Living in the Real World

by Jim Greenman

"Jean's Pretty Good, Kind of Affordable, Child Development Center" Versus the Child Care Trilemma

It was an average day for Jean, an average director of a pretty average child care center which she founded 15 years ago in a pretty average neighborhood. First thing in the morning, a parent was in her office in tears because of her struggles to pay her outstanding bill. Three hours later, one of her assistant teachers told her she was probably going to leave to work as an elementary school aide because she couldn't live on what she was making.

At a staff meeting later, the primary staff complaint was the difficulty of operating at minimum ratios, with an aging facility and not enough materials. Later in the day, she thought back to the leadership conference she went to that made her feel that her 10 hour days were too short. She needed to do more marketing, budgeting, coaching her staff, advocacy, developing her board, and more community outreach.

Jean decided it was time. She either had to figure out a way to resolve the problems of her center or go crazy. She noted that she may have already gone crazy if she thought she could improve things. However, feeling plucky, and a little slap-happy after the long day, she plunged ahead.

She didn't know it, but Jean was going to tackle what Gwen Morgan coined the child care "trilemma": the fact that quality, staff compensation, and affordability for parents are all serious problems and working on one of these problems makes it harder to tackle the other two. If you try to increase compensation, you have less funds for improving quality by improving ratios, and vice versa. Or if you work to make your center more affordable, you have less revenue to spend on staff or other quality factors.

Note: The trilemma recognizes that improving compensation also certainly has an effect on quality. However, few would argue that improving wages and benefits does much to reduce the need to improve ratios, administration and support, and facilities and equipment.

The following is the cautionary tale of Jean's late night calculations to shed a little light on a dark and dreary problem:

Budget: "Honest Jean's Pretty Good, Kind of Affordable Child Development Center"

INCOME

• Total fees	$350,000
• USDA	20,000
• Fundraising	5,000
Total income	*$375,000*

EXPENSES

• Teaching staff	$213,000
• Administrative staff	63,000
• All other expenses	99,000
Total expenses	*$375,000*

Where the budget numbers came from:

PROGRAM INCOME

Fees

• 16 infants x $120 week x 50 weeks x 90%	$ 86,400
• 28 toddlers x $96 week x 50 weeks x 90%	120,000
• 40 preschoolers x $77 week x 50 weeks x 90%	144,000

PROGRAM EXPENSES

To honestly cover ratios over the 11 hour day, the equivalent of the following number of full time staff are required:

• 16 infants	=	5 staff
• 28 toddlers	=	5 staff
• 40 preschoolers	=	5 staff

Teaching Staff Compensation:

• 3 teachers ($8.00 hour average + 15% tax and benefits)	$ 57,000
• 3 assistant teachers ($6.30 hour average + 15% tax and benefits)	45,000
• 9 CCAs ($5.00 hour average + 15% tax and benefits)	108,000
• Substitutes	3,000

Administrative Staff Compensation:

• Director ($12.00 hour + 15% tax and benefits)	$29,000
• Administrative assistant ($7.00 hour + 15% tax and benefits)	17,000
• Cook ($7.00 hour + 15% tax and benefits)	17,000

Jean Decides to Improve Quality (But Not Necessarily Compensation) and Become "Jean's Mighty Fine Child Development Center"

Jean figured her staff and parents would like better staff/child ratios, more administrative support for staff and parents, and work on the facility. She calculated the cost:

• To reduce ratios by 1 in each group, reduce 12 children	lose $48,000
• To change administrative assistant to assistant director ($2.00 raise) and add 1/2 time secretary ($6.00 hour)	add $11,000
• To improve facility and equipment	add $10,000
Total budget cost to improve quality	*$69,000* *(an 18% increase)*

The bottom line. To accomplish this change, the average per child fee would need to be increased by $21 per week — a 40% increase.

