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## Investing in Child Care Brings Gains for Providers and Children

### *Rhode Island's Experience Provides Lessons for Other States*

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#### Introduction

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Child care providers who take care of children in their own homes—often referred to as family child care providers—play a critical role in the lives of many families across the country, particularly those with low incomes. These providers help children develop and prepare for school, allowing working parents to hold down jobs and support their families.

Although these providers' role is crucial, policymakers often fail to acknowledge it. Large numbers of family child care providers are under contract to deliver state-subsidized care, but the payments and benefits they receive are generally low. Some states have taken proactive steps to improve these workers' economic conditions through higher pay or the provision of essential benefits, but many others have done little to address the issue.

Few if any states have done more to provide economic advancement for family child care providers than Rhode Island, as P/PV learned when we studied the experiences of a Rhode Island-based family day care cooperative. Over a period of several years beginning in the mid-1990s, Rhode Island policymakers and advocates made it a priority to improve the state's child care system. In many respects, that system serves as a model today, despite recent actions that have rolled back some of the pay and benefit gains of prior years.

The improvements were pushed by an array of advocates and child care providers, as well as key public officials. This article reviews that history to provide insights for advocates and policymakers considering steps to improve the economic conditions of family child care providers in other states.

#### The Rhode Island Experience

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In the early 1990s, home-based child care providers in low-income areas of Rhode Island could barely scratch out a living. Many lived in poverty and went without health insurance. These women provided a critical service that allowed working parents to hold jobs, but the women themselves were far from secure financially.

"They were poor. They worked way too hard, and they got no benefit from it," recalls Joyce Butler, a veteran child care advocate in Rhode Island and the program director at Ready to Learn Providence, an early-learning advocacy group.

Things began to change in the early 1990s when child care providers, working together as the Home Daycare Justice Committee (later known as the Day Care Justice Co-op), began lobbying state officials to provide health care benefits to day care workers receiving payments from the state. This action by the providers themselves, who had typically not been united as

This article relies on interviews with advocates and providers in Rhode Island, as well as experts around the country. It also incorporates research conducted by Anne Roder and Dorie Seavey and outlined in their report, *Investing in Low-Wage Workers: Lessons from Family Child Care in Rhode Island* (2006, Public/Private Ventures). *Investing in Low-Wage Workers* focuses on a group of largely Latina and African American women in Rhode Island who organized a cooperative and worked to improve conditions for family child care providers. The Co-op was supported by the Charles Stewart Mott Foundation's Sectoral Employment Initiative. Launched in 1998, the Initiative attempted to improve opportunities in selected workplace sectors for low-wage workers to achieve financial security.

## The Time Is Ripe for Investing in the Family Child Care Workforce

The Rhode Island experience demonstrates that targeted policies can dramatically improve the lives of family child care workers and, by extension, the lives of the children they care for. Policymakers elsewhere have the opportunity to make similar improvements.

- **Many children depend on the family child care work force for stable, loving, educational environments.** In 2001, almost a third of children whose care was subsidized by federal funding were in family child care. The average number of children per adult is lower in family child care settings, so while there are a greater number of children in day care centers, family providers vastly outnumber center-based providers (by 100,000 workers, according to one study).<sup>1</sup>
- **Rhode Island policymakers chose to invest in family child care.** Officials recognized the need to invest in quality child care for low-income families and committed significant state funds. The state increased payments for subsidized care and approved a health insurance program that benefited many family child care providers.
- **Increases in reimbursement rates can dramatically improve family day care worker incomes.** P/PV's *Investing in Low-Wage Workers* report (which looked at members of the Providence-based co-op) found that family child care providers experienced a 123 percent increase in net income between 1998 and 2002, reducing poverty rates among family day care workers from 44 percent to 15 percent.

a group, was an important step in raising awareness. High-profile lobbying activities and personal stories of uninsured child care providers who had suffered health problems or even death helped win support in the state capital from then-Governor Lincoln Almond and his administration. The effort culminated in 1996, when the Rhode Island legislature approved a measure making it the first state to grant subsidized health insurance to family child care providers under state contract.<sup>2</sup>

Also around that time, the state was developing a welfare reform bill. A key problem facing parents moving into the workplace was a lack of affordable, high-quality child care. Statewide, there were about 16,000 children under the age of six whose parents were on welfare, but the state had only 15,000 child care slots available for *all* of Rhode Island's children.

At the urging of the larger child care community, the state adopted a plan to increase state-subsidized child care payments until they reached a level that was 75 percent of the average cost of market-rate child care. As part of the Starting Right legislation, the state essentially guaranteed that low-income parents (earning up to 250 percent of the federal poverty income threshold) were entitled to subsidized child care, meaning that those families would not be placed on a waiting list to receive care.

