

1-1-1997

A Look At Profitability And Quality Of For-Profit Day Care Centers

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This research is a product of the graduate program in [Family and Consumer Sciences](#) at Eastern Illinois University. [Find out more](#) about the program.

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A LOOK AT PROFITABILITY AND QUALITY
OF FOR-PROFIT DAY CARE CENTERS

GRAY

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A LOOK AT PROFITABILITY AND QUALITY OF

FOR-PROFIT DAY CARE CENTERS

(TITLE)

BY

BRENDA G. GRAY

THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

MASTERS OF SCIENCE

IN THE GRADUATE SCHOOL, EASTERN ILLINOIS UNIVERSITY
CHARLESTON, ILLINOIS

1997

YEAR

I HEREBY RECOMMEND THIS THESIS BE ACCEPTED AS FULFILLING
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Abstract

This study examines for-profit day care centers in southeastern Illinois. Concern about profitability and quality of care of this much needed family service prompted this study of the 68 for-profit child care centers. A Child Care Information Survey was sent to all center directors to gather information on the centers. Profitability was determined overall by a simple question on profit and a Profitability Analysis Formula that rated percentage of profit from each center's 1995 federal income tax returns. Twenty-one useable surveys were returned. One-third of the centers reported a profit in 1995. The range of profit in the six centers reporting information for the PAF was a -23% loss to a 42% profit. Quality was measured by 29 variables on the Child Care Information Survey. Larger centers tended to have higher quality than smaller centers. Overall, fifty-seven percent were in the high range of quality. Indicators that supported high quality was the quality of the teachers education, directors experience, program components, and parent involvement.

Forty-seven percent of the centers were under 34 capacity, and 52% had been in business less than 11 years. There were 964 child care slots with 606 filled on a daily basis.

School age and infant care were found to be low in availability and quality. Preschool age children were cared

for in all centers and their care was of good quality.

Child Care fees and employee wages were both found to be below for-profit center national data.

Dedication

I dedicate this thesis to my family and the staff at my child care center. Without these peoples' love and support I would not have had the time to complete this research.

I wish to give a special thanks to Charles, my husband. Without his help and encouragement this rewarding time in my life would not have been possible.

I wish to thank my daughter, Mica, for taking my place in the home and keeping the home fires burning. To Pat Carpenter, my center director, I thank for taking my place and doing an excellence job of running my business.

Acknowledgement

Several people supplied support and help in completing this research. I would like to give special thanks to Dr. Jayne Ozier for her support in this project. Her knowledge and advice on early childhood care were very helpful. I also recognize Dr. Pat McCallister and Dr. Frances Murphy for their dedication to excellent educational standards. I would also like to thank Doug Bower for his help in the statistical analysis of the data.

A special thanks goes to Charles Gray, my husband and author of the Profitability Analysis Formula. His help and support were what kept things going during the rough spots.

Table of Contents

	Page
Abstract-----	i
Dedication-----	iii
Acknowledgement-----	iv
Table of Contents-----	v
List of Tables and Figures-----	vi
Chapter	
I. Introduction-----	02
Purpose-----	03
Objectives-----	03
Hypothesis-----	03
Definitions-----	04
Delimitations-----	05
Scope-----	06
Justification of Study-----	07
II. Review of Related Literature-----	10
History-----	10
Quality Components-----	11
Accreditation-----	20
For-Profit Centers-----	21
Cost of Care-----	23
Families-----	25
Summary-----	29
III. Methodology-----	31
Hypothesis-----	31
Design-----	31
Population-----	31
The Instrument-----	31
Detailed Description-----	33
Data Collection-----	37
Scoring-----	38
Data Analysis-----	39
IV. Results and Discussion-----	41
Objective One-----	43
Objective Two-----	45
Objective Three-----	60
Objective Four-----	61
V. Conclusion-----	74

Appendix A----- 78
Appendix B----- 81
Appendix C----- 83
Appendix D----- 88
References----- 89

List of Illustrations

	Page
Tables	
01. Center Size, Age of Center, Number of Subsidized Children, Membership in Board of Education Adult and Child Food Program-----	42
02. Did Your Center Make a Profit Last Year?-----	44
03. For-Profit Day Care Centers Employee Benefits-----	49
04. Program Components of For-Profit Day Care Centers--	50
05. Parent Involvement in For-Profit Day Care Centers--	51
06. Services for Children with Special Needs in For-Profit Day Care Centers-----	52
07. Attendance Information in For-Profit Day Care Centers-----	54
08. Director Information-----	56
09. Teacher Information-----	58
10. Comparison of Quality, Child Care Fees, and Wages to Profit or Loss-----	65
11. Center Size in Ascending Order, Number of Employees, and Most Recent Week Attendance Totals--	68
12. Program Variables Compared to Quality-----	69
Figures	
01. Profit or Loss-----	45
02. Quality Scoring-----	47
03. Profit Quality Comparison-----	59
04. Profit\Loss Comparison to Quality-----	60
05. Profit or Loss Comparison to Capacity-----	60
06. Profit\Loss Comparison to Years of Service-----	61

07. Percent of Enrollment of Subsidized Children Compared to Profit-----	62
08. Director Years of Experiences Compared to Profit---	66
09. Teacher Years of Experiences Compared to Profit----	67
10. Capacity Comparison to Quality-----	70
11. Years of Services Comparison to Quality-----	71

Chapter I

Introduction

Our nation's future is being formed in the lives of our children, many of whom are in early childhood programs away from their families every day. Over 22 million children between the ages of five and fourteen have working mothers. In 1993, 9.9 million children under five needed child care (Shonkoff, 1995). According to the Cost, Quality, and Outcomes Study Team (1995), great variation exists in the quality of child care. Today, half of all infants need child care outside the home, and most of the infant care is rated mediocre. Strong price competition and lack of consumer demand for quality services are causes of low quality care.

Early childhood programs are perhaps the most important service in our society today. Society expresses great concern for the state of our nation's child care (NAEYC position statement, 1995). One area of concern is the quality of care our children are receiving. The 1990 National Child Care Staffing Study found for-profit centers had lower quality than non-profit centers. Staff turnover, lower staff education, and lower levels of developmentally appropriate activities contributed to the low quality ratings (Why child care matters, 1993).

Another area of concern is the cost of child care. The total cost of child care in the United States annually is approximately \$23 billion (Why child care matters, 1993).

However, the true cost of child care exceeds this total. Child care is being subsidized in many ways, mainly at the expense of the child care professionals in wages and benefits. Parents' incomes are such that they cannot pay for the true cost of providing good care for their children (Willer, 1990).

For-profit child care centers comprise a large portion of the child care industry. However, they have a difficult time providing quality care and still making enough profit to survive (Hofferth & Phillips, 1991).

Purpose

The purpose of this study was to examine the relationship between profitability and the quality of for-profit day care center programs.

Objectives

The objectives of this study were:

- 1) To decide profitability on an individual center basis.
- 2) To rate quality on an individual center basis.
- 3) To compare profitability and quality ratings of each for-profit center.
- 4) To establish patterns of profitability and quality of the for-profit center population in the study.

Hypothesis

It was hypothesized that the quality of the child care program and the cost effectiveness of a for-profit child care center are related. The higher the quality rating of

the program the greater the risk to profitability.

Definitions

Since the study examined the relationship between quality and profitability of for-profit day care centers, the following conceptual and operational terms needed definition:

1. Accreditation: A system to assess the quality of child care programs, criteria is established by a consensus of early childhood educators, The National Academy of Early Childhood Programs defines standards of quality care and education of young children (Accreditation Criteria, 1991).
2. Day Care Center: Part-day and full-day group programs serving a minimum of 10 children in the age range birth through age five and/or school age children.
2. For-profit day care centers: Day care programs with the structures of ownership are either incorporated or unincorporated and operated for profit.
3. National Association for the Education of Young Children (NAEYC): National association with the purpose of improving the quality of child care and education for young children in group settings (Accreditation Criteria, 1991).
4. Profitability: positive remainder when gross expense is deducted from gross income.

5. Profitability Analysis Formula: a computer program designed to figure profitability of a child care center by using attendance and tax information (Gray, 1994).

6. Quality Child Care: Child care that provides a nurturing, safe, and stimulating environment that promotes positive development of both mind and body (Accreditation Criteria, 1991).

7. Relevant area of study: academic disciplines related to early childhood development (Early Childhood Development/Education, Child Care, Family and Consumer Sciences).

8. Unit of Care: Half day of care, five hours or less.

9. Years in relevant service: number of years working in child care related jobs.

Delimitations

Some delimitations existed in the design of this study. The rural area had a few small cities that were scattered over a relatively large geographic area. The data were unique since day care is quite limited, and day care centers are located far apart ("Annual data report", 1995).

Due to the nature of the financial information requested, it was expected that many directors would be hesitant to answer or perhaps not understand the questions. Also, it was expected that directors may not have access to the tax information.

Small centers tend to have mixed age groups (Guide to

Accreditation, 1991). The accreditation of mixed groups can be evaluated by the NAEYC standards when ages of the children in the group is included. The survey did not include definitions on such items as, educational area of study, corporation, special needs, and listings of National Accreditation. Therefore, the responses depended on the director's knowledge in these areas.

Through the self report data collection, not all quality variables could be addressed. Variables, such as teacher/child interactions, physical environment, and social interactions were not included in the quality measurements.

Finally, the researcher is an owner/director of a for-profit child care center. Throughout the research process all attempts to conduct objective research were employed.

Scope

For-profit child care centers in thirty-three southeastern Illinois counties were studied. The counties were located in three Child Care Resource and Referral service areas. These service areas were selected because they were similar rural areas with small towns and no large metropolitan cities. The quality and profitability data of these programs were collected via a survey. A cost effectiveness formula was used on tax information to produce a profitability score. The quality score was based on employee benefits, programs, environment, and staff; education/ experience, professional involvement of staff,

and parent involvement. Individual and aggregate quality scores and the profitability scores were compared.

Justification of Study

In response to American children's lack of preparation for school, the 1990 National Education Goals stated that "By the year 2000, all children in America will start school ready to learn" (Why child care matters, 1993). Many changes were needed to meet the challenge. Young children need quality care to support their readiness for school.

One in four children under the age of six live in poverty and poor children have a greater failure rate in school (Schweinhart, 1995). Schweinhart, (1993) outlined the consequences of preschool poverty on school children. Failures in school and early dropout rates were the most damaging consequences. He suggested quality preschool programs can help prevent school failure. Schweinhart, (1993) also documented the cost effectiveness of quality preschool programs by preventing this failure in school.

The Cost, Quality, and Child Outcomes Team Study (1995) conducted by the University of Colorado showed that 40% of infants and toddlers were in less than minimal quality child care, and only 8% are in excellent care. Only 14% of centers were developmentally appropriate, and 12% were rated poor.

The shape of child care in the United States is changing rapidly. The work force of our nation is changing. The National Child Care Survey reports that the U.S. Bureau

of Labor Statistics (Willer, 1991) estimated that 62% of the children under the age of 18 had mothers in the work force (Willer, 1991). However, in 1970 only 39% had working mothers. Women comprise a larger portion of that work force each year. The Bureau of Labor Statistics (Why child care matters, 1993) expects that the labor participation of women by the year 2000 will exceed 81%. The majority of these women will be in their childbearing years. The National Child Care Survey estimated 12 million children will live in working parents' homes. Eight million of these children will be in some form of out-of-home care, 4 million of these children will be in centers, 700,000 in licensed homes, and 3.3 million in non-regulated care (Willer, 1991).

In conclusion, research is needed to guide the decisions necessary to respond to the challenge that all children are ready to learn by 2000. The researchers believe it is society's responsibility to provide and govern the policies and services for these working parents and their children. The need to find the answers to the relationship of profitability to quality is immediate. The decisions that our government must make will have a large influence on the future of our child care industry.

Research will help decision-makers understand the impact that child care has on the family. American society benefits from families feeling that their children are safe and secure and that the next generation is being well

prepared for adulthood. Child care could very well be the hinge that keeps our families productive and working in our society. Services provided by the for-profit child care center are essential. Although they are but a part of child care services offered, they must stay in place so that there is enough child care available to working families.

Chapter II

Review of Related Literature

Following the brief history of child care research, information on quality child care and profitability of child care was reviewed. In the review several child care quality variables emerged. The quality components of child care that resulted in positive outcomes included adult-child ratio, group composition, teacher interaction with children, teacher education and experience/director education and experience, adult work environment, and family characteristics (Howes, Phillips & Whitebrook, 1992; "Illinois Survey", 1989; Phillips, McCarthy and Scarr, 1987; Willer, 1988; Hofferth, Phillips, 1991). Accreditation literature was also examined as an indicator of quality child care centers.

The review also included literature on for-profit day care centers' cost of care and families. The family literature included topics on families in poverty, parent involvement in their child's care, children with special needs and affordability of care.

