b>9</b><br>Buncombe<br>Henderson<br>Madison<br>Polk<br>Rutherford<br>Transylvania  | <b>10</b><br>Cherokee<br>Clay<br>Graham<br>Haywood<br>Jackson<br>Macon<br>Swain | <b>11</b><br>Avery<br>Burke<br>Caldwell<br>McDowell<br>Mitchell<br>Yancey     | <b>12</b><br>Alexander<br>Ashe<br>Iredell<br>Watauga<br>Wilkes       | <b>13</b><br>Alleghany<br>Davidson<br>Davie<br>Forsyth<br>Stokes<br>Surry<br>Yadkin | <b>14</b><br>Guilford<br>Randolph<br>Rockingham              | <b>15</b><br>Alamance<br>Caswell<br>Durham<br>Orange<br>Person  | <b>16</b><br>Chatham<br>Harnett<br>Johnston<br>Lee<br>Wayne | <b>17</b><br>Franklin<br>Granville<br>Vance<br>Wake | <b>18</b><br>Edgecombe<br>Halifax<br>Nash<br>Warren<br>Wilson |





# CCR&R Council

North Carolina Child Care Resource & Referral Council

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Commission**

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