

An Exchange Trend Analysis

Non Profit Centers Struggling to Meet Increasing Demand

by Roger Neugebauer

In this year's survey of non profit child care programs in the United States and Canada, center directors reported increasing demand for their services, as well as increasing challenges in responding to this demand. Some directors were very upbeat in their assessments . . .

"The outlook for non profits looks quite good in our area . . . In all areas (from education, business, government, to philanthropic), there's an increasing thrust toward pooling resources to give kids and families the support they need. It's like we are hitting a critical mass of agreement that the status quo of mediocre child care is unacceptable for children as well as their working parents."

— Karen Stephens, Illinois State
University Child Care Center
Normal, Illinois

"The outlook for non profit centers in our county is very promising! There is a foundation in town that had pledged over one million dollars to a Quality Child Care Initiative. The first round of grants (up to

\$20,000 each) went to urban centers and others serving the low socio-economic population. The goal is to get all centers in the county accredited. They have provided many support services as well."

— Jerri Helmreich, Malone College
Weaver Child Development Center
and Christian Primary School
Canton, Ohio

Other non profit directors are more pessimistic in their forecasts . . .

"As a director of a large not for profit child care center, I feel the future is getting more and more grim for all child care programs. As an accredited facility, quality is a most important issue for us; however, without the financial resources to pay teachers' salaries, it is becoming quite difficult to find quality

employees. I see it as a big disservice to children and families that the education and care for the most important people 'our children' must suffer due to lack of funds. Parents do not have the money to pay for quality care; the programs are being forced to employ teachers at below poverty wages. Without the financial support from public funding and other sources the end could be near."

— Velynda Cameron
University Child Care Center
Springfield, Missouri

"I think the outlook for ALL child care looks grim . . . The issue of program survival starts with the teaching staff but goes beyond it. Several programs in our immediate area have closed in the last year (both non profit and for profit), and parents are scrambling for quality programs. Small programs are finding it the hardest to survive, as their overhead costs are a bigger percentage of their budgets. We may be left with less variety of programming, and possibly even with less quality, if small programs are squeezed out of the market. The government must look at subsidizing parents or programs, beyond Head Start and the Title V publicly funded child care programs which serve primarily low-income families. The financial squeeze affects parents, teachers, and programs, and something's got to give."

— Sue Britson
Step One School
Berkeley, California

"The economy of Hawaii has been depressed for the past ten years, and the business of child care has reflected that situation. As the economy improves and government funding increases, so will the business of child care."

— Chuck Larson
Seagull Schools
Kailua Hawaii

◆ Trend #1 Increasing Demand

When asked to cite potential opportunities for non profit programs, center

directors were in strong agreement that there is a rising demand for child care (see Table I). This trend was observed by many directors . . .

“Need for child care remains constant. As an agency that services the low-income population of a metropolitan area, we have no problem filling our slots and maintaining a wait list.

— Barbara Guthrie
Rainbow Child Development Center
Worcester, Massachusetts

“There is a need for more care in this area in that nearly every center has a waiting list in every age group.”

— Lori Harris
Dartmouth-Hitchcock Medical Center
Child Care Center
Lebanon, New Hampshire

◆ Trend #2 Increasing Quality

Non profit directors acknowledged that there is an increasing appreciation, both inside our profession and outside, for quality in child care settings. In rating the positive trends in our field, the majority of directors cited “parents’ growing recognition of the importance of the quality of child care” (see Table I). Many directors also commented that slowly, and hopefully surely, politicians, employers, and public officials are also starting to understand the value of quality child care.

Two factors are helping spur support for quality. First is “public interest in the early years based on brain research implications” (Table I). The recent focus on brain research, while often oversimplified and overstated, has helped all players in the child care equation appreciate that the foundation for all learning is set in the early years. Second, directors observed that national center accreditation programs have helped increase recognition of quality programs and encouraged parents not to settle for less than quality programs.

Many directors commented that the quality of non profit programs in their communities has been steadily increasing in recent years. However, most directors acknowledged that even though directors are now more motivated than ever to provide quality services, they are faced with significant challenges that prevent them from moving forward as fast as they would like (see Trends 3 and 4).

“Non profit child care is being squeezed between inadequate funding, unavailability of qualified staff, and an increase in public school and other programs.”

— Pam Boulton, University of
Milwaukee Children’s Center
Milwaukee, Wisconsin

other non profit child care centers in the community are experiencing the same problem. This is a very serious threat to maintaining low teacher:child ratios and quality care for children. Frequently, managers and supervisors become part of the ratio; this creates added stress on their already busy schedules.”

