CAS 2012 Research Brief #4

Financial Distress Among Child Care Centers in Chicago West and North Side ZIP Codes

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Introduction

The 2012 Chicago Area Study surveyed 229 center directors in 33 ZIP Codes on the West and North sides of Chicago. All centers and preschools that served three and four year olds in these ZIP Codes were eligible, except those located in the public schools. Eligible settings included preschools in churches, private schools, and community organizations as well as preschool programs and full-day care in standalone child-care centers. Fully 70% of eligible directors participated in the study. For simplicity we refer to all participants as "centers."

We prepared a set of initial research briefs to disseminate basic study findings. Each of these briefs describes a set of data collected in the survey for the sample as a whole and across five types of ZIP Codes. The five ZIP Code types allow us to provide a basic portrait of differences in center characteristics depending on the race-ethnicity and income of the community. The five types of ZIP Codes are: (1) mixed race, low income, (2) majority non-Hispanic Black, low income, (3) majority Hispanic, low income, (4) majority non-Hispanic White, middle income, and (5) majority non-Hispanic White, high income. The cutoffs between low/middle and between middle/high income are $48,500 and $70,000 respectively (about two and three times the federal poverty line for a family of four in 2011). We define a location as being a majority of one race-ethnicity if the ZIP Code is comprised of at least 50% of that racial/ethnic group (see CAS 2012 Research Brief #1 for additional details).

This CAS 2012 Research Brief #4 summarizes directors' responses to questions about their experiences with financial distress, including budget adequacy, worries about paying for space and staff, turnover of teachers and classrooms, raising center rates, and conditions of space and materials.

The tables at the end of this document present means and proportions for the variables (tables of supplementary information, including statistical tests, are available from the study investigators). Here we highlight some of the major results.

Operational Issues

The majority of centers in all areas reported having a budget to purchase new classroom materials (82%), but most reported that their budget was “not quite” or “not at all” enough to cover their needs (64% in the two categories combined). The major exception to this pattern was in majority White, high-income areas, just under half (49%) of directors reported that their budget was insufficient. Center directors in low-income areas were particularly likely to choose the lowest category, reporting that their budget was “not at all enough,” including three out of every ten directors in majority Black, low-income areas.

Overall, about half of center directors reported never worrying about paying for their space and staff, although such anxieties varied across ZIP Codes. Not surprisingly, worries about paying the rent or mortgage were least common in majority White, high-income areas, where 78% of directors reported never experiencing such anxieties. In contrast, less than one third of directors in low-income, majority Black areas (29%) were worry free. Directors in other areas fell in between, with about 40-59% reporting no worries about rent. Worries about making payroll followed a similar pattern, being infrequent in majority White, high-income areas (75% never) and most common in low-income, majority Black (36% never) and low-income, majority Hispanic (32% never) ZIP Codes.

Closing and opening preschool classrooms were rare events, reported respectively by just 7% and 10% of directors overall. These rates varied modestly across ZIP Codes, with the greatest stability in majority White, middle-income areas where only 2% of directors reported closing classrooms and 6% opening them. Closures were highest in mixed-race low-income areas (11%) and in majority White, high-income ZIP Codes (9%). Openings were equally high in majority Hispanic, low-income and majority White, high-income areas, at 13%.

Staff turnover was moderate overall. Nearly two-thirds of centers reported that no preschool teachers had voluntarily left in the past year; and, nearly 80% reported no staff layoffs. Multiple (2 or more) teacher exits were about twice as common in majority Black, low-income (18%) and majority Hispanic, low-income (22%) areas in comparison to other areas (11-12%). Layoffs happened most often in majority Black, low-income ZIP Codes, where 12% of directors reported frequent (often or very often) staff layoffs, in comparison to other areas where frequent layoffs were reported by 0-6% of directors.

Given these results suggesting the greatest financial distress in low-income areas, especially those with a majority Black population, it is striking that raising rates for families who didn’t receive subsidies was most common in more affluent areas. Almost two-thirds (63%) of directors in majority White, high-income areas reported raising tuition in the prior year. In contrast, just 20% of directors in majority Black, low-income areas did so, and between 28% and 43% of directors did so in other areas.

