



The Vermont Child Care Business Initiative
Evaluation Report, FY I-III – December 2006

Executive Summary

The Vermont Child Care Business Initiative (CCBI) is a statewide project of the Vermont Community Action Agencies' Micro Business Development Program. CCBI is funded by the JOLI program from the Department of Health and Human Services, Office of Community Service for three years, from October 1, 2002 to September 30, 2005 (grant reference number is 90EO012). The CCBI project provides business training and technical assistance to start-up and existing childcare businesses so that they may be better prepared to net more income and stay in business longer.

The Center for Rural Studies (CRS) at the University of Vermont provides evaluation services for the CCBI project. Process and outcome evaluation data were collected through client intake and output data, participant and staff focus groups, and two follow-up surveys conducted at six months and one year post training. The following highlights the major findings for the duration of the project, October 1, 2002 to September 30, 2005. For questions or more information about this study, please contact Michele Cranwell Schmidt, Evaluation Coordinator, at (802) 656-0256 or Michele.Schmidt@uvm.edu.

Total number of clients who received CCBI services = 329

- 43% (139) were 100% below poverty level (including TANF recipients, dislocated workers, and unemployed individuals)
- 58% (190) were above the JOLI income eligibility (82% are 70% of HUD median income)

CCBI Client Demographic Profile

Demographic	%	n
Low-income	42%	139
100% poverty AND TANF	15%	48
100% poverty NOT TANF	23%	76
70% HUD median income	82%	268
Received food stamps	32%	106
Received housing assistance/public housing	10%	32
Women	95%	313
Men	5%	16
Minorities	18%	60
Individuals with disability	5%	17

Client Outcomes and Impacts

Course Training

A total of **182 clients participated in the Kauffman Child Care Business** course over the course of the grant, with 44% (80) being low-income and 56% (102) being above low-income. **Sixty-four percent (118) of clients completed the course**, with 63 low-income clients and 55 above low-income clients completing this course.

Business Plan and Parent Handbook

Fifty-five percent of clients completed their business plan, including 58% of low-income clients and 53% of above-low income clients.

- On the same confidence scale from 0 to 10, low-income clients showed a slightly higher average confidence rating of 8 compared to 7.6 of above low-income clients.

Seventy-eight percent of all clients surveyed completed their parent handbook, with completion by 77% of low-income clients and 79% of above low-income clients.

- Using the scale from 0 to 10, with 0 being 0% confident and 10 being 100% confident in their skills, both income groups reported an average confidence rating of 8.6, indicating high confidence to complete a parent handbook.

Access to Capital

A total of 26 CCBI clients, or 22% of those interviewed, said that they needed to apply for a loan for their childcare business. Main sources of business capital for low-income clients included personal savings (44%), business revenue (43%), and a bank loan (10%).

- **17 clients received loans for their business**, with 6 low-income clients and 11 above low-income clients receiving a loan.
- The amount of all loans received totaled \$231,600, with \$48,600 received by low-income clients.
- The average amount of the loans received was \$17,915, and loans received by low-income persons averaged \$12,150.

Business Statistics

Fifty-four percent (87) of clients came to CCBI in the planning process to start a business and 46% (75) entered the program with an established childcare business.

Of those who entered the program in the planning stage:

- **29 (30%) started and retained this business**
- 13 (14%) started a business and then closed it
- 23 (26%) remained in the planning stage
- 25 (29%) decided to not pursue this business

Of the clients who entered CCBI with an established business

- **64 (85%) retained this business**
- 11 (15%) closed this business

Self-Employment and Hiring

A total of 86 full time equivalent self-employment jobs were created and supported by CCBI for business owners. Twenty seven of these jobs were held by low-income clients and 57 were held by above low-income clients.

- **38 part time employees** were hired by 27 CCBI business owners, paying an average wage of \$7.62/hour for an average of 15 hours a week. Two of these positions were filled by people who were known to be TANF recipients.
- **12 full time employees** were hired by 5 CCBI business owners, paying an average wage of \$9.85/hour for an average of 43 hours a week. One of these positions was filled by a person who was known to be TANF recipient.
- **A total of 29 FTE employees were hired by CCBI business owners.**
- **In total, 115 owner and employee jobs were created and supported by CCBI, with 34 by low-income clients and 81 by above low-income clients.**

Business Income

The gross annual revenue (self-reported) from childcare businesses of all clients ranged from \$2,400 to \$67,200 with an average gross annual income of \$22,900 and median of \$22,200 (n=92).

Low-income gross annual revenue from business

- Range of \$2,700 to \$67,200
 - **Mean of \$21,900**
 - Median of \$18,200
- (n=34)

Above low-income gross annual revenue from business

- Range of \$2,400 to \$50,400
 - **Mean of \$23,600**
 - Median of \$24,000
- (n=58)

Ninety-two percent of clients running a childcare business reported earning an income from this business, with 84% of low-income and 97% of above low-income clients earning an income from their childcare business. The next major sources of income were another self-employment business, other employment, and disability income. Interestingly, few self-employed clients rely on TANF and unemployment as a part of their income.

