

# 2005 Montana Home Child Care Workforce Survey



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Montana's Family and Group Child Care Homes provide critical services to working parents, children and communities statewide. They offer hard-to-find care for infants and multi-aged siblings in family environments, at convenient neighborhood locations, with flexible scheduling. The small home-based settings are often preferred over larger child care centers by parents of very young children.<sup>1</sup> They are the backbone of care in rural counties where population size does not support larger center-based programs.<sup>2</sup> Through regional child care resource and referral agencies, working parents gain access to a network of regulated, trained home-based caregivers.

The *2005 Montana Home Child Care Workforce Survey* summarizes the characteristics and compensation of over 1,700 workers employed in 1,070 registered Family and Group Child Care Homes statewide.<sup>2</sup> In June 2005 these facilities had the capacity to serve over 8,700 children at any given moment, with an estimated enrollment of over 11,800 children.<sup>1,3</sup>

Although home child care businesses require long hours and offer moderate earnings, they provide a professional entry point to entrepreneurship for women in rural and urban areas statewide. As this survey shows, the majority of owner-operators are self-employed women working in their homes.

Many home child care providers are motivated to earn additional income while spending time at home with their own children. Others simply enjoy working with young children, and want to establish their own business and be their own boss. They are assisted by a community of early childhood professionals through local child care associations, training programs, child care resource and referral, and other support services.

## Key Findings

- **Annual Income:** In 2004, income after business expenses averaged \$8,769 for Family Child Care Homes and \$10,899 for Group Child Care Homes. Family Child Care Homes claimed an average of \$4,329 in IRS-allowed home business expense; Group Child Care Homes claimed \$4,707. For some households, this deduction offered significant tax savings.
- **Gross Receipts:** In 2004, gross receipts averaged \$18,453 for Family Child Care Homes (employing one provider) and \$37,662 for Group Child Care Homes (employing two providers). This represented an increase of 55% and 47% respectively over average gross receipts reported in 1999.<sup>4</sup>
- **Employment Benefits:** 51% of Family Child Care Home providers and 39% of Group Child Care Home providers had health insurance through their spouses. An additional 22% of Family Home Child Care providers and 23% of Group Home Child Care providers purchased their own health insurance.
- **Longevity:** The average length of time in business for Family and Group Child Care Homes alike was just over 10 years. The length of time in business most frequently cited by Family Home Child Care providers was six months; by Group Child Care Home providers it was three years.
- **Source of Household Income:** 13% of Family Child Care Homes and 29% of Group Child Care Homes earned the household's sole source of income. Therefore 86% of Family Child Care Home providers and 61% of Group Child Care Home providers relied on additional sources of household income.
- **Location of Business:** 96% of Family Child Care Homes surveyed were located in the provider's home; 59% of Group Child Care Homes were in the provider's home.
- **Gender and Ethnicity:** 93% of workers in home child care businesses were women. The largest racial minority working in Montana child care homes was Native American (7% Native American; 5% Hispanic, Asian/Pacific Islander or mixed race; 88% Caucasian).

All of the above demonstrated statistical significance at the  $p \leq .05$

# Overview of the Home Child Care Characteristics

The importance of the early years in a child's development, and the importance of quality care, is well documented. Long-term nurturing relationships with caregivers are needed for children's healthy development. Caregiver stability is an important dimension of quality and is supported by better trained and compensated providers. Caregivers with higher education levels offer higher quality early education programs with more positive child outcomes. Investment in quality early care and education saves money by reducing children's later need for academic and criminal justice interventions.<sup>5</sup>

For these reasons, the State of Montana sets standards for health and safety, requiring training for home child care providers and encouraging fair compensation and sustainable programs. Montana law requires that home child care be registered with the Montana Department of Public Health and Human Services and limits the number of children who may be served at one time. In a Family Child Care Home one provider cares for up to six children, in a Group Child Care Home two providers care for up to 12 children. These numbers must include the providers' own children under the age of six years. Overlap care may be approved to allow an increased number of children in care for short time periods, such as before and after school. At the time of registration, home child care providers must pass a criminal background check, show proof of immunizations and liability insurance, and attend an orientation session. They must receive at least eight hours of training each year.<sup>6</sup>

It is difficult to accurately assess the income of home-based child care micro-businesses whose overhead and direct expenses are intricately tied to the ongoing living expenses of the household. Gross receipts do not reflect true earnings because child care operations incur significant business expenses including children's food, supplies and materials, insurance, training fees, and home maintenance. Further, like other self-employed entrepreneurs, the hourly wage of a home child care provider is diluted by the many hours spent on the job *not* providing direct services. Duties such as shopping, cleaning, marketing and record keeping expand the provider's workweek to an average of 55 hours.