“We had to seriously invest in and support the infrastructure that exists for child care,” says Christine Ferguson, who was director of human services for Rhode Island at the time. “The impetus was if you’re looking at really ensuring that people are able to work, you can only do that if their children are well taken care of. To do that you need to have adults who are adequately reimbursed and have benefits such as health care.”

Over time, Rhode Island's expenditures on child care increased significantly, going from \$6.4 million in 1997 to \$49 million in 2006. The new spending dramatically increased the number of children receiving subsidized care, which went from about 6,000 to 13,000.<sup>3</sup>

The increased spending also lifted average salaries in the field. As of 2003, Rhode Island child care workers (both family-based and center-based) had one of the highest average pay rates in the country—\$9 an hour.<sup>4</sup> P/PV's study found that during a 30-month period (from 2000 to 2003), the average monthly net income

from child care for a broad sample of Co-op members increased by \$1,136, from \$922 to \$2,058.<sup>4</sup> (See the table on page 5.) The study also found that the number of providers living in poverty dropped significantly (from 44 to 15 percent).

“In certain sectors, such as subsidized child care, the government is responsible for setting wage and income levels,” says Mark Elliott, former executive vice president at Public/Private Ventures. “Our study demonstrated that relatively modest policy changes can have a dramatic impact on workers’ incomes. Poverty among family child care workers was cut by two thirds largely because of higher reimbursement rates.”

“It became a viable way to earn a living,” adds Joyce Butler. “The growth in the family child care system was enormous, and now you can actually support your family and think of this as a career.”

The work of the Co-op and others also gave providers support and training, which improved their ability to offer high-quality care. “We were able to get some good help from the Co-op, and it definitely helped many of the providers to do a better job with the children,” according to Araminta McIntosh, a family child care provider in Providence.

Unfortunately, in recent years, fiscal pressures have led some policymakers to scale back support for family day care providers. New rules have cost about 200 providers their health insurance, reimbursement rates have not risen as planned and the state has reduced the number of families eligible for subsidies.

“Some of the providers are getting out of the business now. They need to go out and find a job that provides health care for their families,” says McIntosh. Like others, she recently lost her state-subsidized health insurance and is dismayed by recent moves to freeze the state’s child care payment rates. “Taking care of children is so important, but it can be a thankless job in the eyes of many in the community,” she says. “We just have to keep pushing.”

## How Organizing Helped Foster Rhode Island’s Gains

Advances for Rhode Island’s family child care providers came through the efforts of many people, including elected leaders and state officials. But much of the energy for the changes derived from family child care providers themselves.

Their efforts date back to the early 1990s, when a small group came together through a community organization known as DARE—Direct Action for Rights and Equality—to seek better pay and benefits. These providers formed the Home Daycare Justice Committee and worked for years before achieving their first big win, health insurance for family child care providers, in 1996.

Two years later, the Mott Foundation provided significant funding to DARE to create a more structured organization to advocate for and support family child care providers. The Mott initiative led to the 1998 creation of the Day Care Justice Co-op in Providence. The Co-op had several goals, including increasing employment opportunities for providers, improving their businesses and the quality of their care, and representing providers to secure better pay and benefits.

Over four years, members of the Co-op helped instigate important changes in Rhode Island’s policies. For a brief period, the state subsidized a pool of substitute providers so that family child care providers could take sick or personal days. The Co-op also offered services such as mentoring, bulk purchasing, mini-grants for providers to make health- and safety-related improvements, and professional development. Nationally, the Co-op was noteworthy for bringing together workers in an employment sector that rarely saw such widespread organizing.

After the Mott support ended, the Co-op developed financial problems. In 2003, Co-op members asked a local affiliate of the Service Employees International Union (SEIU) to help them form a union for family child care providers.

As of 2006, efforts to establish collective-bargaining rights for Rhode Island’s family child care providers were unsuccessful but ongoing.

## Actions Elsewhere

Around the country, states take widely varying approaches to compensation and benefits for family child care providers. In the 1990s, at least 19 states took advantage of increased federal aid and a healthy fiscal climate to improve reimbursement rates for family providers. And 10 states developed legislation that directly supplemented the income of child care workers, with the benefit typically focused on workers at child care centers. However, fiscal problems that hit the states in 2001 largely stalled such efforts. As states enjoy better budgetary conditions, policymakers can again consider investments in child care, and efforts are under way to improve payments for family child care providers in several places, including California, Washington state and New York City.