- **Seventy-four percent (67) of clients said that their childcare business provides the majority of their income,** with 68% of low-income and 78% of above low-income client stating this.

Income Changes

Sixty-two percent (57) of clients stated that their personal income increased because of their childcare business. This included 58% of low-income and 64% of above low-income clients.

- The average monthly household income for low-income clients increased over time from \$762 per month at intake to \$2,447 per month at the time of the survey. A paired sample t-test comparing monthly household income figures of clients from their intake to the time of the follow-up survey showed significant increases over time, as indicated in the Table.

Change in Monthly Income from Intake to Survey by Income Groups

	Range	Mean	Median	n	t
Poverty – Intake	\$0-\$3,600	\$762	\$684	69	-6.71***
Poverty – At survey	\$380-\$7,500	\$2,447	\$2,000	59	
Above poverty - Intake	\$950-\$6,600	\$2,800	\$2,532	101	-1.84*
Above poverty – At survey	\$900-\$8,300	\$3,069	\$2,500	81	

*=p<.10; ***p=<=.01

Public Assistance

Overall, 59% (97) of all clients reported that they have relied on public assistance at some point in their life. Specifically, 75% (48) of the low-income group and 46% (49) of the above low-income group have once relied on public assistance.

- **58% of low-income clients reported that their reliance on public assistance had decreased since they started their business**, 31% said it stayed the same, and 10% said it increased. Commonly reported reasons for why clients decreased their reliance in public assistance include, they started their business or got a job, used less or no benefits or were no longer eligible, their own or their partner's income increased, and they graduated high school

Skill Development

Clients reported gaining many skills through the CCBI course, including budgeting skills, how to register their childcare business and state childcare regulations, financial management, tax preparation, record keeping, organization, business policies, insurance, and skills to work with parents.

Concluding Reflections

The following are overall lessons learned from this evaluation of the CCBI grant, focusing on client recruitment and retention, services provided to clients, and reflection on a childcare business as a source of self-employment.

Recruiting, Retaining and Serving Low-Income Clients

A main conclusion drawn from the CCBI project is that staff had a difficult time recruiting and retaining low-income clients for a variety of reasons. One of the compounding reasons was the changes to the federal and state TANF regulations that occurred after the CCBI grant was awarded. These changes, including new work requirements and time limits to receive welfare benefits, negatively impacted the recruitment of the target audience. Self-employment may not be the most expeditious option for clients to move off of public assistance, as earning enough business revenue to meet work requirements and no longer be eligible for benefits may take a person more time compared to a client who enters a pre-existing job slot that immediately pays an hourly rate. TANF case managers may also hesitate to refer clients to self-employment because of prejudice about the client's ability to successfully pursue this option, an increased work load to track clients' milestones and self-reported hours/wages, and limited success in clients moving off of TANF through self-employment.

Further, the welfare-to-work legislation decreased the pool of JOLI eligible clients for the CCBI grant by placing welfare recipients who were able to work into jobs, either self-employment or other, and moving them off the system. Thus, the remaining TANF recipients and pool for the CCBI JOLI eligible clients shrunk to the "harder to serve" clients, who face multiple barriers and life issues that impede their ability to successfully start an in-home childcare business. These issues include residing in a rental unit where the landlord does not allow this operation, rental or housing units not passing inspection for registration, and family members with prior criminal backgrounds. All of these compounding issues, unforeseen at the grant onset, hindered the ability of CCBI staff to effectively recruit and retain the target population to meet the grant objectives.

To counter these obstacles, the CCBS employed several successful strategies to enroll clients, including:

- Collaborating with project partners, such as DCF staff and caseworkers, VACCRRRA, DET, other Community Action programs, and refugee programs.
- Holding face to face meetings with project partners
- Attending various trainings and orientation sessions that target low income clients
- Word-of-mouth referrals through CCBI participants and advertising through mailings, brochures, fliers, and in newspapers.

DCF caseworkers also suggested strategies that CCBI staff could use to increase enrollment from the DCF pool. These included:

- Stop in and visit DCF offices
- Talk at Reach-up Orientations
- Develop and distribute Reach-Up specific CCBI packet of info that can be provided at Work Ready and/or Employability Assessments, as this is the skill exploration phase
- Distribute information to food stamp recipients through DCF or the Food Program newsletter

Even though the CCBI project did not meet grant objectives in serving only low-income clients, both low-income and above low-income clients noted anecdotally that they appreciated the mixed level learning environment brought about by offering this course to more than just income eligible people. Data collected for this evaluation showed that low-income persons were more likely to be in the start-up stage at intake (61%), while above low-income persons were more likely to be experienced providers (51%). By offering this course to both income groups, this learning environment allowed people to interact with and learn from other childcare providers who were operating at different stages of business. Further, all participants, regardless of income, indicated that by working with the CCBS and taking the course, the quality of their childcare has improved, ultimately impacting the quality of life for children and working families in their communities.