— Gail Reuther
Mt. Olive Child Care and
Learning Center
Flanders, New Jersey

Far and away the biggest challenge facing non profit directors is finding qualified staff (see Table II). This, of course, comes as no surprise, as it has been the Achilles’ heel for the child care commu-

Table I Opportunities for Non Profit Programs

Directors of non-profit programs were asked to rate the importance of potential opportunities for their programs on a scale of 1 to 10 (with 10 meaning “extremely important opportunity”). Below are the highest rated opportunities (with average ratings).

- 7.4 Public interest in early years based on brain research implications
- 7.2 Parents’ growing recognition of the importance of the quality of child care
- 6.8 Rising demand for early childhood services
- 6.8 Credibility provided by center accreditation
- 6.6 Increasing public funding for child care
- 6.5 Increasing press coverage of child care

◆ Trend #3 Continuing Staff Shortages

“The most challenging aspect of administering a non profit child care center in my community is finding qualified staff to fill positions. Due to the good economy, few or no applicants respond to advertisements: particularly for part time positions in our Before- and After-School programs. Additionally, often those who do apply lack the proper credentials or training. I know that

nity for many years. Every director surveyed listed staffing as a serious challenge.

◆ Trend #4 Funding Not Increasing Fast Enough

Non profit directors both acknowledged that public funding for child care is increasing (see Table I) and that the funding is still inadequate (see Table II). Half of the non profit programs

receiving public funding or charitable funding experienced at least moderate increases in this funding in recent years. Yet nearly all programs reported that funding was inadequate to serve families in need and to pay staff what they deserve.

One interesting caveat on the funding issue is that not all non profit programs are dependent on outside support. Of the non profits programs surveyed, 37% do not receive any public funds and 27% do not receive any charitable donations.

A second observation of note is that although public funding is increasing, this increase may not result in increasing the supply of quality care. In many states, the reimbursement rates paid by state agencies may be far below the rate required to deliver quality services. As one director observed . . .

“In Oregon, one of the challenges for non profit programs that accept low-income families is the state’s reimbursement rate. Some non profits will not accept state subsidized families because of the reimbursement rate. In Oregon, it is a percentage of a market rate from a number of years ago. The co-pay for some families is so high that they accept exceptionally low-quality care for their children, as those programs often have much lower rates.”

— Roberta Recken
Fruit and Flower Child Care Center
Portland, Oregon

While the Head Start program has enjoyed tremendous funding success, it has not made a huge impact on the child care needs of low-income families. One Head Start director observes . . .

“The Head Start program, while under attack, is still valued by society. The Head Start Bureau, while encouraging and making funds available for child care, will not

Table II Challenges Facing Non Profit Programs

Directors of non profit programs were asked to rate threats to the success of their programs on a scale of 1 to 10 (with 10 meaning “extremely serious threat”). Below are the highest rated threats (with average ratings).

- 7.8 Short supply of qualified staff
- 5.7 Short supply of funding
- 5.6 Too much stress on center director
- 4.8 Short supply of appropriate training for teachers
- 4.1 Short supply of good affordable space
- 3.8 Competition from public schools

fully fund this option. Creating partnerships with others with the funds to make full-day, full-year Head Start work is frustrating for all the partners. Full funding of this option by the Head Start Bureau would increase the availability of this service for working low-income families.”

— Alan S. Berlin
Southern Oregon Child and
Family Council
Central Point, Oregon

Finally, non profits have not been benefiting greatly from the support of the nation’s employers. Employer child care is the fastest growing form of child care in the United States. However, non profit centers are seldom employers’ first choice when looking to support the child care needs of their employees. As a result, today only one in three non profit programs receive any support from employers.

◆ Trend #5 Increasing Competition

In the 1970s and 1980s, when the demand for child care was exploding in the United States, competition was not a factor that concerned most directors. For profit programs found plenty of

demand for their services in middle- and upper-income neighborhoods. Non profits, whether church-housed or community-based, scrambled to meet the needs of low-income families. Head Start programs served families not requiring full-day care. And, the public schools paid scant attention to preschool children.

In the 1990s, as the demand for child care continued to grow but at a more modest rate, competition among the various categories of providers became a fact of life. In order to fill empty spaces, for profit centers began serving families receiving public assistance. In order to balance budgets inadequately supported by public subsidies, non profit programs began reaching out to families who could afford to pay for the full cost of care (see Table III). As a result, for profit and non profit programs increasingly were competing for the same families.