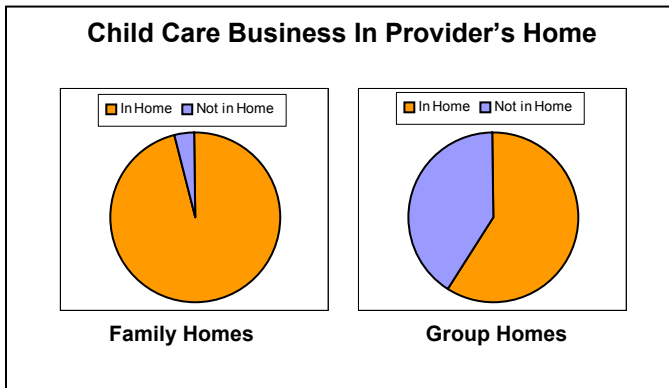
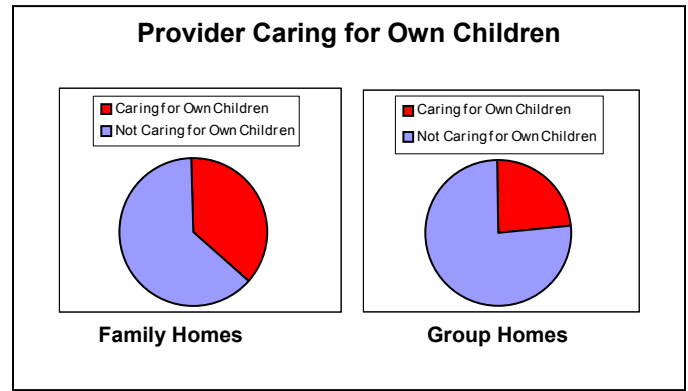
Because child care is a labor intensive business whose customer base is limited by regulation, expenses are high relative to income. Family Home Child Care business expenses reported for 2004 averaged 57% of gross income; Group Home Child Care expenses averaged 70% of gross income. A provider who does not carefully control direct costs and ensure prompt, complete payment from customers will find herself losing money. For this reason a professional business approach to home child care is characteristic of most stable, long-lasting child care programs. The relatively low earnings of home child care may be enhanced by the IRS home business deduction that can offer significant tax savings.



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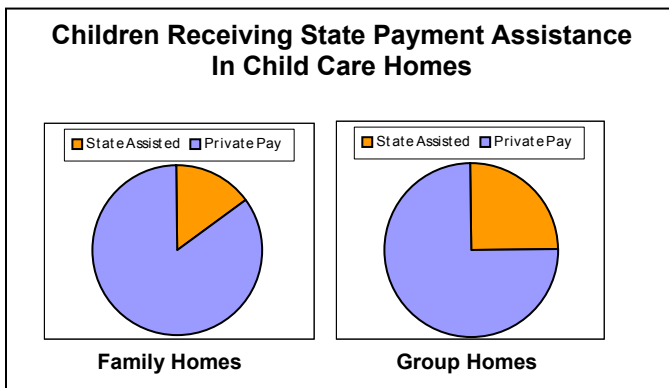
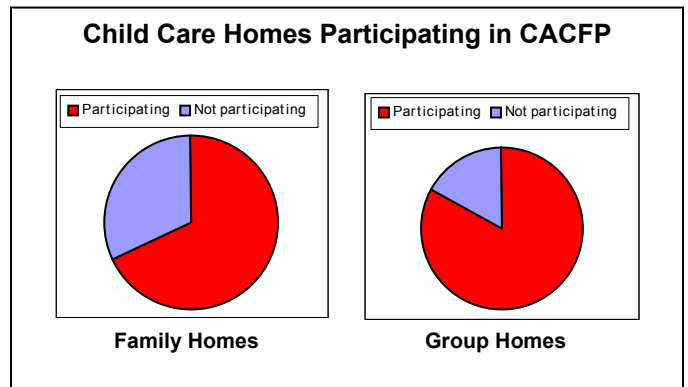
# A Snapshot of Montana Home Child Care

- **Provider Caring for Own Children:** 36% of Family Child Care Homes and 23% of Group Child Care Homes included at least one of the provider's children in their care.
- **Registered Capacities:** Registered capacities of Family Child Care Homes averaged six children, with one or two additional children allowed through overlap. Group Child Care Homes (with two caregivers) averaged 12 children with overlap of three or four children.