Services Provided to Clients

All of the services that the CCBI grant intended to provide to clients were carried out by the CCBS over the course of the grant. These services included the Kauffmann Child Care Course, technical assistance and business counseling services, workshops on specific topics, and referrals to resources such as social services and loan packaging. The CCBS made personalized adjustments to the Kauffmann curriculum, such as covering a topic more in-depth with their own information (e.g. tax preparation) and also kept the class interesting by bringing in guest speakers and encouraging open dialogue among students, specifically those with experience in operating an in-home childcare business.

Overall, 64% of all clients completed the Kauffmann course, with 79% of low-income participants and 54% of above low-income clients completing this. To retain students and assist in their learning, the CCBS took measures such as offering extra assistance, following up with clients who missed classes, making home visits to help students make up work, providing materials such as calculators and organizers, and reimbursing childcare and transportation fees or providing childcare on site. CCBI clients stressed that the CCBS went above and beyond their duties to provide additional assistance and support so the client could succeed in meeting their goals, such as writing a business plan, developing a cash flow spreadsheet, applying for and receiving a loan, and improving current childcare business policies to benefit the business owner.

Clients also consistently commented on how supportive and knowledgeable their instructors were, which facilitated their learning and success. Students benefited from the mixed level, collaborative learning environment that the course offered, developing a business plan and parent handbook that could be directly applied to their business, and the increased confidence, motivation, and professionalism they experienced. Students remarked that they felt more confident in their skills and as a business owner, rather than considering themselves a “babysitter.” Clients, who entered the CCBI program in the start-up stage, learned about the steps to start a childcare business, state regulations, and the feasibility of running this type of business. Students, who came to CCBI already in business, improved their business management skills, such as formalizing pricing and other policies to benefit the owner. The class also provided a forum for students to socialize with adults in similar situations, network, learn from each others experiences, and support one another.

Almost all clients reported high levels of satisfaction with the CCBI services received. In total, 93% were somewhat to very satisfied with the course, 91% were somewhat to very satisfied with TA, 85% were somewhat to very satisfied with the workshops, and 91% were somewhat to very satisfied with the referrals made to other resources.

Reflections on the Childcare Industry as a Source of Self-Employment

The National Women’s Law Center (2001) states that childcare providers, who work in both center and home-based settings, are among the nations lowest paid workers, despite the critical role they play in the lives of children. The Bureau of Labor Statistics (2006a) reported that in 2005, the national average hourly wage that childcare service providers earned was \$7.84 per hour, with an average annual wage of \$16,320. In Vermont, the BLS (2006b) reported that in 2005 childcare workers earned an average of \$9.97 per hour worked or \$20,740 annually. Comparing these figures to CCBI client average wage rates, participants in this study reported earning an average hourly rate of \$7.41 and annual wage of \$17,582. This rate is lower than both the Vermont and national average. This rate is also significantly lower than the estimated livable wage in Vermont that ranges from \$10.61 to \$21.79 per hour worked, depending on family size (2006, VT Livable Wage Campaign). Even though the pay to work in the childcare field is not that lucrative, the data collected in this report shows that running an in-home childcare business can be a feasible employment option for the right individuals.

The CCBS noted that a childcare business is a feasible option for a person who has safe and adequate housing, which they either own or they have a landlord allows a business to be run on the property. In addition, persons need to have the support of family members and none of the family members living in the unit can have a prior criminal record. Childcare providers interviewed in this study reported that they entered into this profession, primarily because they needed employment, could not afford the cost of childcare for their own children, enjoyed working with children, and wanted to work at home and be with their children. In addition, several had a background in the childcare field or early childhood education. Several of the women were single parents and needed to find employment where they could care for their children and earn a primary source of income. All of the participants interviewed enjoyed the freedom of being their own boss,

determining their own hours, and the benefits to themselves and their family members of working outside of a mainstream work environment.

In addition, 36% of business owners reported that their family's childcare expenses decreased since they started their business, which is a savings to the family. Further, being self-employed in this study was significantly related to not receiving TANF and unemployment benefits. Statistical tests also showed that being low-income was not a factor that kept persons from successfully starting a business. The researchers speculate that the benefits of running an in-home childcare business and potentially patching one's income with another wage job or other self-employment outweigh the fact that most are underpaid for the important work they do. Overall, starting a childcare business was a feasible solution to each client's unique situation.

Recommendations for Program Improvement

The following are recommendations for improving the CCBI program, based on the various evaluation data presented in this report for the second year of the CCBI grant.

- Take steps to improve the recruitment and retention of JOLI eligible clients
- Focus on moderate and low-income providers
- Continue to enroll clients with various business stages and incomes
- Develop curriculum based on student needs and identified goals
- Improve CCBI course through client suggestions: course content, instructors, and course materials
- Hold workshops on topic areas that student would like to see covered more in depth
- Ensure Co-Teacher role as necessary