History

As the number of children in child care increased over the last thirty years, the need for child care services increased. In 1965, 16% of all four-year old children and 5% of the three-year old children attended some type of preschool program. In 1989, 51% of four-year old children

and 27% of three-year old children attended some type of preschool (Willer, 1991). This growing experience for children became an important topic for research.

The first wave of child care research investigated differences in development of home-reared children and center-cared-for children. When it suggested child care was not harmful to children, other research questions were posed. The second wave examined quality variables in relationship to child development. Child care environments were studied to determine the affect on children's development. Environment variables such as group size, adult-child ratio, social interaction, staff education and environment, and family issues, have all been examined (Fiene, 1992; Zaslow, 1991).

The historical overview clarified the trend of increased numbers of children receiving out-of-home care and identified the changing focus of research. The research shifted focus from comparing differences between children cared for by parents and by other caregivers to focus on quality child care programs and child development.

Quality Components

Quality child care is multifaceted and complex. Child care has many components, all existing and interacting together to form a whole world where children live. The environment supports the child's social, cognitive, physical and emotional development (Fiene, 1992).

Some important components of child care that research has shown to determine positive outcomes include adult-child ratio, group composition, teacher interaction with children, teacher/director education/experience, adult work environment, and family characteristics (Howes, Phillips & Whitebrook, 1992; Illinois Survey, 1989; Phillips, McCarthy and Scarr, 1987; Willer, 1988; Hofferth, Phillips, 1991). Director experience and caregiver/child interaction are considered the most consistent predictors of children's appropriate development (Phillips, McCarthy & Scarr, 1987; Howes, Phillips & Whitebrook, 1992). However, teacher retention and teacher/child attachment also play an important part in the quality of the child care environments ("Illinois Survey", 1989). Howes, Phillips and Whitebrook (1992) suggest that it may be the child care environment that decides the teacher's actions, such as implementing developmentally appropriate practices. All this research demonstrated that child care quality has multiple components, all interlocking to form one complex environment.

Age grouping, group size, child/staff ratio, social relationships. Group size and child/staff ratio have been found to be strong predictors of quality care. Young children develop best through close relationship with adults. Relationships such as these can only come about in smaller groups and low child/staff ratios. Hofferth and

Phillips (1991) stated that group size was the most important determinant in rating quality.

The National Academy of Early Childhood Programs (Guide to Accreditation, 1991) set guidelines for age grouping, child/staff ratio, and group sizes. The quality guidelines state that infants 0 to 12 months of age in a group size of 6 to 8 should not exceed a 1:4 child/staff ratio. Toddlers 12 to 24 months old in a maximum group of 12 should have a child/staff ratio of 1:4 or 1:5 in a group of 10. Two-year olds in a maximum group of 12, should not exceed a child/staff ratio of 1:6. NAECP does not recommend that two-year olds be mixed with any older age group than three-year olds. If two-year olds are mixed with older children, the group size and child/staff ratio should be the same as for two-year olds. NAECP recommends that three-year olds, four-year olds, and five-year olds in any combination be in a group of 14-20, with a 1:10 child/staff ratio. School age children 6-8 years old should be in a group of 20-24 with a child/staff ratio of 1:12, and nine to twelve year olds should be in a group of 24-28 with a child/staff ratio of 1:14. A three year age difference in school age children in one group is their recommendation. If one mixed-age group is used, the 6-8 standards should be followed (Accreditation Criteria, 1991). Patterns such as these contribute to the quality of child care programs.

In 1990, a study in California investigated the affects

of changing the child/staff ratios. The study selected classrooms where the child/staff ratio was 1:8 and changed the ratio to 1:10 or 1:9. The findings showed that child behavior was negatively influenced, indicating higher levels of stress and less teacher attachment (Love, 1993).

Other research (McLean, 1993) supported the forecast that children showed greater attachment to teachers when their classrooms were rated at least good in quality. When the Florida Child Care Quality Improvement Study (Improving ratios, 1995), reduced the group size, teachers were more sensitive, used more teachable moments, negative teaching styles declined, and the global quality improved from 36% to 42%. In the same study, child/staff ratios for infant programs were lowered from 1:6 to 1:4 and toddlers from 1:8 to 1:6. Results showed that children were more intellectually and emotionally developed, engaged in more complex play, were more securely attached to adults, and displayed fewer behavior problems.

Federal Interagency Day Care Requirements were used by Howes, Phillips and Whitebrook (1992) to study physical environment in relationship to social development in center based children. They noted that children had higher caregiver attachment when the classroom was rated high in environmental quality, mainly attributed to group size. Findings suggested that even adding one more child to a group can lower quality ratings and lessen caregiver

attachment. In order for that attachment to be possible, Howes, Phillips and Whitebrook (1992) group size and child/staff ratio must be regulated.

The group size is an important variable contributing to quality in child care. Related to group size is the child/staff ratio which also contributes to teacher/child relationships. These variables are a part of an environment called "quality child care."

Director/Teacher Education and Training

The first step to quality in child care may be director and teacher training. The training resulted in more developmentally appropriate materials and activities, better lesson plans, and instructional strategies. Children display improvement in verbal and social interaction, cognitive development, cooperation, independence and self-esteem as a result of teacher training (McLean, 1993). NAECP sets standards for director and teacher training and experience. The organization recommends that directors have at least three years of experience and a Bachelor Degree in either Early Childhood Development, Child Care or Family and Consumer Sciences. It also recommends upgrade training activities such as participation in professional organizations. It recommends that teachers have an Associates Degree in Child Care or related areas or a Child Development Association Credential (CDA). Upgrade training activities such as participation in professional

organization is also recommended for teachers. (Guide to Accreditation, 1991).

In reviewing research the child care teacher emerged as perhaps the most important single factor in rating quality (Phillips, McCartney and Scarr, 1987). Wylie (1987) tested a model for examining quality in child care. This model demonstrated that caregiver characteristics, formal education, child development training, and child care experience, predicted higher quality caregiver-child interaction. The caregiver-child interaction produced more developmentally appropriate practices, responsiveness, positive attitude which contributed to the child's well being and development.

The Career Development Survey, conducted by the Child Day Care Association of St. Louis, Missouri (Mulley et al, 1992), covered all types of centers in the St. Louis area. It gathered information on staff turnover, salaries, and education of directors, teachers, and teacher assistants. Forty-eight percent of centers reported they gave opportunities for professional advancement. Of the centers, 51.9% gave opportunities for higher salaries upon completion of a degree, with 48.1% supplying financial assistance for taking early childhood courses. Funds were provided in 63% of the centers for workshops, and 66.7% for in-service training. This survey reported that for-profit centers were the least likely to provide in-service training (Mulley, et

al, 1992). The survey data of staff education in for-profit centers were grim. One-third of all the Teacher Assistants had only high school diplomas. Nearly half (47.1%) of the directors had a four-year degree compared to 23.1% of the teachers and only 3.3% of the teacher assistants (Mulley, et al, 1992).

The review suggested that child care staff need education and training in early childhood to contribute to the quality of the care. Directors need to provide more opportunity for staff education and training (Mulley, et al, 1992).

Adult work environment. The adult work environment can affect a child's well-being and development. Since child/teacher attachment develops over a long time period, frequent caregiver turnover rates can have an adverse affect on the child's environment (Wylie, 1993). Staff wages seem to affect turnover rates ("Illinois Survey", 1989). The National Child Care Survey of 1990 data suggest a decline in real wages to teachers in centers over the past 15 years. Adjusting for inflation, the average salary of center teachers appears to have declined by almost one-fourth between 1975 and 1990. (Willer, 1991).

Early childhood staffs employed in centers have accepted wages below the value of their work to bear the cost of quality (Willer, 1991). In 1989 staff salaries in Illinois were under the 75% median income level. Annual

salary for teachers in 1989 was \$8,353 and assistants \$6,650, poverty level for that period was \$9,431 ("Illinois Survey", 1989). There was a difference in salaries paid in for-profit centers and nonprofit centers. In 1989 average teacher's pay per hour in a for-profit center was \$4.49 and in a nonprofit center \$5.60 (pg. 4), suggesting that teachers were contributing to the profit of their centers. To stay competitive the centers were making their profit by paying their teachers low wages. In spite of not being compensated for their hard work teachers stayed late, came early, took work home, and worked weekends. Early childhood teachers earned 40% less than first year public school teachers. They made less than most service workers with no formal training. During 1993 the range of salaries for teachers was \$9,000 to \$16,000 (Bye, 1995). In 1995, Claudia Wayne, executive director of National Center for the Early Childhood Work Force, reported to the White House staff that the national average for center based teachers was \$6.70 per hour or \$11,700 per year ("At the table", 1996). In spite of their low income, teachers often used their own money to buy supplies because their program's budgets did not cover the supplies they needed (Willer 1991). Low salaries have always subsidized the actual cost of child care. High teacher turnover rates, 39% for teachers and 40% for assistants, have been connected to low wages, ("Illinois Survey", 1989).

The Career Development Survey indicated more than one

fifth of the centers surveyed reported over 50% staff turnover in one year. Over 11% of for-profit centers had 80-100% turnover in one year. However, one fourth of the centers had only 0-14% turnover. Turnover creates disruption for families and sadness for children. It has a ripple effect into the school years that has not yet been studied (Mulley, et al, 1992).

In conclusion, society has expected our child care centers to provide quality care. In response, for-profit centers are forced to pay early childhood professionals near minimum wage because of the centers' economic struggles. Early childhood educators are expected to live at poverty levels to work in their professional field. Examining wages and staff turnover can give much insight to the problems of promoting quality in child care centers.

Benefits. In 1989, few benefits existed for early childhood teachers. Half of the day care teachers did not receive health coverage. Only one third received life insurance, and one fourth had retirement. Nonprofit programs were shown to offer more benefits than for-profit centers ("Illinois Survey", 1989). The National Child Care Survey in 1990 reported that 75% of early childhood staff received paid sick days, 64% received paid vacations, and 77% were offered paid educational opportunities (Willer, 1991).

Benefits are scarce in the infant and child care profession. Lack of benefits can lower job satisfaction

which in turn can affect quality of care by increasing staff turnover and negatively influencing teacher behavior. Again, economic struggles make it difficult for for-profit child care centers to afford benefits.

Accreditation

The National Association for the Education of Young Children has determined the criteria that defines high quality programs for young children. Using these criteria The National Academy of Early Childhood Programs, a division of NAEYC, has a system of accreditation for all early childhood programs. The goal of the accreditation system is to improve the quality of care and education of young children. Guidelines were developed by the help of early childhood professionals. Accreditation is a voluntary process of three steps: self-study, validation, and commission accreditation decision. The programs that chose to pursue accreditation and achieve it can be recognized as providers of high quality child care (Guide to Accreditation, 1991). As of January 1996, 4,527 programs had been accredited. There are 13,258 programs that are in participation in the accreditation procedure. These programs are 15% of the eligible programs. During the last three years, 20-25% of the programs that have attempted accreditation have received accreditation (Bredekamp, S. & Glowacki, S., 1996).

A ten-year study, ending in 1996, clearly showed that

accredited programs were better than nonaccredited programs in seven areas. These seven areas included wages and teacher turnover, teacher benefits and working conditions, teacher characteristics, classroom environment, and teacher behavior. (Bredenkamp, S. & Willer, B. editors 1996)

Accreditation by The National Academy of Early Childhood Programs demonstrates to a community that a center is providing quality care. Accreditation can be used as a standard to assess quality child care.

For-Profit Centers

Proprietary child care centers are the most available care to the families in America. In 1990 Willer reported 80,000 licensed centers were serving 5.1 million preschool children and 2.5 million school-age equaling 7.6 million children in centers. Over the past two decades use of child care centers has increased by 300% (Hofferth & Wissoker, 1991).

The National Association of Child Care Resource & Referral Agencies (Morgan, 1989) stated that when for-profit centers depended on parent fees, they paid lower wages, had higher turnover and had lower quality programs.

Morris and Helburn (1996) claimed that high quality centers put their dollars into labor and management. They also stated that, compared to not-for-profit centers, for-profit centers provide the lowest cost for care when quality is identical, but not necessarily the lowest parents fees.

For-profit centers average a total cost of \$2.00 per child per hour. Centers rated with higher quality reported an average actual cost of \$2.20 per hour per child care hour, while not-for-profit centers reported an average actual cost of \$2.40 per hour of child care.

The Cost, Quality, and Child Care Outcome in Child Care Centers Study (1995) reported these facts about quality and for-profit centers:

1. The higher cost of providing quality care was offset by higher revenues in high quality centers.
2. A center can provide higher quality care without financial penalty, but with little financial reward.
3. The higher quality centers reflect higher quality teaching staffs, better child/staff ratio, lower staff turnover, and higher staff wages and more benefits.
4. High quality centers spend more per child on staff wages, administration salaries, and staff benefits. There was little difference in other cost per child when compared to lower quality centers. The higher cost per child in high quality centers was offset by higher revenues.
5. There is a cost to improving quality in child care centers, but it is small ("Cost, Quality and Child Outcomes", 1995).