At the same time, in response to the need to utilize empty classrooms as well as to the excitement about brain research, public schools began actively setting up programs (mostly part-day) for three and four year olds. Meanwhile, Head Start was receiving major

Table III
Families Using Non Profit Programs, 2001

Low-income families	36%
Moderate-income families	41%
High-income families	23%

funding increases, causing local Head Start agencies to scramble to find eligible three and four year olds.

With all these changes, competition is heating up in the child care world. In many communities, non profit directors report competition from other sectors in the field as an increasing challenge . . .

“Our stability is more imperiled by the ‘threat’ of universal preschool with prescribed academic goals for children. Were this to be introduced by our local school district, probably half or more of our clients would choose that program over ours or any other private preschool. In a neighboring school district, preschools are being forced to hire and pay certified teachers in order to compete with school district-run programs.”

— Erin Cetera
Weekday Children’s Center
Naperville, Illinois

“There is no doubt that things are changing in our community. We have been impacted by the public school implementing a full-day kindergarten program. Many of our parents who would have been sending their children on to our kindergarten following their early years of care here, opted to go to public programs when it became full-day instead of half-day.”

— Marge Hampton
First Presbyterian Preschool
Arlington, Texas

While there are communities where competition among types of providers is a serious challenge, on a nationwide

basis competition is not high on the list of stresses confronting non profit directors (see Table II). On a scale of 1 to 10, where 10 reflected an “extremely serious threat,” competition from public schools rated 3.8; from for profit centers, a 2.8; and from family child care providers, a 2.1.

In Summary

The coming years will be ones of conflicting pressures for the non profit sector. While the demand for services among low-income populations will continue to increase, the supply of qualified teachers will continue to be tight. While public and charitable funding will increase, so will competition at the local level. While politicians will give lip service to the importance of the early years, this ardor will not be matched with commensurate increases in public funding. The ability of non profit directors to deal effectively with these conflicting pressures will determine the long-term future of their agencies.

Resources

The following **Exchange Panel of 300** members contributed ideas to this article: Beverly J. Anderson, Ebenezer Child Care Centers, Wisconsin; Douglas Baird, Associated Day Care Services, Massachusetts; Alan Berlin, Southern Oregon Child and Family Council, Oregon; Pam Boulton, University of Milwaukee Children’s Center, Wisconsin; Joann Bousquet, Hi-Hello Child Care Center, New York; Sue Britson, Step One School, California; Velynda Cameron, University Child Care Center, Missouri; Erin Cetera, Weekday Children’s Center, Illinois; Elsie Chan, Andrew Fleck Child Care Services, Ontario, Canada; James Clay, School For Friends, Washington, DC; Ann Endorf, Christ Lutheran Preschool, Minnesota; Becky Fontaine, First Place for Children, Washington; Robert Freiri, St. Elizabeth’s Day Home, California; Carol Garofalo, Haslett Public Schools Kids Connection, Michigan; Linda Graham Mays, Winter Park Day Nursery, Florida; Lisa Graztani, Tutor Time Child Care, New Jersey; Barbara Guthrie, Rainbow Child Development Center, Massachusetts; Marge Hampton, First Presbyterian Preschool, Texas; Lori Harris, Dartmouth-Hitchcock Medical Center Child Care Center, New Hampshire; Jerri Helmreich, Malone College Weaver Child Development Center and Christian Primary School, Ohio; Pat King, Child and Family Agency of South Eastern Connecticut, Connecticut; Chuck Larson, Seagull Schools, Inc., Hawaii; Ann Lee, Close to Home, Minnesota; Jean Mandelbaum, All Souls School, New York; Jessica Mann, 28 Kid Care, Illinois; Leslie Moguill, Redland Christian Migrant Association, Florida; Cynthia Pearson, Day Nursery of Abilene, Texas; Roberta Recken, Fruit and Flower Child Care Center, Oregon; Gail Reuther, Mt. Olive Child Care and Learning Center, New Jersey; Lisa Ringer, SRU/SGA Preschool and Child Care Center, Pennsylvania; Jeff Robbins, Dartmouth College Child Care Center, New Hampshire; Diane Schulz, Bryan LGH Medical Center, Nebraska; Sheila Sherman, Affton Lindbergh Early Childhood Education Center, Missouri; Belle Silver, Roselle United Methodist Pre-School, Illinois; Chris Stafford Burroughs, Children’s for Children, Ohio; Karen Stephens, Illinois State University, Illinois; Susann Vacca, Wee Care Learning Center of Jefferson Memorial Hospital, Missouri; Jane Wallace, Saskatoon Student Child Care Services, Saskatchewan, Canada; Laurie Wick, The Learning Tree Montessori, Washington.