Jean Looks to Improve Compensation (But Not Other Elements of Quality) and Become "Jean's Pretty Good Child Development Center — A Great Place to Work"

Staff are restless—burning out, leaving, grumbling. New people are hard to get. She decides to consider improving salaries dramatically:

• To increase salaries by average of $1.50 hour	add $56,000
• To increase benefits by 5%	add $17,000
Total cost to improve compensation	*$73,000* *(a 19% increase)*

The bottom line. This change would boost the average per child fee by $17 week — a 21% increase. (**Note:** This is lower than the increase above because we are back to 84 children in this scenario.)

Jean Decides to Become More Affordable to 50% of the Parents and Become "Jean's Pretty Good Community Child Care — A Great Value"

A little less plucky than when she started, Jean continues on with her trusty calculator (next year, she vows, a computer). More of her parents from her lower middle class neighborhood are talking about having to look elsewhere for less expensive care, perhaps less formal home care.

She has no waiting list. Some of her parents having second children are planning not to go back to work because they can't afford child care. Remembering the request of some parents, she looks into a sliding fee:

• To offer 10% of the families a 50% discount (off current rate)	lose	$18,500
• To offer 20% of the families a 35% discount	lose	$32,300
• To offer 20% of the families a 20% discount	lose	$16,000

Total cost due to lowered fees *$66,800*
(an 18% decrease)

The bottom line. The average rate increase for remaining 50% of parents to pay for sliding scale would be $28 week — a 38% increase. Flush with new understanding and fatigue, Jean decides to calculate improving quality, compensation, and affordability all at once, before total collapse:

"Jean's Mighty Fine Child Development Center — A Good Place to Work and a Great Value, Too"

• Quality improvements	$69,000
• Compensation improvements	73,000
• Sliding scale	66,800

Total cost to improve quality, compensation, and affordability *$208,800*
(a 55% increase)

As Jean woozily slid off her chair and struggled for equilibrium, she also struggled for perspective. There were hundreds of centers like hers in her state, and thousands throughout the country. What could be done? Where should she start? Where was that bottle of wine?

Alternate Ending Number 1

Jean woke up the next morning clear headed and resolute. She would seek help. She contacted Child Care Scientific Management Consultants, a new firm with a ten year history of small business consulting. They recommended the following thinking process:

1. Analyze the way to maximize full enrollment and thus generate the most revenue.
2. Improve working conditions and salaries relative toward your competition for staff.
3. Offer scholarships necessary for full enrollment but not more.

Jean took their advice on the following:

- She put money into marketing, new materials, and administrative time, hoping to increase enrollment by 4%.
- She developed a series of bonuses that made staff feel better, yet cost much less than across the board salary increases.
- She increased the starting salary to make hers the highest advertised starting wage among her competition.
- She used the increased administrative time to improve working conditions like teacher planning time, breaks, clearer policies, and more staff recognition.
- She raised her rates after a concerted internal marketing effort to parents that she was going to spend money to offer some new enrichment activities and materials and become "Jean's Good, Kind of Affordable, Child Development Center."
- She budgeted to offer scholarships.

Jean knew these short term measures wouldn't solve her problems finding staff or maintaining full enrollment. She felt a little guilty because she had always regarded bonuses and enrichment activities as mostly cosmetic changes. But it seemed to her that these changes would improve her chances of getting by and maybe society would begin to pay more attention and new dollars would materialize.

Alternate Ending Number 2

Jean woke up in a cold sweat. What a dream! Last year, struggling with the Trilemma, she ran into Gwen Morgan. A tireless fighter, Gwen told Jean that the alternatives were limited. She could keep on trying to balance the inevitable scarce resources and organize to advocate for public and private dollars that will very slowly, if ever, materialize; or she could open up a card and gift shop.

"Oh, well," Jean thought, "Time to get up and open up the shop." Later in the afternoon, she had time for tennis.

Jim Greenman is a child care consultant from Minneapolis, Minnesota, and director of programs and facilities for Resources for Child Care Management.