Morris and Helburn (1996) reported on the study, Cost, Quality, and Child Care Outcomes. They stated "A center can provide higher quality care without financial penalty, but

with little financial reward (p. 79)." They seemed to support this by stating "Good quality centers offset higher total cost per child with higher total revenue (p. 75)." The in Child Care Centers Study (1995) itself reported that "Good quality services cost more than mediocre quality, but not a lot more (p. 7)".

Since this report ("Cost, Quality, and Child Outcomes", 1995) claimed that cost of quality is not a major factor in profitability, something else must be affecting financial stability. When asked if they made money in 1989, half of all centers reported breaking even, and one fourth reported making money. Among for-profit centers only 50-60% reported making a profit in 1989. Wages were reported as the major expense in centers with an average of 62% of the total budget (Willer, 1991).

Should all for-profit centers become financially unstable, the families of over seven million children would be forced to find alternate child care. The impact this would make on the economic and emotional status of those families would be too large to guess.

Cost of Care

The joint finding of the National Child Care Survey of 1990 reported fees for centers. Fees for care have not changed since 1976. In 1976, fees ranged between \$1.46 and \$2.00 per hour. In 1990 the national average fee was \$1.51 per hour. However, average expenditures for center care

increased 19% between 1975-1990 (Willer, 1991). In 1992 the cost of full day center care per week, in central Illinois, was \$109.68 for infants, \$107.70 for toddlers, \$86.19 for two-year olds, \$78.85 for three- to five-year olds, and \$43.80 for school-age children. The average cost per child was \$95 per week. The average hourly cost was \$2.11 (Gaumer, 1992). However, Willer (1991) reported the average 1990 fees of center programs in the Midwest were as low as \$1.63 overall and only \$1.31 in rural areas.

The child care market is highly competitive keeping fees at a similar level. Centers serving low income children receive average and often below average rates for service. Consumers do not demand quality child care. Not only do they not encourage quality care, they often prevent it by the low rates. The purchasing practices of parents and the subsidized payment of government undermine the quality of child care centers (Neugebauer, 1995).

State subsidized rates play a large part in the range of fees charged for child care. A public aid client cannot be charged a higher rate than private paying clients. In central and southern Illinois the same rate is paid by the government. As of July 1, 1996, the full day rate for a child under two and one half is \$23.08 and \$15.65 for a child over two and one half ("Provider fee information", 1996). Based on a nine hour day, the hourly rate is \$2.56 for the younger group and \$1.74 for the older group. In

reality, the state is controlling the rates charged for child care. Excluding school based centers, one third of all centers in the National Child Care Survey of 1990 were caring for some children whose fees were paid for by a public agency (Willer, 1991).

The impact of public policy can affect child care greatly. In 1989 in Minneapolis, Minnesota, the government froze its sliding fee program. As a result, 40% of the Minneapolis inner city child care centers were in danger of closing (Green & Johnson, 1990). Families just simply could not afford to pay the total fees (Bell, 1994).

In Vermont, a study showed that the going rate of child care fees only covered 70% of the actual cost of operating a licensed program. The centers were subsidizing the rest with other means, mainly low wages (Morgan, 1989).

Competition in the child care market due to poor economics and government control over subsidy payments has forced Child care centers to hold service fees down. This in turn has caused other parts of child care programs to pick up the true cost of child care. Child care fees largely control profitability.

Families

Families with children are challenged to meet the demands of child care cost while remaining fully involved in their children's lives. Families with children with special needs face an especially challenging demand, finding

inclusive quality care.

Child care cost demands on families. Hofferth and Wissoker (1990) identified some interesting characteristics of the American families purchasing child care. The higher the mother's income, the more likely the family is to choose center care. Price is the most important factor affecting choice of care. The higher the price of care, the less likely it is to be chosen. The higher the quality of care, the more likely it will be chosen. The fact is, families have to look for the lowest priced child care, but they want the highest quality of care available. Some predictions were made about policies affecting families. Policies that raise total family income may allow families to pay more for center care. Raising the mother's income would encourage choice of center care. A policy that would raise quality would increase choice of center care by families.

In 1982 (Morgan) stated that a good rule of thumb for child care cost is 10% of the family income. One major reason for unprofitable child care is that families simply cannot afford to pay the full cost of child care. Parents paying child care are usually at the lowest salaries of their lifetime, so many cannot afford child care without help.

Willer (1991) reported that in 1988 median income for a single mother was \$7,013; child care for just one child averaged \$3,000 per year. Two parents working at minimum

wage had a combined income equal to \$14,000 per year. Child care for one child cost 21% of their income and two children cost 43% of their income.

The Committee for Economic Development (Why child care matters, 1993) reported that "70% of children in poverty have parents who work for all or part of their income." An employed mother with a child under five, spent a mean percentage of a family income on child care in this manner, 23% when the income was under \$15,000, 12% when the income was \$15,001-\$24,999, 8% when the income was \$25,000-\$34,000, and 6% when the income was \$34,000-\$50,000. Forty-five percent of families with less than \$15,000, and 15% of families with incomes between \$15,001-\$24,999 income received public assistance for child care. Children from the group of families with less than \$15,000 income were almost as likely to be enrolled in centers as were the children from families with incomes more than \$34,000. Children from these two groups were more likely enrolled in centers than children from families in the \$15,001-\$24,999 group. Families with incomes just above the poverty line but still below the median income level were the least likely to use child care centers in 1990 (Willer, 1991). This clearly suggests that families receiving public assistance can better afford center care than middle income families.

The Family Support Act of 1988 gave welfare recipients assistance with child care during job training. This study

showed that parents increased their use of licensed facilities, which indicated that parents do care about quality child care for their children when they can afford it (Meyers, 1993).

Black families in poverty. The part of our family population that deserves a special notice is the black family in poverty. Black children, as a separate faction of this population, are more likely to be in early childhood programs and to be in poverty than other children. Head Start, in 1991, had 38% black children, and center children consisted of 11% black children. In 1991, 73% of black mothers of preschoolers were employed while 59% of white mothers were employed. More black families were at poverty level wages. The black household median income in 1991 was \$19,532, compared to \$32,960 for white households. Poverty rates, in 1991, showed blacks at 33.1% and whites at 12.2%. Black families can less afford good child care on their incomes (Moore, 1995).

Parent involvement. A study conducted at the University of Georgia regarding staff valuing parent-staff communication supported the argument that directors who promote parent involvement were more likely to run higher quality programs and facilitate more interaction between parents and children. This report stated that most parent-staff conversations typically occur once or twice a week, were very brief, and involve the exchanged of useful

information less than half of the time (Endsley, Minish, & Zhou, 1993).

Parents can be involved in many ways to enhance the quality of an early childhood program (Foster, 1994). Parent meetings, conferences, parent handbooks, regular note to parents, newsletter, posted information on bulletin boards, parents as volunteers, fund raising, work days, donations, and decision making participation are all proven ways to incorporate parents into the program (Endsley, Minish, & Zhou, 1993; Stipek, Rosenblatt & DiRocco, 1994).

Children with special needs. Review of research (Diamond, Hestenes, & O'Connir, 1994) suggested that children with disabilities benefit from being in integrated classrooms. The children display higher levels of social play, social interaction, and are more likely to initiate play on their own. The integrated classroom showed better gains in language, cognitive and motor skills than in self contained special education classrooms. The normal developing preschoolers benefit by developing a better understanding and acceptance of children with disabilities. The early childhood program that can integrate children with special needs can enhance the quality of its program for all the children involved.

Summary

In the past, research focused on the comparison of development of children cared for in the home and in out-of-

home day care. Since 1970, research has escalated studying a wide range of child care variables. The most common variables to indicate quality were group size, child/staff ratios, age grouping, social interactions, staff education/training, adult work environments, and program components. Accredited centers have been assessed in all of these areas and were found to have quality programming.

For-profit centers are unique in our society. They depend on child care fees from families and the state government to make a profit and stay in business. The competitive market, lack of permanence in government subsidies, and family economic situations put the for-profit centers at risk of not making a profit. Often staff subsidize the centers by receiving lower pay, few benefits, and poor working conditions.

In conclusion, the review of the literature supports the need for further research on quality child care and for-profit child care centers.

Chapter III

Methodology

Hypothesis

The hypothesis stated that the quality of the child program and the cost effectiveness of a for-profit child care center are related. The higher the quality rating of the program the greater the risk of profitability.

Design

The general design of this study was a correlational survey design. It included a self-report survey for descriptive examination and correlation analysis.

Population

The population for this study included the for-profit child care centers in three Child Care Resource & Referral service areas. These three referral areas included 33 counties in southeastern Illinois. Surveys were sent to 68 for-profit centers in these counties.

The Instrument

Information for analysis was gathered by distributing the Child Care Information Survey for the center directors to complete (see appendix A). The survey was divided into four sections: program, attendance, staff, and profitability.

Description of the instrument. General information about the centers and program variables were measured in the first section of the survey. The general information

included size of the center, number of years in business, percentage of child care payments subsidized, accreditation standing, if the center was incorporated, if a member of the Illinois food program, and if center made a profit in 1995.

Twenty-five program variables were measured to determine quality. These variables included service to children with special needs and information about employee benefits such as medical insurance, paid vacations, paid holidays, paid in-service training, paid sick days, subsidized employee child care, paid educational benefits, regular raises, and retirement. Other program components measured were, daily lesson plans, child discipline guidelines, paid planning time, access to curriculum resources, and four components of parent involvement.

Attendance. The second section of the survey gathered attendance information to establish a baseline for the profitability formula and assess quality indicators. In addition to attendance information the following five variables were measured: age group, group size, child/staff ratio, fees charge for care, and the amount of time for this charge.

Staff. The third section of the survey gathered information on all staff members. The director was asked to supply four quality variables on herself including years of early childhood experience, membership in professional organizations, level of education, and area of educational

study. Teacher and teacher assistants' information included four quality variables: years of relevant experiences, education level, area of educational study, and membership in early childhood professional organizations. Their hours worked in the most recent week and the rate of pay were asked as information for the Profitability Formula. Support staff were listed, and their hours worked in most recent week were recorded.

Profitability analysis formula. The fourth section of the survey gathered information on three variables to be used by the Profitability Analysis Formula. The formula looked at the previous year's income records assuming that each center had controlled the variables that affect profitability in its own way. The information collected for analysis was taken from each center's 1995 Federal Income Tax Form Schedule C: total 1995 expenses, gross income, and wages.

Detailed Description

Preparing and coding data. To complete the survey, the director was instructed to record information about the center's program. The first three open-ended questions required actual numbers. The number of children the center cares for, and length of time the center had been in business were used to place the centers in size and longevity categories. The next question asked how many children received subsidized child care so that state

involvement in payment could be established.

The next four items were answered on a "yes" or "no" scale. Accredited centers' quality was compared to the other centers. Since corporations use a different tax structure, their profit information could not be compared to the unincorporated centers by the PAF. Each director was asked if the center made a profit last year. This question was asked to establish some profitability information if the director chose not to complete the last section of the survey. Participation in the Board of Education Adult and Child Food Program was examined to see if the food program made a difference in profitability.

The next 18 items were quality indicators answered on a "yes" or "no" nominal scale. Care of children with special needs was used as a quality indicator and to establish how many centers care for children with special needs. Information pertaining to employee benefits included medical insurance, paid holidays, paid vacations, paid in-service training, paid sick days, subsidized employee child care, paid educational benefits, raises on a regular basis, and retirement plan. Each item was given a score to be figured in the total quality score.

Information pertaining to program components was also collected. The program component questions focused on daily lesson plans, child discipline guidelines, paid planning time for teachers, access to curriculum resources, and

parent involvement. The parent involvement included newsletters, parent/teacher conferences, open door policy, and use of parents as volunteers. Each item was given a score to be figured in the total quality score.

Attendance information was asked to determine quality and profitability. The attendance information was divided into five categories. This information was recorded by writing in the numbers asked for in each category. Age group was needed to determine group age composition and the child age range of the center. The group sizes were used as a quality indicator of numbers of children in each group. Child/staff ratio was a quality indicator of adult to child interaction. The charges were used to establish patterns of cost to parents in the area and for use in the Profitability Analysis Formula to find cost per unit of care.

Four quality indicators for the director were addressed in questions on years of experience in early childhood work, membership in a professional organization, level of education, and area of their study. Each item was given a score to be figured in the total quality score.

Teachers and teacher assistants' information was recorded on a checklist. The director assigned a T-number to each teacher and an A-number to each teacher assistant. The director then checked the variables that described that person. The quality variables examined were years of relevant experience, highest level of education completed,

area of study in early childhood, and membership in any professional early childhood organization. Each teacher item was given a score to be figured in the total quality score, by using a mean of those scores. Teacher assistants scores were only used for descriptive measures.