- **Location in Provider's Home:** 96% of Family Child Care Homes and 59% of Group Child Care Homes surveyed were located in the provider's home.
- **For-Profit Businesses:** 99% of Family Child Care Homes surveyed and 90% of Group Child Care Homes were for-profit businesses. (Only 32% of Montana child care centers surveyed in 2005 were for-profit businesses).

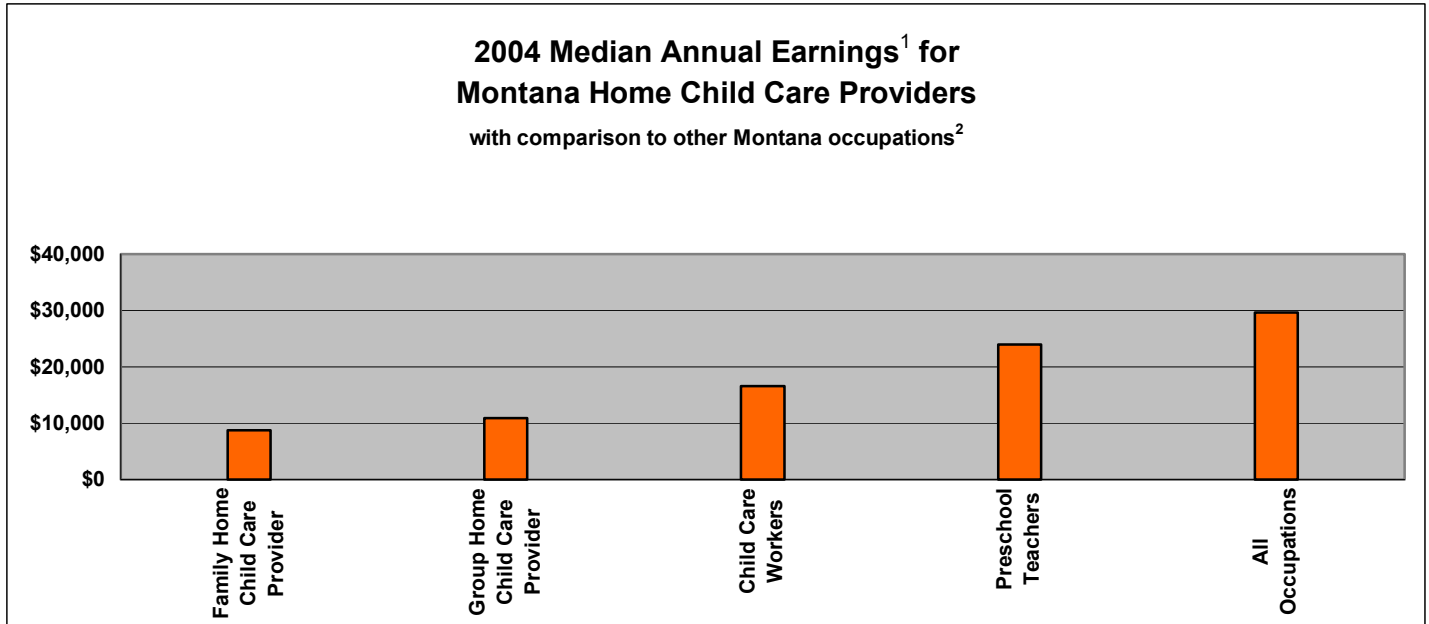
- **Participation in USDA Child and Adult Care Food Program (CACFP):** 68% of Family Child Care Homes and 83% of Group Child Care Homes surveyed participated in the CACFP.
- **Tax Credits:** 36% of Family Home Child Care providers received the federal Earned Income Tax Credit; 22% of Family Home Child Care providers received the Montana Child Care Tax Credit.