Physical Conditions

One-third of all center directors reported that materials in their preschool classrooms were “somewhat” or “very much” worn out or out of date. Centers in majority Black, low-income areas were most likely to make such reports (60%). Those in majority White, high-income and mixed-race low-income areas were least likely (19% and 22% respectively). Those in majority Hispanic, low-income and majority White, middle-income areas fell in between (30% and 37% respectively).

Reports that indoor and outdoor spaces were in need of renovations were more common, with close to half of all directors saying such renovations were “somewhat” or “very much” needed. Both types of renovations were least commonly reported in majority White, high-income areas (about one-third). Indoor renovation needs were reported most often by directors in majority Black, low-income areas (59% somewhat or very much). Outdoor renovation needs were also common in these areas, as well as in majority Hispanic, low-income and majority White, middle-income areas (49-54%).

Summary

This research brief provides a basic description of childcare centers' experiences with financial distress. The clear pattern we find of greater distress in the areas of more concentrated poverty is not surprising. Yet, our results put numbers on the extent of distress, documenting the strikingly high levels in the poorest areas, especially those with majority Black populations, and the extent to which even centers in somewhat better-off areas are not free from financial struggles.

Figure 1 summarizes these results. In the figure, we show the progression of increasing distress from the most to least affluent areas. The fact that majority Black, low-income areas often stand out with noticeably higher levels of distress is clear, with most centers in these areas reporting worries about making rent and payroll, out-of-date and worn materials, and insufficient budgets (white bars in Figure 1). Centers in majority White, high-income areas also stand out as having the least distress; even though nearly half of directors in these areas reported that their budgets were not large enough, relatively few reported worries about payroll or mortgages or worn and out-of-date materials (black bars in Figure 1). Interestingly, even though the left-most set of bars in Figure 1 shows that reports of budget inadequacies increased in a step-like fashion, the middle sets of bars show that director reports of specific worries about rent and payroll were more clustered together across the three remaining areas (low-income of mixed race or majority Hispanic; middle-income, majority White). Directors in middle-income, majority White areas were particularly likely to report worn and out-of-date materials. This finding may reflect the fact that centers in middle income areas are often squeezed in the middle of the child care market – with local families having incomes that exceed the ceiling for subsidies but are too low to cover the full cost of care. This result may also reflect a tradition of non-profit cooperatives supporting preschools in middle-income communities. Future briefs, papers, and reports will explore these possibilities.

Elsewhere, we showed that centers in lower-income areas, especially low-income, majority Black ZIP Codes, relied heavily on public assistance programs (see CAS 2012 Research Brief #3). This very high reliance on public programs suggests that these centers are particularly vulnerable to the payment delays associated with state and federal fiscal crises. Although we found that such delays were common across all types of ZIP Codes, centers in low-income, majority Black ZIP Codes may be least likely to have the margin to absorb such financial shortfalls, given all relied on some type of public assistance (and many relied on several types of programs). Another striking finding in the current brief is that even though financial distress was greatest in lower-income areas, centers in high-income areas were most likely to have raised tuition in the prior year. We highlight this result in Figure 2, showing that over six in ten centers in the most affluent areas had raised their rates in contrast to just two in ten in areas concentrated by low-income Black families. We showed elsewhere that centers in areas of concentrated poverty relied less on privately paid tuition (see CAS 2012 Research Brief #2); and, it may be that directors in these areas recognize that parents in their community who pay out of pocket are themselves living on the margins and may be unable to pay more. In future reports, we plan to delve deeper into these topics of the ways in which the recession affected income from public and private sources and how centers have dealt with shortfalls.