Hours worked in the most recent week were recorded to measure child/staff ratio, and the rates of pay were used in the Profitability Analysis Formula. Employee wages were used by the Profitability Formula to establish labor cost per unit of care and range of wages in the study area.

All support staff was listed, then the number of hours worked were recorded for the most recent week. These data were collected for use in descriptive measurements.

The final Attendance Information section asked for records maintained during the most recent week. The attendance data were then used in the Profitability Analysis Formula to establish the number of units of care.

Profitability. To derive the figures necessary for the Profitability Analysis Formula several items on the survey were used. The 1995 Federal Income Tax Form Schedule C supplied the data on total expenses, gross income and total wages. Weekly units and charge per unit came from attendance information. Annual profit was determined by total expenses minus gross income. Survey week income was figured by weekly units multiplied by the charge per unit then multiplied by five days. Average weekly income was determined by dividing

the gross income by 52 weeks. Average weekly income divided by survey week income equaled the adjustment factor. Weekly units multiplied by the adjustment factor produced the average weekly units. Annual units were determined by multiplying average weekly units by 52 weeks. Average unit expense was figured by dividing total expense by annual units. Average unit profit was produced by dividing annual profit by annual units. For greater detail see Appendix B.

Reliability and validity. The survey was critiqued by a committee of three CCR&R directors and two former for-profit child care center directors. They examined the survey for appearance, usability and reliability. It was found usable and reliable. Two early childhood university professors examined it for content validity, and it was found valid.

Two business accountants examined the Profitability Analysis Formula and the survey to determine if the information gathered would measure the objectives. They affirmed that the data would supply the information needed to meet the objectives.

Data Collection

Two Child Care Resource & Referral directors sent labels for the for-profit centers in their area to the third CCR&R director. An independent party attached all address labels for the child care centers in the 33 counties to prepared packets and mailed them. They were mailed on September 15, 1996; return was requested by October 1, 1996.

Packets included a cover letter, and instructions on how to complete the survey. Return mailing was provided in the packet. The return mailing envelope had a post office box number in both addressee and return address spaces. An independent party opened the returned surveys and assigned an identification number to each. This identifying number was carried through with the information for individual analysis. The procedure assured respondent anonymity and confidentiality.

Scoring

Quality score. Twenty-nine quality indicators were measured. The highest possible quality score was 41 (see Appendix C). Of the 29 quality indicators, twenty-one were taken from the Accreditation Criteria & Procedures of the National Academy of Early Childhood Programs (1991). The remaining eight variables were not included in the NAEYC qualifications but were considered important quality indicators (Howes, Phillips & Whitebrook 1992; Phillips, McCarthy & Scarr, 1987; Howes, Phillips & Whitebrook, 1992). The highest score a center could achieve on the 21 NAEYC variables was 31. The lowest score for NAEYC accreditation was 21. Since a center would have to score at least a ten to even be licensed in Illinois ("Licensing standards", 1992), a quality score below ten would be an unacceptable score for any center. Therefore, if a quality score was in the 10-15 range the score was judged as a low quality child

care score; if the score was in the 16-20 range it was judged as a medium child care score; and if the score was in the 21-31 range it was judged as a high quality child care score. A score of 32-41 was very unlikely; NAEYC accreditation committee accredits centers at the 80% level (personal communication, NAECD phone consultant, September 24, 1996)

Adjustments for center variations. Centers served different age groups and had different numbers of staff. In order to score all centers on an equal basis, means were used for both attendance quality scoring and teacher quality scoring.

Profitability score. When the Profitability Analysis Formula analyzed the financial data, it displayed each Center's profit or loss as a Percentage of Annual Income. This percentage was taken as the profitability score (see Appendix D).

Conclusion. The correlation study used a self-report survey to collect quality and profitability information on the for-profit centers in southeastern Illinois. A profitability and quality score were produced in the analysis to establish correlational patterns to report.

Data Analysis

Profitability data were processed by entering the financial figures from the survey into the Profitability Analysis Formula (PAF) Computer Program (see Appendix B and

D). Results from the PAF included the amount of profit the center made in the previous year and a profitability score.

The quality information was transferred to optical scan forms and taken to Eastern Illinois University Testing Services for analysis. The consultant used the PC-Statistical Package for Social Sciences to derive frequencies of variables and a quality score for each center. Cross tabulations were shown between various variables. Comparisons were also displayed visually by using tables and graphs. These reports were used to test the hypothesis that the higher the profitability the lower the quality of the program.

Reports of the results were submitted to the three Child Care Resource & Referral Services to be used in the development of child care services in their areas.

Chapter IV

Results and Discussions

The focus of this study was to examine the profitability of for-profit day care centers in relationship to the quality of the programs in those centers.

Surveys were sent to 68 centers in the study, of the 23 surveys returned 21 were usable. Resulting in a 30% return. Seventeen identified themselves as full-time centers and four as part-time centers.

After the description of the for-profit centers, the results are presented in order by objective. The descriptive data are presented in tables and graphs with patterns identified within some variables.

Descriptions of For-Profit Child Care Centers

The 21 for-profit child care centers were described by the following variables, center capacity, age of centers, numbers of subsidized children, incorporated centers, and members of the Board of Education Adult and Child Food Program (see Table 1).

Centers capacity. The centers were placed in four range of capacity categories. The 1-33 range of capacity category had ten centers, The 34-65 range of capacity category had seven centers, while the 66-99 and the over 100 range of capacity center each had two centers. Almost half, 47.6% of the centers in this rural area were small with under 34 capacity. The 21 child care centers reported a total of 965

child care slots; however, only 20 centers reported daily attendance. These 20 had a capacity of 862 with an average of 606 slots filled per day which was 70.3% of capacity.

Table 1

Center Size, Age of Center, Number of Subsidized Children, Membership in Board of Education Adult and Child Food Program (N=21)

<u>Center Cap.</u>	<u>Age of Center</u>	<u>Subsidized Children</u>	<u>Board of Ed. Adult Child Food Program</u>
10	6	0	N
19	11	0	N
20	20	0	N
25	13	3	N
25	1	4	N
25	7	2	N
25	14	0	N
28	5	12	Y
30	20	1	N
31	5	2	N
34	3	0	N
36	11	7	Y
42	6	21	N
48	1	10	N
50	26	11	N
50	3	32	Y
63	9	42	Y
76	4	0	N
82	10	3	N
103	New	25	Y
143	6	46	N

Age of centers. Of the 21 centers, 11 (52.4%) had been in operation 3-10 years; 5 (23.8%) in operation 11-19 years, and three (14.3%) over 29 years and two (9.5%) centers had been open less than 2 years.

Table 1 displays centers in ascending order of size, age of center, number of subsidized children, and membership

of the Board of Education Adult and Child Food Program.

Subsidized child care. Six of the 21 centers did not provide care for state subsidized children. Of the 965 available child care slots, only 22.8%(221) receive subsidized child care. The six centers that did not provide services for subsidized child care were among the 15(71.4%) that reported 0-25% of their enrollment was composed of subsidized children. Four centers (19%) reported that 26-50% of their enrollment was subsidized; one reported 51-75% of their children were subsidized, and one center reported that 76-100% of their children were subsidized (see Table 1).

Incorporated centers. Five centers were incorporated. Two were part-time centers serving 10-25 children and three were centers serving 63-143 children. These five centers were not included in the information for the PAF. However, they were included in all other analysis, including the "Did you make a profit last year" question.

Child care food program. Five centers indicated they were members of the Board of Education Adult and Child Food Program. Two others commented that they were, "Still trying" and "Maybe soon" they would be members.

Objective One: To Determine Profitability
on an Individual Center Basis

Two measures were used to determine profitability of the child care centers. Question number 6, "Did you make a profit last year" was the first measure and the

Profitability Analysis Formula the second.

When the directors were asked, "Did you make a profit last year", fourteen said they did make a profit in 1995 and seven said they did not make a profit in 1995 (see Table 2).

Table 2

Did Your Center Make a Profit Last Year? (N=21)

<u>Profit</u>	<u>Frequency</u>	<u>Percent</u>
Yes	14	66.6
No	7	33.3
	21	100.0

Only six center directors chose to give the tax information needed for the Profitability Analysis Formula. Four scored a profit and two scored a loss. The range of the scoring was a 23% loss to a 42% profit.

Ten unsolicited comments were written on the survey by the directors. Most of the comments were on the Tax Information section. Comments, such as; "Tax information not available at work", "I am the director, the owners do all the taxes etc.", "Owners take care of this, I have no idea where she keeps Tax return forms", "I don't have access to this information", and "I don't know-this info is kept w/CPA" suggested that either the directors did not own the centers, or did not have access to tax information.

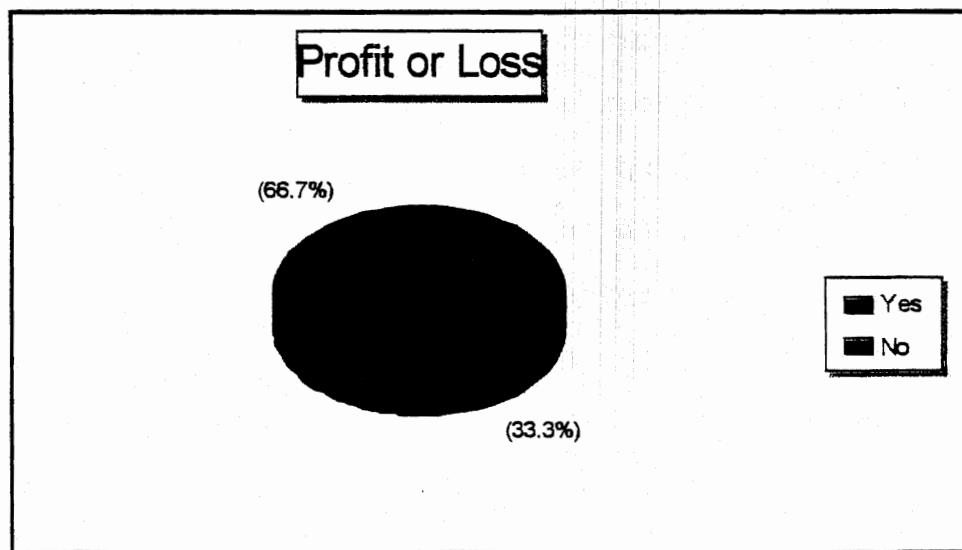
Other comments were written in response to the "Did you make a profit last year" question. A center indicating a loss said "Enough to somewhat cover my wages as Dir/Teacher". Another center reporting a profit wrote in "very small", and another profitable center wrote in, "Our parents pay whether they attend are not".

The Cost, Quality, and Child Outcomes Study (1995) claimed that cost of quality is not a major factor in profitability. When asked if they made money in 1989, half of all centers reported breaking even, and one fourth reported making money. Among for-profit centers only 50-60% reported making a profit in 1989.

It is interesting to note that 33.3% of the centers in this study reported not making a profit, and 66.7% reported making a profit (see Figure 1).

FIGURE
1

N=21

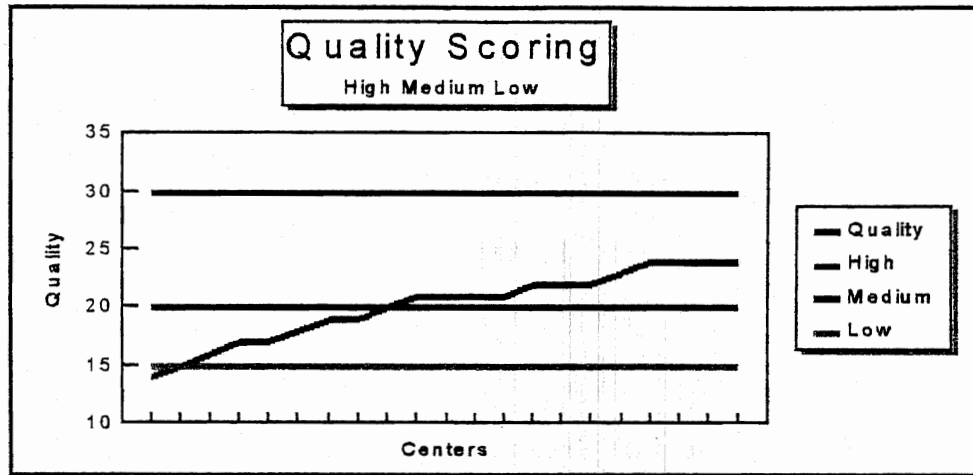


Objective Two: To Rate Quality on an Individual Basis

Quality variables results were examined and discussed in this section. First, quality scores were placed in ranges high (31-21), medium (20-16), low (15-10) and displayed in comparison to years in business, profit or loss, and range of teacher pay. Second, program variables: employee benefits, program components, parent involvement, and service to children with special needs results were discussed. Third, attendance information: age grouping, group size, and child/staff ratio results were examined. Last, personnel (director/teacher/teacher assistant) variables: experience, education, area of study, and membership of professional organization results were shown.