- **Participation in State Child Care Payment Assistance:** 15% of children in Family Child Care Homes and 25% of children in Group Child Care Homes received state child care payment assistance.<sup>3</sup>
- **Professional Memberships:** 30% of family home and 34% of group home providers were members of the Montana Child Care Association; 13% of family home and 22% of group home providers were members of the Montana Association for the Education of Young Children.

# Home Child Care Annual Earnings and Benefits

The 2004 median annual income after business expenses for both Family and Group Child Care Homes was well below the state median earnings for all occupations overall. It was also lower than preschool teachers and child care workers who are not self-employed, as reported in the 2004 U.S. Department of Labor *State Occupational Employment and Wage Estimates, Montana*.

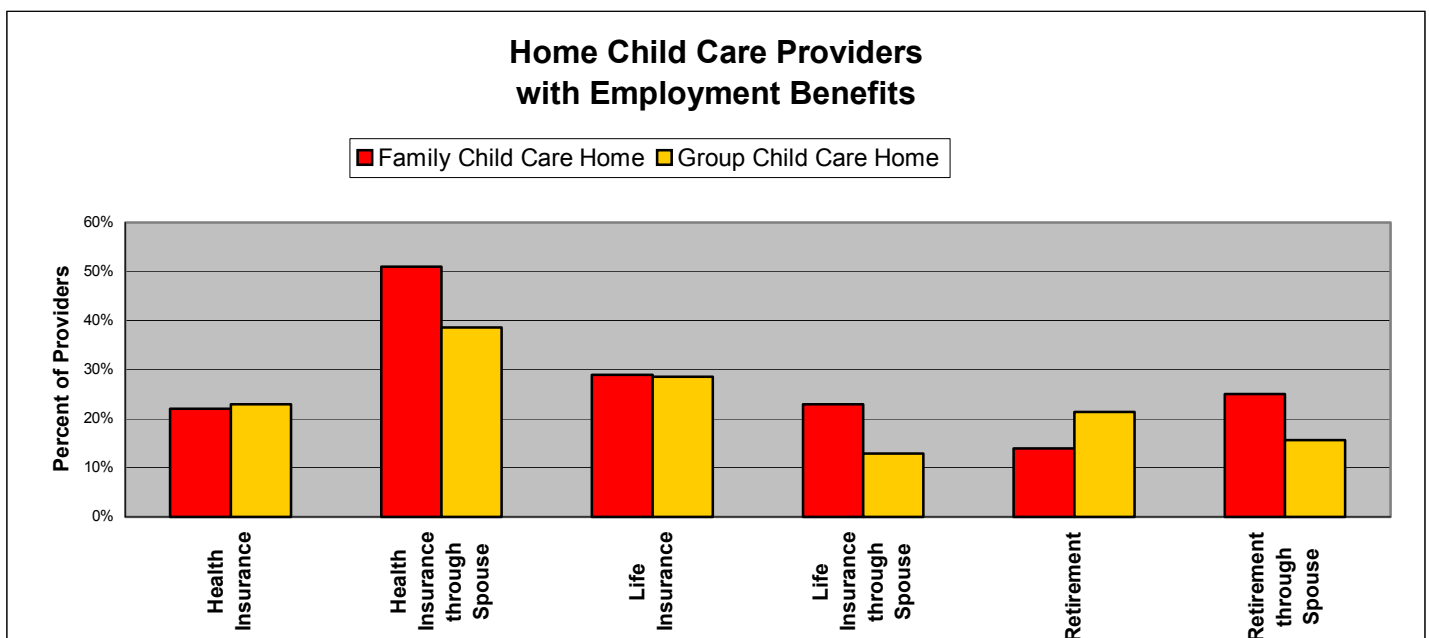


<sup>1</sup>Median hourly wage is the midpoint of all reported wages. Half of all reported wages were lower than the median wage, half were higher.