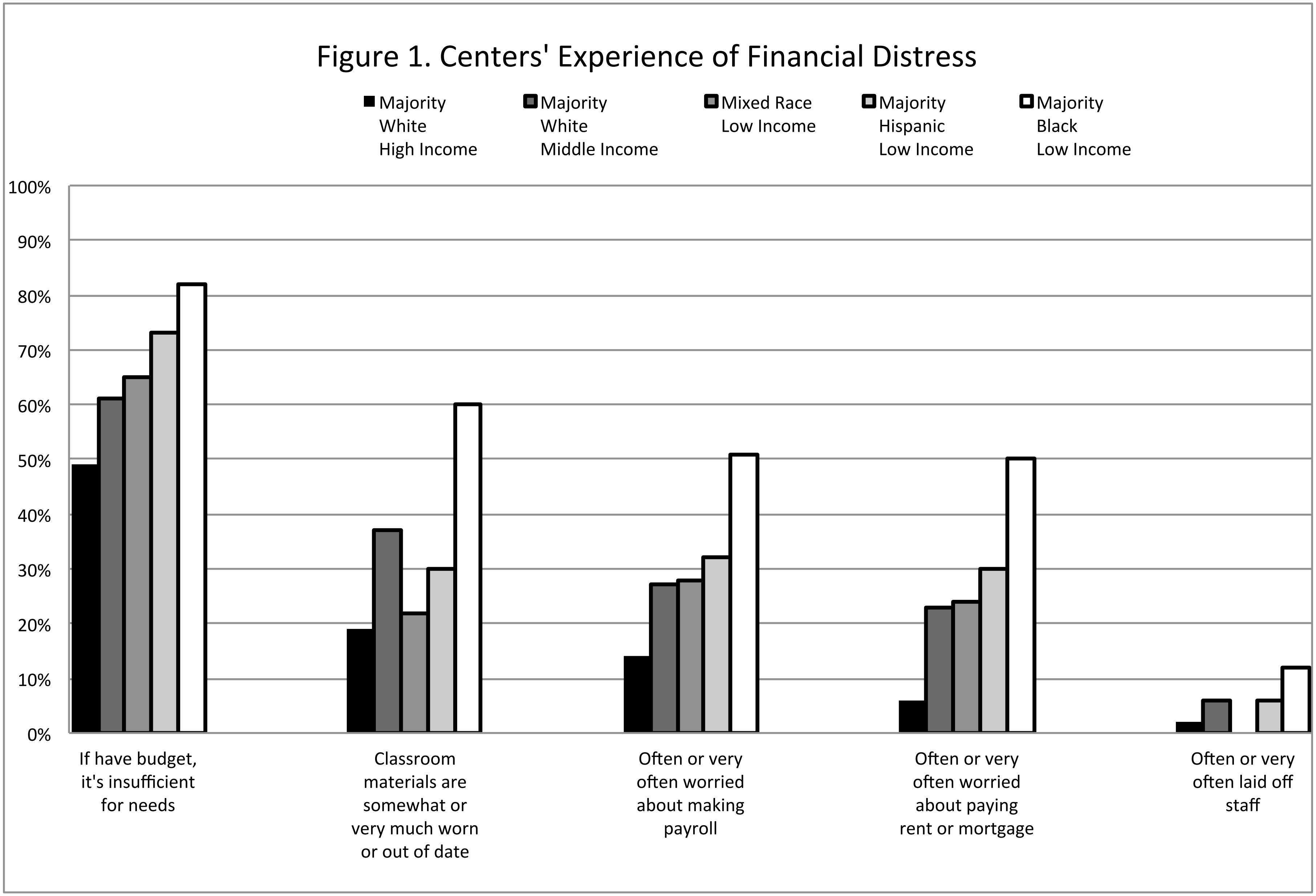
Figure 1. Centers' Experience of Financial Distress
Majority White High Income
Majority White Middle Income
Mixed Race Low Income
Majority Hispanic Low Income
Majority Black Low Income
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
If have budget, it's insufficient for needs
Classroom materials are somewhat or very much worn or out of date
Often or very often worried about making payroll
Often or very often worried about paying rent or mortgage
Often or very often laid off staff