Quality scoring. The centers were placed in three levels of quality rating. The levels were determined by NAEYC and Illinois child care standards. The high quality range was 31-21. However, 12 of the centers placed in the high range with four of the centers scoring 24. As would be expected, the three accredited centers scored in the top six. Seven centers scored in the medium quality range, and two placed in the low range. The lowest score was 14. It is encouraging to note that 57% of the centers were in the high range and 33% were in the medium range. Only 9.5%(2) scored in the low range. Figure 2 shows the for-profit center's quality score divided into ranges of high, medium, low.

FIGURE
2
N=21



Employee benefits. Employee benefits revealed mixed results. Paid medical insurance was offered in 2 (9.5%) of the centers. In 1989, 1/2 of the day care teachers received health coverage in the Illinois Survey of Child Care Salaries, Benefits, and Working Conditions (1989) which covered all types of child care offered. Comparing the two studies, this study of for-profit centers had a much lower incidence of medical insurance as a benefit than the employees in the 1989 study.

In general, this study showed that benefits in the area of southeastern Illinois were lower than other research examined. However, three benefits were similar to other research reports. The results revealed that 66.7% (14) of centers offered paid vacation; 81.9% (17) paid in-service; and 47.6% (10) offered regular raises. Earlier research reported 64% of employees had paid vacations, 66.7% had paid in-service, and 47.6% were given regular raises (Willers,

1990, Mulley, et al (1989).

Paid holidays were offered in 71.4% of centers and employee child care subsidy was offered in 47.6% of the centers. Results for these two variables were not available from other research. However, the remainder of employee benefits in this study rated lower than other research examined. The percentage of paid sick days was 42.9%, and Willer's (1990) research reported 75%. This study revealed that 14.3%(3) of centers paid for educational advancement. Other research reported 77% and 48% of the centers paid for educational advancements (Willer, 1990); Mulley, 1989). Retirement benefits are the most lacking for the employees of for-profit child care centers. None of the centers surveyed offered retirement. In 1989, the Illinois Survey of Child Care Salaries, Benefits, and Working Conditions reported one fourth of child care had retirement plans. Table 3 displays employee benefits in for-profit child care centers.

Two interesting comments were written by directors about employee benefits. One comment reported that paid vacation, holidays, in-service training, and sick days were available, but the employees had to use their personal days for these. The comment did not say how many personal days the employees were allowed. Another director reported that she alone has paid vacation, holidays, in-service training,

and sick days and not the other employees.

Table 3

For-Profit Day Care Centers Employee Benefits (N=21)

<u>Benefits</u>	<u>Participation</u>	<u>Frequency</u>	<u>Percent</u>
Medical insurance	Yes	2	9.5
	No	19	90.5
Paid vacations	Yes	14	66.7
	No	7	33.3
Paid holidays	Yes	15	71.4
	No	6	28.6
Paid In-service training	Yes	17	81
	No	4	19
Paid sick days	Yes	9	42.9
	No	12	57.1
Employee subsidized child care	Yes	10	47.6
	No	11	52.4
Paid educational benefits	Yes	3	14.3
	No	18	85.7
Regular raises	Yes	10	47.6
	No	11	52.4
Retirement plan	Yes	0	0.0
	No	21	100.0

Program components. Program components were frequently offered to the child care staffs. Daily lesson plans,

discipline guidelines, and curriculum resources were available in all of the centers. However, only 15 (71.4%) of the centers paid for planning time.

Table 4 presents the results of the program components.

Table 4

Program Components of For-Profit Day Care Centers (N=21)

<u>Components</u>	<u>Participation</u>	<u>Frequency</u>	<u>Percent</u>
Daily Lesson Plans	Yes	21	100.0
	No	0	
Discipline Guidelines	Yes	21	100.0
	No	0	
Paid Planning Time	Yes	15	71.4
	No	6	28.6
Curriculum Resources	Yes	21	100.0
	No	0	

Parent involvement. Parent involvement in the centers was surprising high, indicating the centers see the importance of parents being involved in their children's care. All of the centers had an open door policy, 19 (90.5%) produce a parent newsletter, 18 (85.7%) have parent conferences, and 18 (85.7%) use parents as volunteers. One director reported that parents as volunteers are welcome, but they all work. Another reported that parent involvement is encouraged, but optional. These directors see the need

for parent involvement in a quality child care program. According to Endsley, Minish, and Zhou (1993), directors that value parent-staff communication and promote parent involvement are more likely to run higher quality programs and facilitate more interaction between parents and children.

Table 5 presents the results of parent involvement indicators.

Table 5

Parent Involvement in For-profit Day Care Centers (N=21)

<u>Components</u>	<u>Participation</u>	<u>Frequency</u>	<u>Percent</u>
Open Door Policy	Yes	21	100.0
	No	0	
Parent Newsletter	Yes	19	90.5
	No	2	9.5
Parent/Teacher Conferences	Yes	18	85.7
	No	3	14.3
Parents as Volunteers	Yes	18	85.7
	No	3	14.3

Program components and parent involvement are definitely a large part of the high scoring of quality in the study.

Children with special needs. Research (Diamond, Hestenes, & O'Connir, 1994) suggested that children with

disabilities benefit from being in integrated classrooms. Early childhood programs that integrate children with special needs can enhance the quality of its program for all the children involved. However, only 42.9% of the centers offered services to children with special needs.

Table 6 provides the results of service to children with special needs.

Table 6

Services for Children with Special Needs
in For-Profit Day Care Centers (N=21)

<u>Participation</u>	<u>Frequency</u>	<u>Percent</u>
Yes	9	42.9
No	12	55.0

The care of children with special needs seemed to be a point of concern for the reporting directors. One director reported "Can't afford one on one for special needs children", another reported "No special needs care at the present", and yet another reported "Depends on what needs". These comments hinted an interest and desire to provide special needs care, but the obstacle seemed to be related to perceived added costs of care for children with special needs.

Attendance information. The National Academy of Early Childhood Programs (Guide to Accreditation, 1991) set

guidelines for age grouping, child/staff ratio, and group sizes, keeping in mind that young children develop best through close relationship with adults. Relationships such as these can only come about in smaller groups and low child/staff ratios (Hofferth & Phillips, 1991; Howes, Phillips & Whitebrook, 1992; Accreditation Criteria, 1991). Attendance information in this sample revealed interesting results (see Table 7). The difference of Illinois and NAEYC standards is very apparent in the results.

Table 7 displays attendance records. Range of ages in the three groups, number of groups for each age category, then number and percentage in each quality level are displayed left to right.

The age groups the center service was very enlightening. Twelve of the 21 centers had infant care and 9 did not, and 8 of the 21 centers had school age care and 13 did not. They all served children 2-5 years old. These figures are explained by the fact that four of the 21 centers were part-time centers serving only 2-5 year olds.

Of the 12 centers offering infant care, 10 of them were below NAEYC standards for age grouping; one was equal to NAEYC standard; and one was above. The factors behind this may be that Illinois Infant group standard is 0-15 months and NAEYC recommends 0-12 months. For group size four were below NAEYC standards, five were equal; and three were above. Illinois standards are closer to NAEYC standards in

group sizes. The child/staff ratio for all centers were equal or above NAEYC and Illinois standards as the two sets of standards are the same.

Table 7

Attendance Information of For-profit Day Care Centers

(N=21)

<u>Age Groups</u>		<u>Below</u>	<u>Equal to</u>	<u>Above</u>
<u>Groups</u>	<u>Size</u>	<u>Standards</u>	<u>Standards</u>	<u>Standards</u>
0-24 months	12	10 (83%)	1 (8%)	1 (8%)
2-5 year olds	21	5 (24%)	8 (38%)	8 (38%)
Kindergarten +	8	6 (75%)	2 (25%)	0
<u>Group Size</u>		<u>Below</u>	<u>Equal to</u>	<u>Above</u>
<u>Groups</u>	<u>Size</u>	<u>Standards</u>	<u>Standards</u>	<u>Standards</u>
0-24 months	12	4 (33%)	5 (42%)	3 (25%)
2-5 year olds	21	6 (28%)	13 (62%)	2 (10%)
Kindergarten +	8	0	3 (37%)	5 (63%)
<u>Child/Staff Ratio</u>		<u>Below</u>	<u>Equal to</u>	<u>Above</u>
<u>Groups</u>	<u>Size</u>	<u>Standards</u>	<u>Standards</u>	<u>Standards</u>
0-24 months	12	0	11 (92%)	1 (8%)
2-5 year olds	21	4 (19%)	15 (71%)	2 (10%)
Kindergarten +	8	6 (75%)	1 (12.5%)	1 (12.5%)

Preschoolers were present in all centers. The quality of their care scored better than the other two groups. Five were below NAEYC age group standards. Eight of the centers

were equal; and 8 above quality standards. In group sizing, 13 were equal to NAEYC standards; 2 were above; and 6 were below. In child/staff ratio, 15 were equal to NAEYC standards; 2 were above; and 4 below.

Less school age care was represented in the sample. Thirteen of the centers did not offer school age care. Of the eight centers that did, six were below NAEYC age grouping standards; the rest were equal due to the fact that NAEYC only recommends a three-year age spread and Illinois allows 6-12 year olds together. However, in group sizing, five of the eight were above standards, and the remaining three were equal. Illinois does not allow as many in a group as NAEYC. The child/staff ratio results indicated six of the eight were below NAEYC standards, and one was equal the other above.

Director information. Director experience showed that 18 (85,7%) of the 21 directors were either equal or above NAEYC standards in years of experience. Director experience is considered one to the most consistent predictors of children's appropriate development (Phillips, McCarthy & Scarr, 1987; Howes, Phillips & Whitebrook, 1992). On this variable, the directors scored high.

NAEYC recommends that a director have at least a bachelors degree in early childhood (Accreditation Criteria, 1991). Twelve of the 21 of the directors had early childhood training. But, only 8 (38.1%) of the 21 directors has a

bachelors degree or above, leaving 13(61.9%) below standard. The Career Development Survey reported that 47.1% of the directors in that study had a four-year degree (Mulley et al, 1992). One-third of the directors reported members of professional organizations.

Director information is presented in table 8.

Table 8

Director Experience, Membership, Education, and Field (N=21)

Early Childhood Experience

<u>Years</u>	<u>0-3</u>	<u>4-10</u>	<u>11-19</u>	<u>20+</u>
<u>Frequency</u>	3	9	6	3
<u>Percentage</u>	14.3%	42.7%	28.6%	14.3%

Early Childhood Organization

<u>Member</u>	<u>Yes</u>	<u>No</u>
<u>Frequency</u>	7	14
<u>Percentage</u>	33.3%	66.6%

Formal Education

<u>Level</u>	<u>CDA</u>	<u>Assoc. Degree</u>	<u>BA/BS</u>	<u>Masters</u>
<u>Frequency</u>	1	11	8	1
<u>Percent</u>	4.8%	52.4%	38.1%	4.8%

Area of Study

<u>Area</u>	<u>Early Childhood</u>	<u>Other</u>	<u>No Data</u>
<u>Frequency</u>	12	5	4
<u>Percentage</u>	57%	24%	19%

Four of the seven are members of Director's Associations. Six are members of NAEYC. No comments were made to explain why 14 directors did not belong to professional organizations. However, comments were made about education, "grad. with Masters in 96", "12 hours toward Masters", "3 1/2 years toward BS", "Admin. has Phd", "MS in Early Childhood Ministry", "three years of college working on BS". These comments indicate that there are some very professional directors running centers.

Teacher information. In reviewing research the child care teacher emerged as perhaps the most important single factor in rating quality (Phillips, McCartney & Scarr, 1987). The results of this study implies that this observation is true.

There were 76 teachers from 19 centers, two of the centers reported having no teachers, and not all of the teachers responded to all variables. NAEYC recommends that teachers have Associates Degrees or above. The data showed that 59(77.6%) of the reported teachers had an Associates Degree or above with 36(47.4%) studying in early childhood. The number of years in early childhood also showed high quality, 46(60.5%) of the reported teachers have four years or more in early childhood. Membership of professional organizations are the only shortcoming variable, only 6(7.9%) are members.

Table 9 has the description of teacher information.