<sup>2</sup> *State Occupational Employment and Wage Estimates-Montana*, US Department of Labor, Bureau of Labor Statistics, May 2004

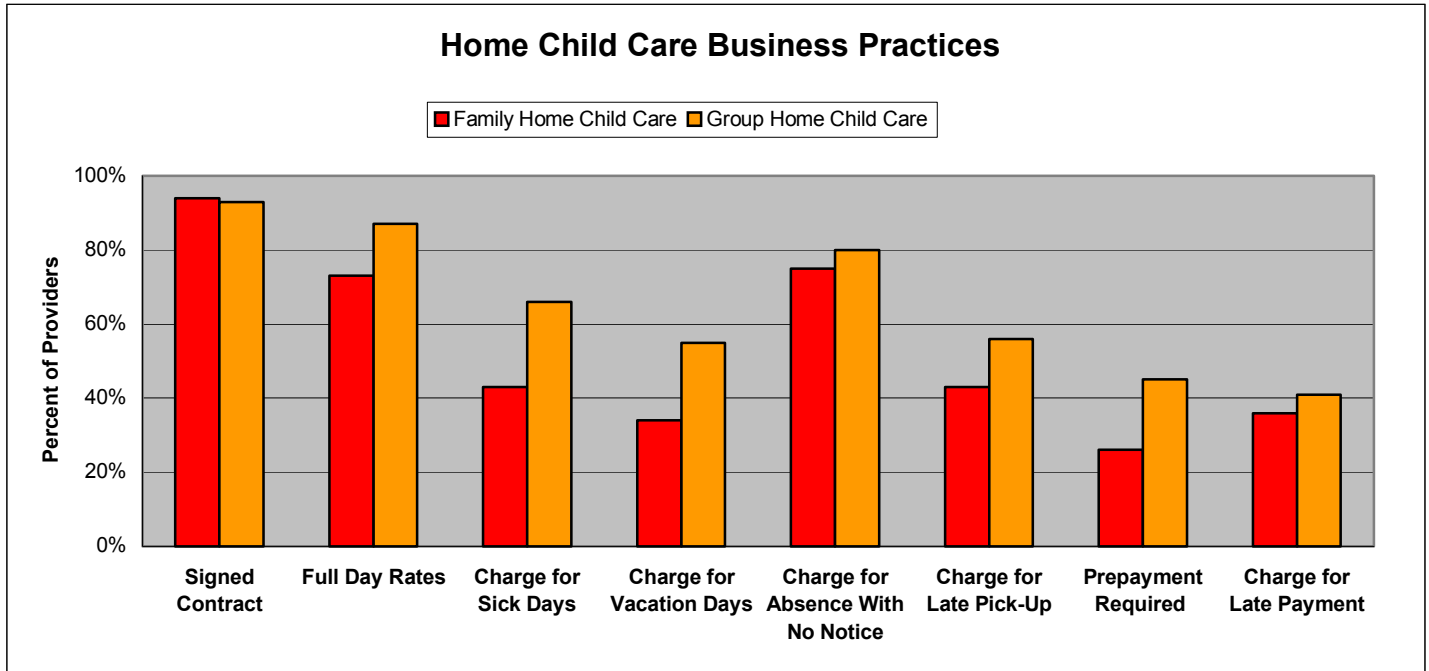
Family Child Care Home providers surveyed showed *one in four (26%) had no health insurance*; half (51%) had health insurance through their spouse; 22% purchased their own health insurance. *Half (51%) had no retirement benefits*; 25% had retirement through their spouse; 14% had set up their own retirement fund.

Similarly, Group Child Care Home providers surveyed showed *one in three (38%) had no health insurance*, 39% had health insurance through their spouse; and 23% purchased their own health insurance. *Over half (63%) had no retirement benefits*, 16% had retirement through their spouse; 21% had set up their own retirement fund.