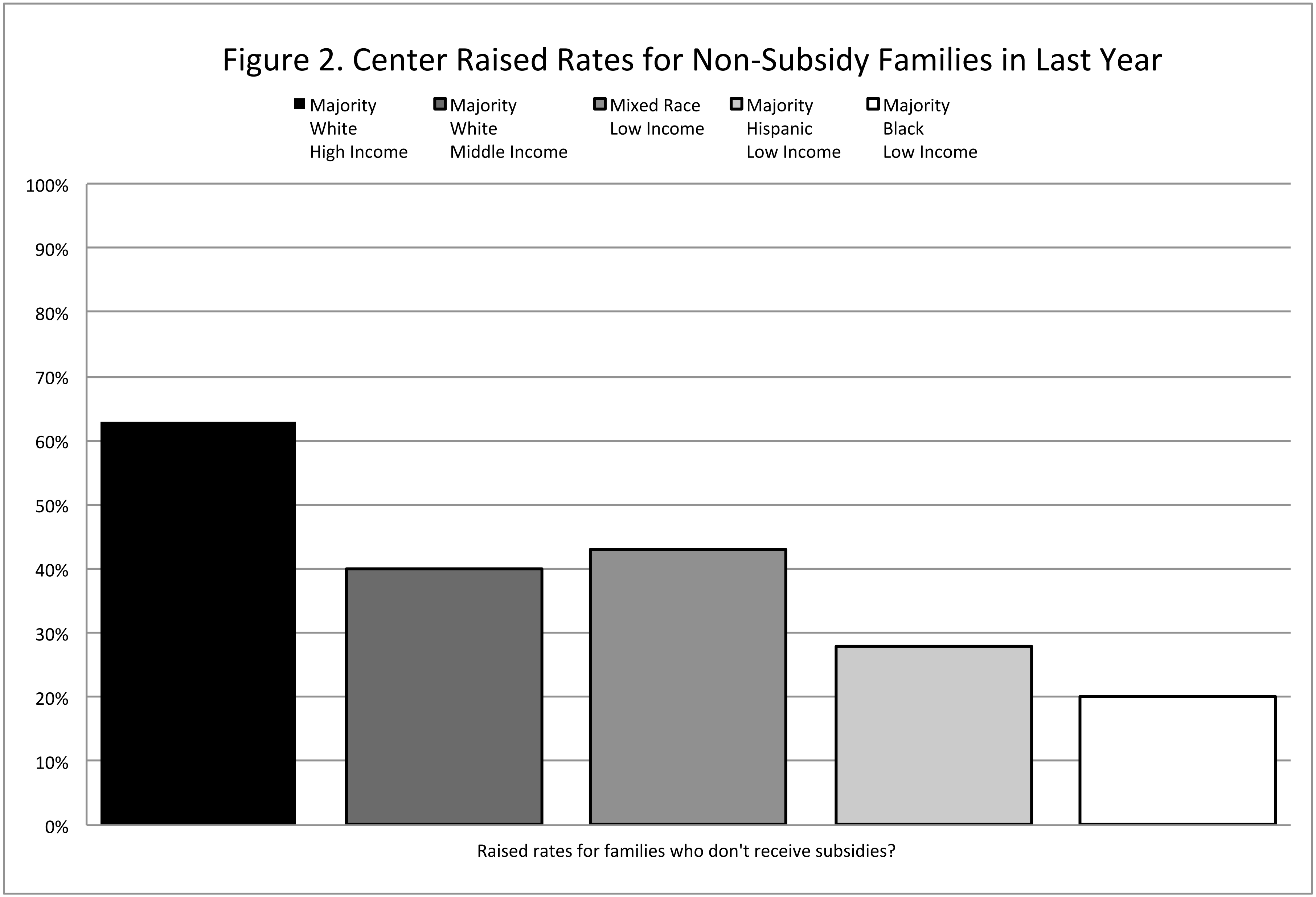
Figure 2. Center Raised Rates for Non-Subsidy Families in Last Year
Majority White High Income
Majority White Middle Income
Mixed Race Low Income
Majority Hispanic Low Income
Majority Black Low Income
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Raised rates for families who don't receive subsidies?