Table 9

Teacher Information (N=76)Early Childhood Experience

<u>Years</u>	<u>0-3</u>	<u>4-10</u>	<u>11-19</u>	<u>20+</u>
<u>Frequency</u>	25	33	10	3
<u>Percentage</u>	35%	46%	14%	4%

Early Childhood Organization

<u>Member</u>	<u>Yes</u>
<u>Frequency</u>	6
<u>Percentage</u>	8%

Formal Education

<u>Level</u>	<u>CDA</u>	<u>1 Yr. College</u>	<u>Assoc. Degree</u>	<u>BA/BS</u>	<u>MS</u>
<u>Frequency</u>	1	15	39	19	1
<u>Percentage</u>	1%	20%	52%	25%	1%

Area of Study

<u>Years</u>	<u>Yes</u>
<u>Frequency</u>	36
<u>Percentage</u>	47%

Note. Five teachers did not report on years of experience and 1 did not report on education.

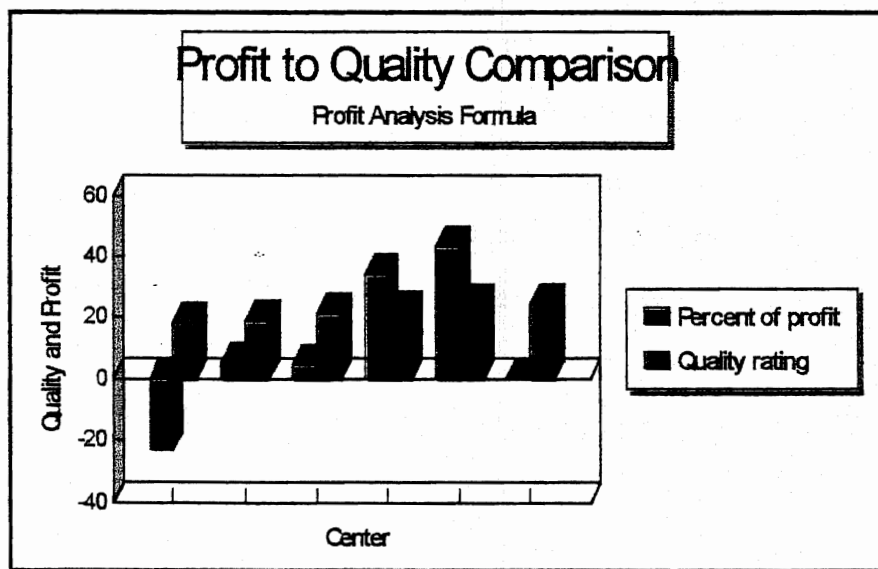
Teacher assistants. Fourteen centers had 31 teacher assistants; nine had an associates degree or above; three studies early childhood; none belonged to a professional organization. A high rate of turnover was suggested by 16 of

the 31 having less than one year experience. The teachers assistants information was excluded from the quality score.

Objective Three: To Compare Profitability and Quality Ratings of Each For-Profit Center

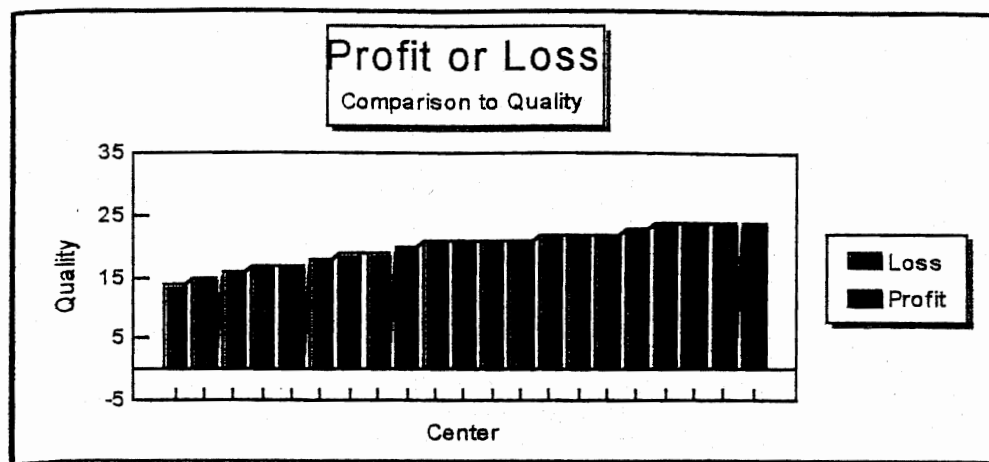
Six centers completed the PAF questions. The center with highest quality reported a loss. The lowest quality center had the largest percent of loss. This does not support the hypothesis that the profitability will decline as quality increases (see Figure 3).

FIGURE
3
N=6



All 21 centers answered the question on profitability. When comparing the responses to the question " Did you make a profit last year?" to the quality score, it appeared that the lower the quality score the higher the incidence of loss. This seems to support the null hypothesis (see Figure 4).

FIGURE
4
N=21

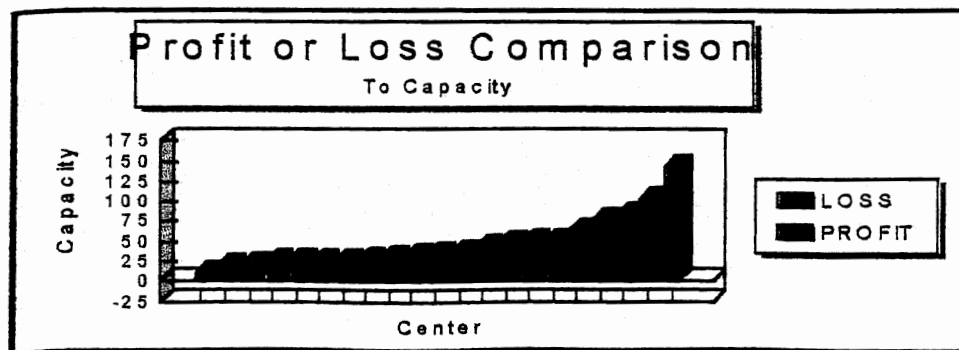


Objective Four: To Establish Patterns of Profitability and Quality of the For-profit Center Population in the Study

There was not enough response to the information for the Profitability Analysis Formula to show population patterns or any significant differences.

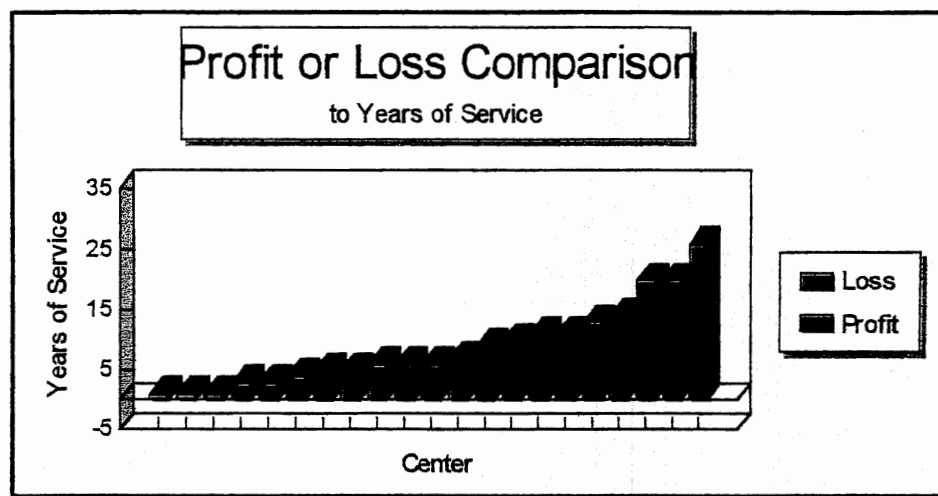
Profit. When examining profit with the single question "Did you make a profit last year?" a pattern emerged. The higher the capacity of the centers, the greater incidence of profit. Five (71%) of the centers reporting a loss were in the medium to low range (see Figure 5). Where two (29%) of the 12 high capacity centers reported a loss.

FIGURE
5
N=21



Five of the 7 centers experiencing a loss had been business less than 10 years. Figure 6 shows a slight trend toward a higher percentage of loss for those centers which had been in business a few years.

Figure
6
N=21



Subsidized children to profit. Thirteen of the 18 centers serving subsidized children had less than 26% of their capacity that were subsidized. Six of the 18 centers reported a loss. Of the six centers reporting a loss, all had subsidized children. Figure 7 represents cross tabulations of profit/loss to subsidized children. The same pattern of profit/loss, 2/3 profit and 1/3 loss appeared with or without subsidized children.

Teacher Wages, Capacity, Fees and Wages to Profit

Fifteen centers reported teacher wages. The average wage was \$5.66 per hour. However, one center with one employee paid \$9.00 per hour. The average wage without this one center is \$5.42. Teacher wages have not made much change

in the last few years. During 1993 the range of salaries for teachers was \$9,000 to \$16,000 (Bye, 1995). In 1995, Claudia Wayne, reported that the national average for center based teachers was \$6.70 per hour or \$11,700 per year ("At the table", 1996). Both studies were conducted when minimum wage was \$4.75.

Figure 7

Percent of Enrollment of Subsidized Children

Compared to Profit (N=18)

		Percent Subsidized			
		0-25%	26-50%	51-100%	
Profit	Yes	9 50%	1 5.5%	2 11%	Total 12
	No	4 22%	2 11%	0	6

Note. Only 18 centers responded to this question.

According to the Profitability Analysis Formula (see Appendix D for example of PAF) average cost of wages for this population equalled 53.4% of total expenses. In both the PAF and the one question on profit, sixty-six percent of centers reported a profit. The profit percentage was higher, while the wages to total expense were lower than other research. Among for-profit centers Willer (1991) reported 50-60% making a profit, in 1989. Willer (1991) also reported that wages were the major expense in centers with an average of 62% of the total budget. This difference in wages to

total expenses in the two studies could account for a higher number of centers showing a profit on this Child Care Information Survey. Once again implying that teachers were indeed supporting the cost of quality care.

Service fees. Reliable data of child care service fees was received on only 11 centers. Eight centers provided infant care at an average rate of \$18.62 per day, \$93.12 per week. All 10 centers provided preschool care at an average rate of \$12.77 per day, \$64.77 per week. Four of the ten centers reported providing care before and after school at an average rate of \$6.56 per day, \$26.24 per week. This shows much lower fees than the central Illinois fees Gaumer reported, in 1992. This may be unique to this all rural area and the fact that this is an all for-profit population, supporting the indication by the Cost, Quality, and Child Outcomes in Child Care Centers study (1995) that for-profit centers charge lower fees.

Table 10 shows that eleven centers reported child care fees. Child Care fees warrants a closer look. They should show a relationship to profit as for-profit centers mainly rely on less as their source of income.

Of the eleven centers in table 10, 6(54.5%) were in the high quality range, 4(36.4%) were in the medium range, 1(9.1%) was in the low quality range. The six high quality centers averaged higher child care fees than the medium and low quality centers. These high quality centers' fee

averaged \$96 per week for infants, \$93.50 for toddlers, \$72.91 for preschoolers and provided no care for schoolage children. The medium quality centers averaged lower child care fees; \$91 per week for infants, \$87.50 for toddlers, \$55 for preschoolers, and \$30 per week for schoolage children. One low quality center reported child care fees. It only provided care for preschoolers at \$60 per week. Gaumer (1992) reported higher rates than these, in 1992 the average cost of full day center care per week in central Illinois, was \$109.68 for infants, \$107.70 for toddlers, \$86.19 for two-year olds, \$78.85 for three- to five-year olds, and \$43.80 for school-age children.

The 12 centers in the high quality range averaged a capacity of 57. Years in business ranged from new-26, with only two above 10 years. The range of wages was \$5.12-\$6.25 (avg. \$5.66). The seven centers in the medium quality range had an average capacity of 32. Years in business ranged from 3-20 years. The range of wages was \$9.00-\$4.55 (avg.\$5.61). The two low quality centers had an average capacity of 27.5. They ranged from nine months in business to 20 years and paid \$5.88 in wages. This can not support the Cost, Quality, and Child Outcomes Study (1990) statement that, "High quality centers spend more per child on staff wages".

Summary. Patterns were established between quality of service, service fees, wages and profit in medium and high quality categories. The low quality category could not be

compared due to only one center in the group. Service fees established a pattern with the higher quality centers averaging 5.5% higher weekly fees for infants, than the medium quality centers; 6.9% higher fee for toddlers; 33% higher for preschoolers. School age fees could not be compared due to no schoolage care provided in the high quality category.

Table 10

Comparison of Quality, Child Care Fees,
and Wages to Profit or Loss (N=11)

Quality	Fees				Wages	Profit
	Inf.	Tod.	Pre/Sch	Kin +		
High						
24	\$100	\$100	\$70	NA	\$6.25	Y
24	\$90	\$83	\$70	NA	\$6.12	Y
22	\$90	\$90	\$72.50	NA	\$5.88	Y
21	NA	NA	\$75	NA	\$5.38	Y
21	\$105	\$100	\$75	NA	\$5.20	N
21	\$95	\$95	\$75	NA	\$5.12	N
Medium						
19	\$90	\$90	\$65	\$25	\$5.01	Y
19	\$90	\$90	\$55	\$25	\$4.75	N
18	NA	\$75	\$60	NA	\$4.55	N
17	\$95	\$95	\$40	\$40	\$4.70	Y
Low						
15	NA	NA	\$60	NA	\$5.88	Y

The average hourly wage of the high quality category was \$5.66. This wage was 20.7% higher when compared to the medium quality category wages.