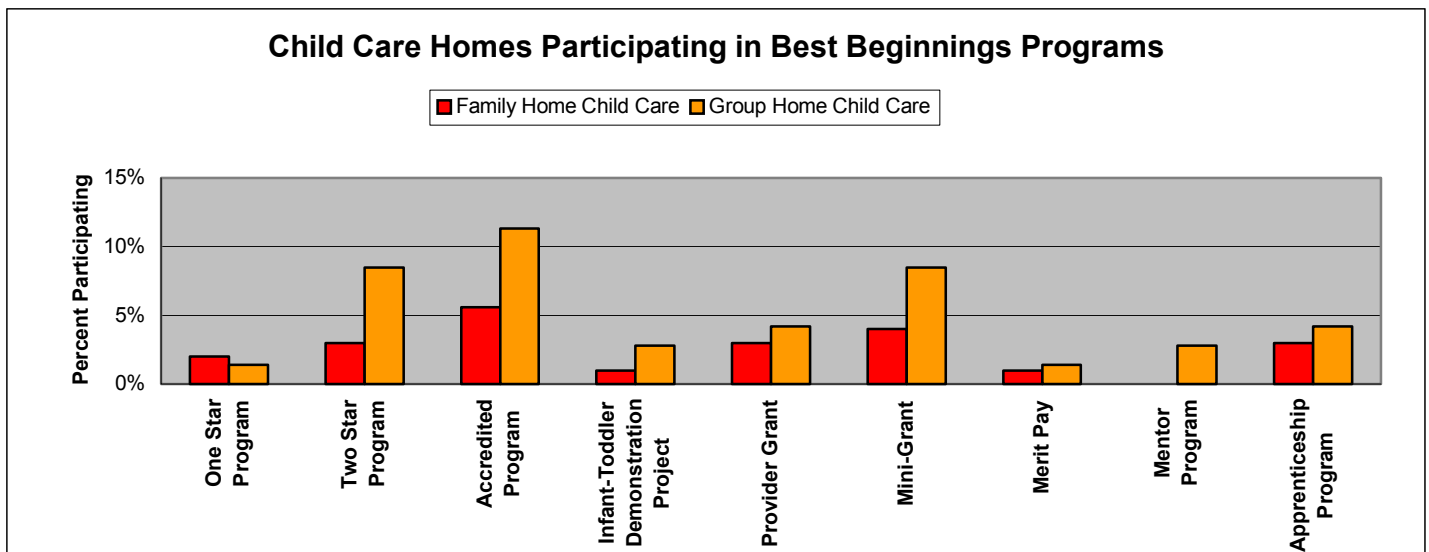
# Home Child Care Business Practices

Home child care is a labor intensive business with relatively high expense to revenue ratios. The child care industry has developed business practices that ensure fair rates and consistent income. The business practices graphed below reflect national industry standards.



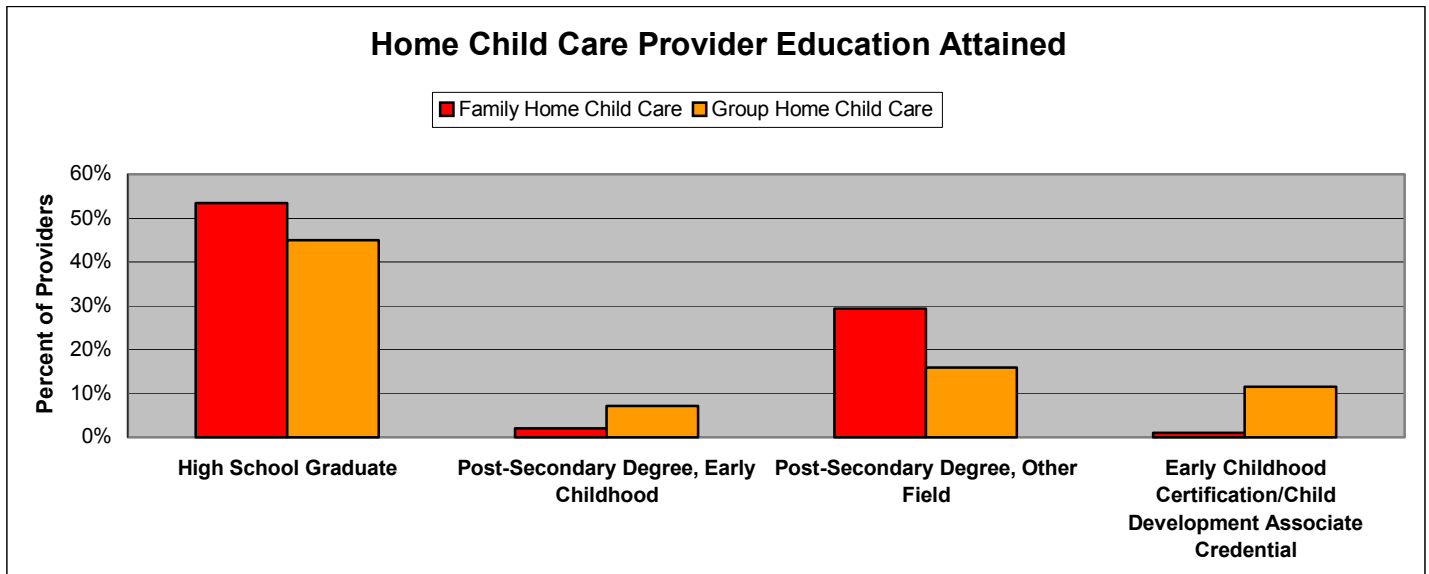
# Home Child Care in the DPHHS Best Beginnings Programs

The Montana Department of Public Health and Human Services makes available a limited number of incentives, grants and training programs to improve child care quality and stability. These are funded by the federal Child Care and Development Block Grant, without state dollars.