Table 1. Descriptive Statistics for Recession Variables in the CAS 2012 Study

	Sample Size	Overall Mean	Overall Standard Deviation	Means within Types of ZIP Codes: Mixed Race Low Income	Majority Black Low Income	Majority Hispanic Low Income	Majority White Middle Income	Majority White High Income
Do you have a budget to purchase new classroom materials every year?	224	82%		85%	79%	75%	76%	92%
[If has a budget]: Would you say your budget is								
As much as you need	181	36%		34%	19%	28%	39%	51%
Not quite enough	181	49%		48%	52%	53%	53%	41%
Not at all enough	181	15%		17%	30%	20%	8%	8%
[If have rent or mortgage] In the last 12 months, how often have you worried about being able to pay your rent/mortgage?								
Never	183	51%		59%	29%	44%	40%	78%
Sometimes	183	24%		17%	21%	27%	38%	16%
Often	183	11%		7%	29%	15%	10%	2%
Very often	183	13%		17%	21%	15%	13%	4%
In the last 12 months, how often have you worried about being able to make your payroll?								
Never	221	48%		51%	36%	32%	42%	75%
Sometimes	221	23%		20%	12%	36%	31%	12%
Often	221	13%		11%	18%	17%	8%	10%
Very often	221	16%		17%	33%	15%	19%	4%
In the last 12 months, have you:								
Closed any classrooms for three and four year olds?	229	7%		11%	11%	6%	2%	9%
Opened any new classrooms for three and four year olds?	229	10%		6%	9%	13%	6%	13%
Besides teachers in classrooms that you closed and teachers who were on maternity leave, in the last 12 months, how many lead teachers left your program from classrooms for three and four year olds?								
None	229	66%		78%	63%	56%	63%	74%
One	229	19%		11%	20%	22%	25%	15%
Two	229	11%		11%	9%	15%	10%	9%
Three or more	229	4%		0%	9%	7%	2%	2%
In the last 12 months, how often have you laid off staff?								
Never	228	79%		83%	65%	78%	76%	89%
Sometimes	228	16%		17%	24%	17%	18%	9%
Often	228	4%		0%	9%	6%	4%	0%
Very often	228	1%		0%	3%	0%	2%	2%
[If charge tuition] In the last 12 months, did you raise your rates for parents who do not receive subsidies?	186	42%		43%	20%	28%	40%	63%
What about materials for your preschool classrooms, such as furniture, books, toys, and learning activities? How worn out or out of date are the materials in your preschool classrooms?								
Not at all	229	33%		42%	26%	30%	24%	43%
A little	229	35%		36%	14%	41%	39%	38%
Somewhat	229	27%		19%	46%	28%	25%	19%
Very much	229	6%		3%	14%	2%	12%	0%
To what extent is your indoor space in need of renovations?								
Not at all	228	26%		31%	18%	33%	20%	28%
A little	228	30%		22%	24%	30%	35%	36%
Somewhat	228	21%		14%	24%	15%	29%	25%
Very much	228	22%		33%	35%	22%	16%	11%
To what extent is your outdoor space in need of renovations?								
Not at all	217	29%		30%	29%	31%	25%	28%
A little	217	26%		36%	21%	15%	25%	36%
Somewhat	217	22%		12%	18%	19%	33%	21%
Very much	217	24%		21%	32%	35%	16%	15%

About the Study

The Chicago Area Study is a biennial study that collects survey data on life in the Chicago metropolitan area. Its purpose is to collect original social science data that inform policymaking and social science theory, provide hands-on methods training to students in survey research methods, and fund faculty research on pressing issues in the metro area.

The overarching goal of the 2012 Chicago Area Study was to reveal how early childhood programs were coping with the "great recession" and how this economic crisis may be widening disparities in access to early childhood programs. The study also examined four central themes: (1) disparities in access to and utilization of child care, (2) providers' knowledge, experience, and attitudes toward state and local programs and policies, (3) providers' knowledge of and relationships with other child care providers and other service providers in the community, and (4) how providers perceived professional definitions of child care quality and alternative cultural definitions of child care quality.

Danny Lambouths III, Graduate Student in the UIC Department of Educational Psychology, was a participant in the Chicago Area Study course that helped to design the study and collect the data.

Rachel Gordon, Associate Professor in the Department of Sociology and the Institute of Government and Public Affairs at the University of Illinois at Chicago (UIC), was the faculty investigator for the 2012 Chicago Area Study.

Anna Colaner, Graduate Student in the UIC Department of Sociology, was the project director for the 2012 Chicago Area Study. Many additional UIC students helped design the study and collect the data.

Maria Krysan, Professor in the Department of Sociology and Institute of Government and Public Affairs at UIC, directs the Chicago Area Study.

The UIC Survey Research Lab conducted phone interviews with center directors.

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We are also grateful to Illinois Action for Children for partnering with us on the study, and to the center directors who generously devoted time to participating.

Additional information is available online: http://igpa.uillinois.edu/cas/