The high quality category reported a 66% profit rate as did the overall study. The medium quality category reported a 50% profit rate.

Director and teacher education and training. The following crosstabs present comparisons of director years of experience and education to profit.

Figure 8

Director Years of Experience Compared to Profit (N=21)

Profit	Years				Total
	0-3	4-10	11-19	20+	
Yes	1 4.8%	6 28.6%	4 19%	3 14.3%	14
No	3 14.3%	2 9.5%	1 4.8%	1 4.8%	7

It would seem that director experience is directly related to profit. This finding matches the overall trend of the study of 2/3 profit to 1/3 loss. The directors in the below quality category (0-3 years) showed a greater loss than the directors in the high quality categories. More than 50% of the reporting teachers (71) were in centers making a profit. This may be explained by the pattern that

larger centers have higher quality and larger centers employ more teachers.

Figure 9

Teacher Years of Experience Compared to Profit (N=21)

Profit	Years				Total
	0-3	4-10	11-19	20+	
Yes	21 28.2%	28 39.4%	10 15.6%	3 4.2%	62
No	4 5.6%	5 7%	0	0	9

Attendance information. There appeared to be a discrepancy between the capacity of centers, number of teachers employed and child/staff ratios. Table 11 displays center size in ascending order, number of employees in each center, and daily average attendance from the attendance section in the survey asking "Daily attendance in the most recent week."

Capacity. When looking at centers with large capacities it appeared they did not employ enough teachers to meet child/staff ratio. However, the low average daily attendance explains the low number of teachers. An average of 70.3% of the available slots were filled on a daily basis.

A pattern did not appear when examining the percentages of slots filled. Smaller centers were just as likely to have

slots empty as larger centers. Several centers had low attendance but they were scattered over the population with no pattern.

Table 11

Center Size in Ascending Order, Number of Employees, and Most Recent Week Attendance Totals (N=12)

<u>Capacity</u>	<u>Number</u>		<u>Average Daily Attendance</u>	
	<u>Employees</u>		<u>Most Recent Week</u>	<u>Percent of Capacity</u>
10	0		10	100%
19	2		8	42.1%
20	2		15	75%
25	2		23	92%
25	2		20	84%
25	4		17	64%
25	3		22	84%
28	6		24	85.7%
30	5		24	86.6%
31	2		8	30.9
34	3		26	73.5%
36	3		17	47.2%
42	3		34	78.5%
48	10		34	66.6%
50	9		40	80%
50	10		49	98%
63	7		52	82.5%
76	9		72	94.7%
82	8		62	92.6%
103	10		NA	NA
143	7		49	34.6%
965	107		606	Overall mean 70.3%
Totals				

Program components. Table 12 presents the data on quality rating, the employee benefits, program components and parent involvement. Employee benefits, program components and parent involvement are expressed as a percent of the available options offered in each category.

Table 12

Program Variables Compared to Quality (N=21)

<u>Quality Scores</u>	<u>Employee Benefits</u>	<u>Program Components</u>	<u>Parent Involvement</u>
<u>High Quality</u>			
24	66	100	100
24	44	100	75
24	56	100	100
24	66	100	75
23	56	100	100
22	78	100	100
22	66	75	50
22	33	100	50
21	No Emp.	100	100
21	56	100	100
21	33	100	100
21	56	100	100
<u>Medium Quality</u>			
20	22	75	75
19	56	100	75
19	56	75	75
18	0	75	100
17	56	100	75
17	0	100	100
16	11	75	100
<u>Low Quality</u>			
15	33	75	25
14	0	75	75

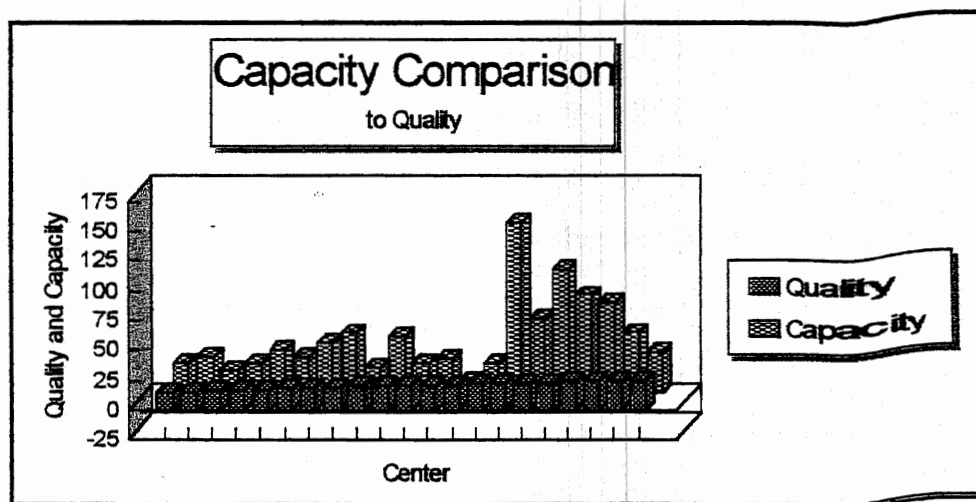
Of the 12 centers in the high quality category, 11 had employees and offered 55% of the surveyed employee benefits; the medium quality category had seven centers who offered 28.7% of the employee benefits and the low quality category offered 16.5%. Program components fared much better. High quality category centers offered 98% of the program components surveyed; medium quality category centers offered 85.7 and the even low quality category centers offered 75%. Reported parent involvement in the high quality category was 87.5% of surveyed variables, medium quality category offered

85.7% and low quality category offered 50%.

All of these program variables appeared more in the high quality category in comparison to the other quality categories. These results imply a high commitment to their employees and the other components that make up their programs.

Quality. Figure 10 implies an interesting pattern. The graph displays the centers in ascending quality matched with capacity. The higher capacity centers were shown on the higher end of the quality range.

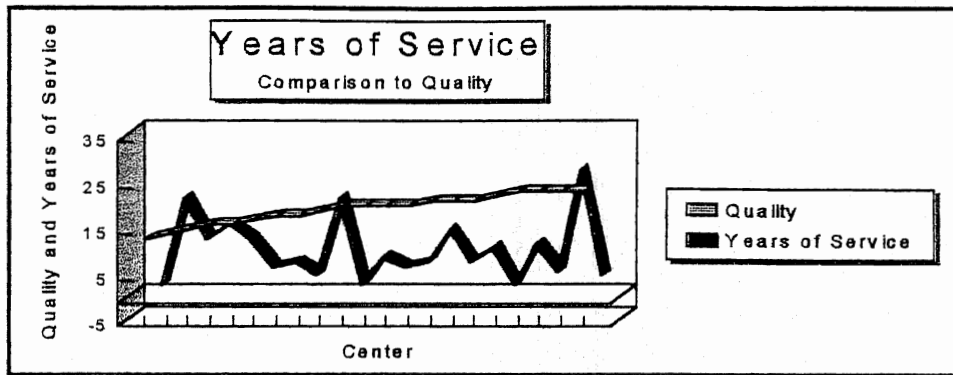
FIGURE
10
N=21



The average capacity in the high quality range was 57, medium and low range were respectfully 31.8 and 37.5. This seem to imply the larger the center the greater potential for scoring high quality.

When graphed, years of service did not show a pattern. Quality did not have a relationship in the amount of years in business (see Figure 11).

FIGURE
11
N=21



The high quality range averaged 7.5 years of service while the other two reported 10 years of service. Therefore, no pattern emerged.

Chapter four has reported results of profitability and quality in for-profit day care centers. The quality of service in this population was good, with over 50% of centers in the high range of quality. Factors which appear to contribute to this were; high scores on parent involvement and program variables, high level of teacher education and director experience.

There was no relationship by the PAF of quality to profit. However, the question "Did your center make a profit last year?" implies that the higher the quality the lower the risk of loss. The data did not support the hypothesis.

Summary

Response to the survey was good with 30%, 21 of 68, of the population being measured. The majority of centers were of small capacity, 47.6% were under 34 children. There were 965 slots with seventy percent full on a daily basis. Over

fifty percent of the centers had been in business from three to ten years. In 71% of the centers care to subsidized children comprised 25% or less of their enrollment. Special needs children were served in 42%(9) of the centers.

Sixty-six percent(14) of the centers reported a profit and 33% (7) reported a loss. The range of profit on the PAF was -23% to 42%. Higher quality centers showed patterns of paying higher wages, charging higher fees, and greater tendencies of profit.

Fifty-seven percent of centers(12) fell within the high quality range, 33%(7) in the medium range and 10%(2) in the low range. The quality scores ranged from 14 to 24. The centers in the high quality range tended to offer more employee benefits, higher quality programs and parent involvement. The only program component missing in every center was a retirement plan.

Preschoolers were cared for in all centers reporting and had better quality care than the other three age groups. Infant, toddler or schoolage care was lacking in availability and the care offered for these groups was lower in quality.

Directors showed high quality in the years of experience in early childhood. However, their educational levels were somewhat lacking.

Teacher information seemed to benefit their centers in many ways. They were high in education level, high in early

childhood area of study. However, few belong to professional organizations and their years of experience were somewhat low.

Chapter V

Conclusions

This study supplied much information about the for-profit child care center population in the thirty-three counties in southeastern Illinois. The self reporting survey resulted in the measurement of 30% of the population. This rural area population revealed that about half of centers were under 34 capacity and had been in business less than 11 years. Overall, the larger the center the more likely it was to be in the high quality range.

To decide profit on an individual basis. The PAF only produced results on six centers. This did not turn out to be a successful instrument to gather information. Two things appeared to be the reasons. One, the directors did not have access to the information; and the second, they were reluctant to give out this information. The one general question on profit supplied the most information for the analysis of profit. A closer look at profit in general is called for. One third of the centers reported a loss. No reliable relationships were established to suggest the reasons for the loss. However, it could be implied that the loss may suggest a reason for short termed business life.

The quality of this group was higher than other research reported. The factors contributing to quality were, high employee benefits, program components, parent involvement, director experiences, and teacher education.

These in turn related to higher quality.

To compare quality and profit of each center. The hypothesis was not supported, in fact the opposite was indicated. The lower the quality the less profit the center tended to report.

Fees and wages emerged an important factors to profit and quality. Teacher wages were slightly over minimum wage and placed the teachers in a below average income bracket. This supports the research that teachers are helping to support the profit in the for-profit child care centers. The higher quality centers did pay a slightly higher wage than the lower quality centers, but not much higher. This was perhaps a factor to teachers not having many years of service. Teacher wages were the major part of total expenses of centers. The wage percentage of the budgets was lower than other reports. This may imply a reason for the lower incidence of loss.

A direct link can be made to service fees. Service fees were low when compared to other reports. With the major income of centers being child care fees the link was established that the lower quality centers paid less and charged less.

Teachers years of early childhood work experience was not high. Early childhood teaching did not appear, in many cases, to be long term jobs. The fact that most teachers did not receive many benefits may be a suggestion for the short

term employment.

Director experience and teacher education results revealed a positive pattern in relationship to quality. Higher quality revealed a strong trend for higher education levels in teachers. A trend was also shown by director experience to quality. The pattern implied the more experience a director had the higher quality of her center.

An important finding to families of this rural society needs attention. Attendance information revealed that there was little school age and infant care in these centers. Infant-toddler care was also low in quality. School age care was even lower in availability and quality. In fact, few high quality or high capacity centers provided care for school age children. Many areas have a shortage of care for these segments of the child population. For working families these shortages could be affecting productivity. Information of, and solutions to, this problem warrants immediate attention. The attendance in the centers was surprising. Only 70.3% of child care slots were filled on a daily basis. Most centers reported several slots not full of children, but the percent of children with subsidized care was low. The question could be asked "Could these empty slots be filled with subsidized children?". A look at this area suggest further investigation is needed. Children that need subsidized care could benefit from center care. A model for including subsidized children and maintaining profit would

be beneficial.

A recommendation for further study is to search for solutions to making better work environment for teachers so they no longer subsidize their centers while providing quality care. Research and action is long overdue addressing this injustice. Teachers have paid the price of our children receiving center care for too long. There must be a way to compensate them for the very important profession they have chosen.

It must be kept in mind that the population in this study was small. Relationships should not be compared to other populations, but reveal a lot about this population.

Appendix A

Child Care Information Survey

Items in this survey are to be completed by the center director. Please answer each item in this survey. If for some reason you can not answer all of the items, please complete as many as you can.