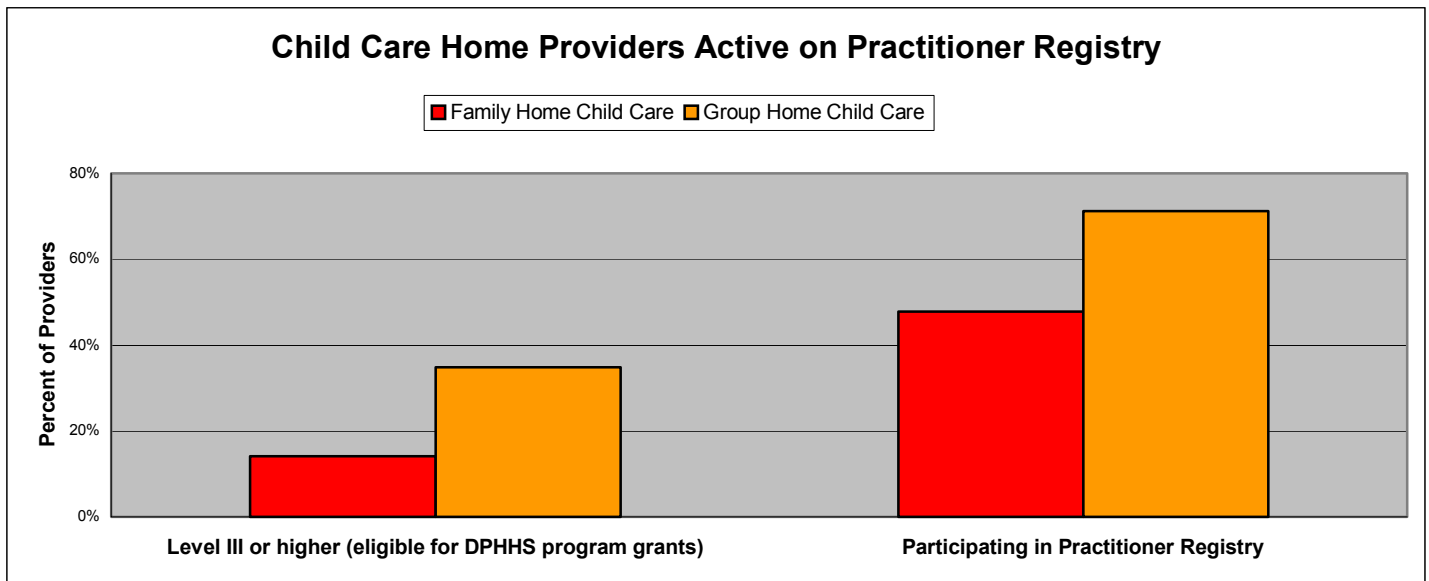
# Home Child Care Education and Training

Providers with early childhood post-secondary degrees or Early Childhood Certification/Child Development Associate Credential were more likely to operate Group Child Care Homes. Providers with high school diploma/GED or post-secondary degrees in a field other than early childhood were more likely to operate Family Child Care Homes.



The Early Childhood Practitioner Registry is a key component of the Montana Early Care and Education Career Development Program directed by the Montana State University Early Childhood Project. The Registry tracks early childhood practitioner training, and documents progress towards higher levels of professional development on the Education and Career Path. Level III designates a provider eligible for DPHHS Best Beginnings provider grants who has attained a national Child Development Associate (CDA) credential or National Association of Family Child Care (NAFCC) accreditation with 120 hours of early childhood training in the past five years.

Group Child Care Home providers were more likely than Family Child Care Home providers to participate in the Practitioner Registry and to be at Level III or higher. Further, there was a strong correlation between Group Child Care Home education level and longevity in the field.