Few states followed Rhode Island's lead by providing subsidized health insurance to providers receiving state reimbursements.<sup>6</sup> In Illinois, the union representing family providers recently agreed to a contract that will include, in its third year, health coverage for family child care providers, although details of the coverage are still being developed.

In North Carolina, family day care providers who participate in a special scholarship program for teachers to improve their early-childhood credentials can receive state-subsidized health insurance. And some states, including New York, have passed legislation designed to make it easier for small businesses—including child care centers and family providers—to purchase health insurance for their employees.

The recent action in Illinois is part of a major trend—an aggressive organizing effort among family child care providers by two large unions, the Service Employees International Union (SEIU) and the American Federation of State, County and Municipal Employees (AFSCME).

In Washington state, for example, more than 10,000 family child care providers have secured the right to be represented by SEIU. In Iowa, a union will represent 13,000 family providers in discussions with state officials. Organizing efforts are active in several other states, including Maryland, Massachusetts, Michigan, Ohio and Wisconsin.



In Rhode Island in 2005, SEIU won passage of legislation granting family providers the right to bargain collectively over pay, working conditions and training incentives, but the bill was vetoed by Gov. Donald L. Carcieri. A similar effort was turned back in the Rhode Island courts.

In California, a coalition of unions and child care organizations has spent several years developing comprehensive child care legislation to address these issues. Its goals include better training for providers, higher reimbursement rates that are linked to the quality of care, and allowing family child care providers to come together to purchase benefits or seek union representation.

## Looking Ahead

Rhode Island's experience shows how state policymakers, advocates and child care providers improved conditions for workers in a fast-growing but low-wage occupation. In doing so, policymakers acknowledged the important workforce role of child care providers and the need for high-quality child care for low-income families. Their actions decreased poverty rates among providers and made child care available to thousands of working parents.

Advocates in Rhode Island note that their counterparts in other states, in order to make similar gains, must be able to make the case that the public has a vested interest in improving child care—as a benefit to children, providers and the general public.

## From *Investing in Low-Wage Workers*

Co-op Members' Monthly Family Child Care Income and Expenses (2002 Dollars)

	At initial interview	At 18-month follow-up interview	At 30-month follow-up interview
Gross income from child care	\$2,252	\$3,118	\$3,336
Expenditures	\$1,330	\$1,310	\$1,278
Net income from child care	\$922	\$1,808	\$2,058

Source: P/PV analysis of baseline and follow-up survey data.

“Our strength is getting back to talking about the fact that these are people preparing children for the future and allowing parents to go to work,” says Chas Walker, a union organizer for SEIU in Rhode Island.

Rhode Island’s experience, particularly in the last few years, has also made clear that advocates and others must keep fighting to preserve gains made in the child care arena.

“Every year you have new people in government. You need to educate them on these issues,” says Elizabeth Burke Bryant, executive director of Rhode Island Kids Count, a child advocacy group that has worked to improve child care in the state for many years. “You just have to continue to make the case, especially when there are competing claims on state resources.”

### Endnotes

- 1 Burton, Alice, Marcy Whitebook, Marci Young et al. 2002, *Estimating the Size and Components of the U.S. Child Care Workforce and Caregiving Population*. Washington, DC: Center for the Child Care Workforce and Seattle, WA: Human Services Policy Center.
- 2 Coverage was made available through RItte Care, Rhode Island’s managed health care program for Medicaid recipients.
- 3 Child care is an important economic sector in the state. In 2002, the regulated child care industry in Rhode Island—both family and center-based providers—generated an estimated \$228 million in revenues and at least 7,400 jobs, according to an analysis by two Bryant College marketing professors for Options for Working Parents, a nonprofit group in Providence.
- 4 The median hourly wage in 2003 ranged from a low of \$6.47 in Louisiana to \$10 in Massachusetts (*Current Data on the Salaries and Benefits of the U.S. Early Childhood Education Workforce, 2004*).
- 5 Data are for the 73 Co-op members who were still providing day care in their homes at the time of the 30-month follow-up interview and who provided income and expense data at both points in time. All amounts are in 2002 dollars.
- 6 Around the nation, data vary on how many family child care providers have health insurance. In many states, between 70 percent and 80 percent do have coverage, almost always through their spouse or another family member, according to a report by the Center for the Childcare Workforce (*Current Data on the Salaries and Benefits of the U.S. Early Childhood Education Workforce, 2004*).

To view *Investing in Low-Wage Workers* in its entirety, please visit our website: [www.ppv.org](http://www.ppv.org).

# PPV Policy Brief

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