Program Information:

How many children is your center licensed for? _____

How long has your center been in operation? _____

How many children in your center receive subsidized child care payment? _____

Is your center accredited by any national organization?	yes	no
	_____	_____

Is your Center a Corporation?	_____	_____
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Did your Center make a profit last year?	_____	_____
--	-------	-------

Is your center a member of the Board of Education Child and Adult Food Program?	_____	_____
---	-------	-------

Does your center serve children with special needs?	_____	_____
---	-------	-------

<u>Does your employee benefits include?</u>	yes	no
Medical insurance	_____	_____
Paid vacations	_____	_____
Paid holidays	_____	_____
Paid in-service training	_____	_____
Paid sick days	_____	_____
Employee subsidized child care	_____	_____
Paid educational benefits	_____	_____
Regular raises	_____	_____
Retirement plan	_____	_____

<u>Does your program include?</u>	yes	no
Daily lessons plans	_____	_____
Child discipline guidelines	_____	_____
Paid planning time	_____	_____
Curriculum resources	_____	_____

<u>Does your parent involvement include?</u>	yes	no
Open door policy to parents	_____	_____
Parent newsletter	_____	_____
Parent/teacher conferences	_____	_____
Parents as volunteers	_____	_____

Attendance Information:

List: Age groups, Group size, Child\staff ratio, Fee Charged and Time Period of that charge (Hour, Day, Week, Month, Year, Other)

(example:)

Age groups	Group size	Ch\staff ratio	Charge	Per week
2-24 months	8	4/1	\$80.00	

Age groups	Group size	Ch/staff ratio	Charge	Per
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Staff Information:

Director:

Number of years of early childhood work experience _____

Do you belong to any early childhood professional organizations?
 yes ___ no ___ If so, please list _____

Formal education:

CDA Credential _____
 Associates Degree _____
 Master's Degree _____

Area of Study:

One Year College _____
 B.A./B.S. Degree _____
 Doctorate Degree _____

Major area of study: _____

Teacher Information:

Please give information for each teacher in your center.

Teachers
 T1 T2 T3 T4 T5 T6

	T1	T2	T3	T4	T5	T6
Years of relevant experience						
Education (check one)						
CDA Credential						
One Year College						
Associates Degree						
B.A./B.S. Degree						
Master's Degree						
Doctorate Degree						
Area of study was						
Early Childhood						
Member of an early childhood professional organization?						
Number of hours worked in the most recent week						
Rate of pay per hour						

Teacher Assistants:

Please give information for each teacher assistant in your center.

check one

Teacher Assistants
A1 A2 A3 A4 A5 A6

Years of relevant experience						
Education (check one)						
High School						
One Year College						
Associates Degree						
B.A./B.S. Degree						
Area of study was						
Early Childhood						
Member of an early childhood professional organization?						
Number of hours worked in the most recent week						
Rate of pay per hour						

Other staff:

(example: secretary, cook, janitor)

List support staff: _____ hours worked in most recent week

In the most recent week how many children were in attendance in each group per day:

(example:) write in number of children in attendance per day

Age group	Mon.	Tues.	Wed.	Thur.	Fri.
2-24 months	7	8	8	6	8

Age group	Mon.	Tues.	Wed.	Thur.	Fri.
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Please supply the following information if possible.

The following information will come from your 1995 Federal Income Tax Form----**Schedule C**

Total from line #28 (total expenses) _____
 Total from line #7 (gross income) _____
 Total from line #26 (total wages) _____

If you were unable to provide any of the information please explain.

PLEASE RETURN BY OCTOBER 1, 1996

THANK YOU

Brenda G Gray

Appendix B

Outline of Analysis of Profitability Analysis

Formula Computer Program

Data were processed by the Profitability Analysis Formula Computer Program. To assure an equitable analysis, all survey attendance and financial data collected were converted to one-half day units. A half-day unit is five hours of care or less. Survey information for the Profitability Analysis Formula Computer Program consisted of the center Id number, which was assigned by the independent person opening the return envelope, gross income, total expense and total wages came from the end of the survey US 1040 information. Weekly units and charge were established from the attendance section of the survey. To analyze information the Profitability Analysis Formula utilized both annual and weekly data. Therefore, because of indicating annual data, gross income was entered into the Profit Analysis Formula as annual income, total expenses was entered as annual expenses and total wages as annual wages. Annual profit was found by subtracting annual expenses from annual income. Survey week income was found by multiplying weekly units by charge per unit. Average weekly income was found by dividing annual income by 52 weeks in the year. To assure that the current week's data were a representative, an adjustment factor was used. The adjustment factor was established by dividing survey week's income by average

weekly income. Average weekly units were obtained by multiplying survey week units by the adjustment factor. Annual units were found by multiplying average weekly units by total weeks in year or 52. Average unit income was obtained by dividing annual income by annual units to determine the charge per unit value. Average unit expense was determined by dividing annual expense by annual units. Average unit profit was determined by dividing annual profit by annual units. The labor analysis portion, of the Profit Analysis Formula, gives labor as a percent of total expense by dividing annual labor by annual expenses. Per unit labor cost was obtained by dividing annual labor cost by annual units.

Center Analysis. Each center was given a profitability score. This score was expressed as a percentage of profit as compared to annual income and was determined by dividing annual profit by annual income. The resulting percentage was then compared against the quality score.

Appendix C

Coding Scheme For Child Care Information Survey

1-3 and 5-7 are for descriptive data only

4, Accredited centers, compared as a group and also included in the population comparisons

1. combine a & b and c & d for comparisons

2. combine c & d for comparisons

3. combine c & d for comparisons

Center size

1. a. 1-33 b. 34-65 c. 66-99 d. 100+ e. no response

Age of center

2. a. under 2 years b. 3-10 years c. 11-19 years d. 20+ years e. no response

Percentage

3. a. under 25% b. 26-50% c. 51-75% d. 76-100% e. no response

yes= 1 no= 0

4. a. yes b. no c. no response -accreditation

5. a. yes b. no c. no response -corporation

6. a. yes b. no c. no response -profit last year

7. a. yes b. no c. no response -Board of Education Child and Adult Food Program

8-25 are for scoring a quality score

8. a. yes b. no c. no response -service to children with special needs

EMPLOYEE BENEFITS

9. a. yes b. no c. no response -medical insurance

10. a. yes b. no c. no response -paid vacation

11. a. yes b. no c. no response -paid holiday

12. a. yes b. no c. no response -paid in-service

13. a. yes b. no c. no response -paid sick days

14. a. yes b. no c. no response -employee subsidized child care

15. a. yes b. no c. no response -paid educational benefits

16. a. yes b. no c. no response -regular raises

17. a. yes b. no c. no response -retirement plan

PROGRAM

18. a. yes b. no c. no response -daily lesson plans

19. a. yes b. no c. no response -discipline guidelines
 20. a. yes b. no c. no response -paid planning time
 21. a. yes b. no c. no response -curriculum resources

PARENT INVOLVEMENT

22. a. yes b. no c. no response -open door policy
 23. a. yes b. no c. no response -parent newsletter
 24. a. yes b. no c. no response -parent/teacher conferences
 25. a. yes b. no c. no response -parents as volunteers

ATTENDANCE INFORMATION

These three scores in each category 26-34 are for cross tabs and freq. not used for quality scoring. Quality means of attendance information are on 39-41 to be used for center quality score.

Age Groups

Question 26. Infants and Toddlers- 0-24 months

- a. one group= 0 NAEYC standards recommends two groups 0-12 months and 12-24 months. One group is below standards
 b. 2 groups= 1 If divided by recommended ages.
 c. 3 groups= 2
 d. no children under 2= no score
 e. no data= no score

Question 27. Preschoolers- Over 2 years old to 5 years old

- a. one group with over 2 to 5 years= 0 NAEYC does not recommend 2 year olds be mixed with children over 3 ages
 b. 2 groups divided by age= 1 If 2 & 3 are together, and 4-5 together.
 c. 3 or more groups divided by age=2 If 2's have only 3's with them d. no data= 0

Question 28. School Age- kindergarten plus

- a. group of children with more than three years age difference= 0 NAEYC recommends two groups with 6-8 in one group and 9-12 in second group.
 b. two groups of children = 1
 c. three groups of children =2
 d. no data= no score

Group Size

Question 29. Infants and Toddlers 0-24 months, NAEYC Standards

- 6-8 in group of 0-12 months
 6-8 in group of 12-24 months
 6-8 in group of 0-24 months
 a. over NAEYC standards= 0

- b. equal to NAEYC standards = 1
- c. under NAEYC standards= 2
- d. no data= no score

Question 30. Preschoolers- 2+ to 5 years old

NAEYC Standards

group of 2's 8-14

group of 3's 14-20

group of 4's or 4's & 5's 16-20

mixed ages go by major age in group. If two's are in group go by 8-14. If not known use mean of all preschool age category.

- a. over NAEYC standards= 0
- b. equal to NAEYC standards= 1
- c. under NAEYC standards= 2
- d. no data= no score

Question 31. School Age- kindergarten plus

6-8 year olds 20-24

9-12 year olds 24-28

1 mixed group go by 20-24

- a. over NAEYC standards= 0
- b. equal to NAEYC standards= 1
- c. under NAEYC standards=2
- d. no data= no score

Child/Staff Ratio

Child\Staff Ratio -Each classroom is scored for it's child\staff ratio. Based on NAEYC Standards.

group with infants 0-12 months 1:4

group of toddlers 12-24 months 1:4 or if in a group of 10 1:5

group 0-24 months 1:4

Question 32. Infants and Toddlers- 0-24 months

- a. over NAEYC standards= 0
- b. equal to NAEYC standards= 1
- c. under NAEYC standards= 2
- d. no data= no score

Question 33. Preschoolers- 2+ to 5 years old

2's 1:7

3's, 4's, 5's or mixed group with these ages 1:10

NAEYC recommends if two's are in any mixed group go with the 1:7 rating.

- a. over NAEYC standards= 0
- b. equal to NAEYC standards= 1
- c. under NAEYC standards= 2
- d. no data= no score

Question 34. School Age- kindergarten plus

- 6-8 year old's 1:12
 9-12 year old's 1:14
 mixed age 6-12 1:12
 a. over NAEYC standards= 0
 b. equal to NAEYC standards= 1
 c. under NAEYC standards= 2
 d. no data= no score

Staff Information

Director----- use for quality score as is

35.

- a. 0 ---0=3 years of early childhood work experience
 b. 1 ---4-10
 c. 2 ---11-19
 d. 3 ---20+
 e. no data

36.

- a. yes= 1 ---member of professional organization
 b. no= 0
 c. no response

37.

- a. CDA= 0
 b. 1 year college= 0 -level of education
 c. Assoc. Degree= 0
 d. BA\BS= 1
 e. Masters degree= 2
 f. Doctorate= 3
 g. no data

38.

- a. yes= 1 ---early childhood area of study
 b. no= 0 ---other area of study
 c. no data

Teacher (mean score of items 39-42 will be figured for center teacher quality score, individual scores are to be used for cross tabs and freq.)

39.

- a. 0 ---0-2 years of early childhood experience
 b. 1 ---3-10 years
 c. 2 ---11-18 years
 d. 3 ---18+ years
 e. no data

40.

- a. 0 ---1 year of collage
- b. 1 ---CDA
- c. 1 ---assoc. degree
- d. 2 ---BA\BS
- e. 3 ---Masters degree
- f. 4 ---Doctorate degree
- g. no data

41.

- a. 1 ---early childhood area of study
- b. 0 ---other area of study
- c. no data

42.

- a. yes= 1 ---member of professional organization
- b. no= 0
- c. no response

43 & 44 are descriptive data only

Teacher Assistants (there will be no center teacher assistants quality score use 45-48 as cross tabs and freq. only.)

45.

- a. 0 ---0-2 years of early childhood experience
- b. 1 ---3-10 years
- c. 2 ---11-18 years
- d. 3 ---18+ years.
- e. no data

46.

- a. 0 ---High School
- b. 1 ---1 year college
- c. 2 ---assoc. degree
- d. 3 ---BA\BS
- e. no data

47.

- a. 1 ---early childhood area of study
- b. 0
- c. no data

48.

- a. 1 ---member of professional organization
- b. 0
- c. no data

Appendix D

Profit Analysis Formula Conversion and Analysis

Survey data	
Annual income	\$150,146.00
Annual expense	\$141,786.00
Annual labor	\$81,474.00
Weekly units	495.0
Charge per unit	\$7.00
Overall analysis	
Annual profit	\$8,360.00
Survey week income	\$3,458.00
Average week income	\$2,887.42
Adjustment factor	0.83
Average weekly units	412.49
Annual units	21,449.4
Average unit income	\$7.00
Average unit expense	\$6.61
Average unit profit	\$0.39
Labor analysis	
Percent of expense	57.46%
Per unit cost	\$3.80
Profitability Score	5.6%

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