## Conclusions and Recommendations

Montana's home child care workforce provides critical services to working parents, children and communities statewide. Parents of very young children often prefer Family and Group Child Care Homes over larger child care centers.<sup>1</sup> Child care homes provide hard-to-find care for infants and multi-aged siblings. They provide most of the care available in extremely rural areas.<sup>2</sup> Although home child care businesses require long hours and offer moderate earnings, they provide a professional entry point to entrepreneurship which is accessed predominately by women.

A family home child care provider may open her business with the simple goal of earning a few extra dollars while staying home with her children. State standards will require that she ensure a safe and stimulating child care environment. As the rigorous personal and financial demands of caring for children in multi-aged groups become evident, a committed provider responds by building her skills through training, professionalizing her business practices, and investing in the quality of her services.

Many excellent family home child care providers leave the field when their youngest children enter elementary school. This partially explains the rapid turnover of family home child care businesses: the most frequently reported length of time in the job of family home provider was six months. Some family home providers expand their businesses by becoming registered as a Group Child Care Home, hiring an employee and doubling their customer numbers.

The increased intentionality of group home child care providers is reflected in their longer duration in their jobs: the most frequently reported length of time as a group home provider was six years. Group home providers also more frequently demonstrate professional business practices, early childhood-specific education, and progress on the Early Childhood Practitioner Registry.

Given the critical value of home-based child care businesses to working families, we recommend the following:

- **Increase child care licensing staff statewide** so that all Family and Group Child Care Homes can be inspected annually to better support program health and safety.
- **Promote use of services that help improve child care program quality and sustainability.** These include the USDA Child and Adult Care Food Program, DPHHS Best Beginnings grants, and child care resource and referral services.
- **Assist working parents to find and pay for needed child care** through child care resource and referral services and state child care payment assistance.
- **Improve quality in home child care settings** by increasing support for professional development and assuring availability of easily accessed, meaningful skill development training in all regions of the state.
- **Encourage professional development of home child care providers** by developing incentive awards at all levels of the Practitioner Registry as recommended in the DPHHS 2004 report, *The State of Early Care and Education in Montana*.<sup>7</sup>

## References Cited

- <sup>1</sup> *Child Care Enrollment Survey November 2004*. Montana Department of Public Health and Human Services, Early Childhood Services Bureau.
- <sup>2</sup> *Regional Provider Workforce Report for Month Beginning June 1, 2005*. Montana Department of Public Health and Human Services, Early Childhood Services Bureau.
- <sup>3</sup> *State Provider Workforce Report for Month Beginning June 1, 2005*. Montana Department of Public Health and Human Services, Early Childhood Services Bureau.
- <sup>4</sup> *Income, Benefits, and Characteristics of Montana Family and Group Child Care Providers in Home Settings*, Montana State University Early Childhood Project, 1999.
- <sup>5</sup> *From Neurons to Neighborhoods: The Science of Early Childhood Development*. National Research Council and Institute of Medicine, 2000.
- <sup>6</sup> *Montana Child Care Act*, Montana Code Annotated 52-2-721.
- <sup>7</sup> *The State of Early Care and Education in Montana*. Montana Department of Public Health and Human Services, 2004.

## Survey Methodology

This survey was developed by the Montana Child Care Resource and Referral Network in partnership with the Montana Department of Public Health and Human Services and the Montana State University Early Childhood Project. The study was deemed exempt from review by the Montana State University Internal Review Board Human Subject's Committee. The survey was disseminated to 500 randomly selected registered Family and Group Child Care homes by mail in May of 2005. Two follow-up mailings were conducted and prize incentives were offered to encourage participation. Participation in the study was voluntary. Of the 500 randomly selected registered Family and Group Child Care homes contacted, 172 usable surveys were received for a 38% response rate. Data management and analyses were conducted by Sandy Bailey, Ph.D., CFLE at Montana State University.

This report was compiled by the Montana Child Care Resource and Referral Network. For more information or to review a copy of the survey tool, contact the Montana Child Care Resource and Referral Network at [info@montanachildcare.com](mailto:info@montanachildcare.com).



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*This project was funded under a contract with the Montana Department of Public Health and Human Services. The statements herein do not necessarily reflect the opinion of the department. Special thanks to participating Family and Group Child Care Home providers, MSU Early Childhood Project, Butte 4-C's, D.E.A. P. Child Care Resource and Referral of Glendive, The Nurturing Center of Kalispell, and Child Care Resources of Missoula.*

*This report was printed with \$1,515.53 of governmental funds or 100% of the total.*