

Reprinted with permission from Exchange magazine.
Visit us at www.ChildCareExchange.com or call (800) 221-2864.
Multiple use copy agreement available for educators by request.

economy on the minds of for profit CEOs

Annual status report on for profit care

by Roger Neugebauer

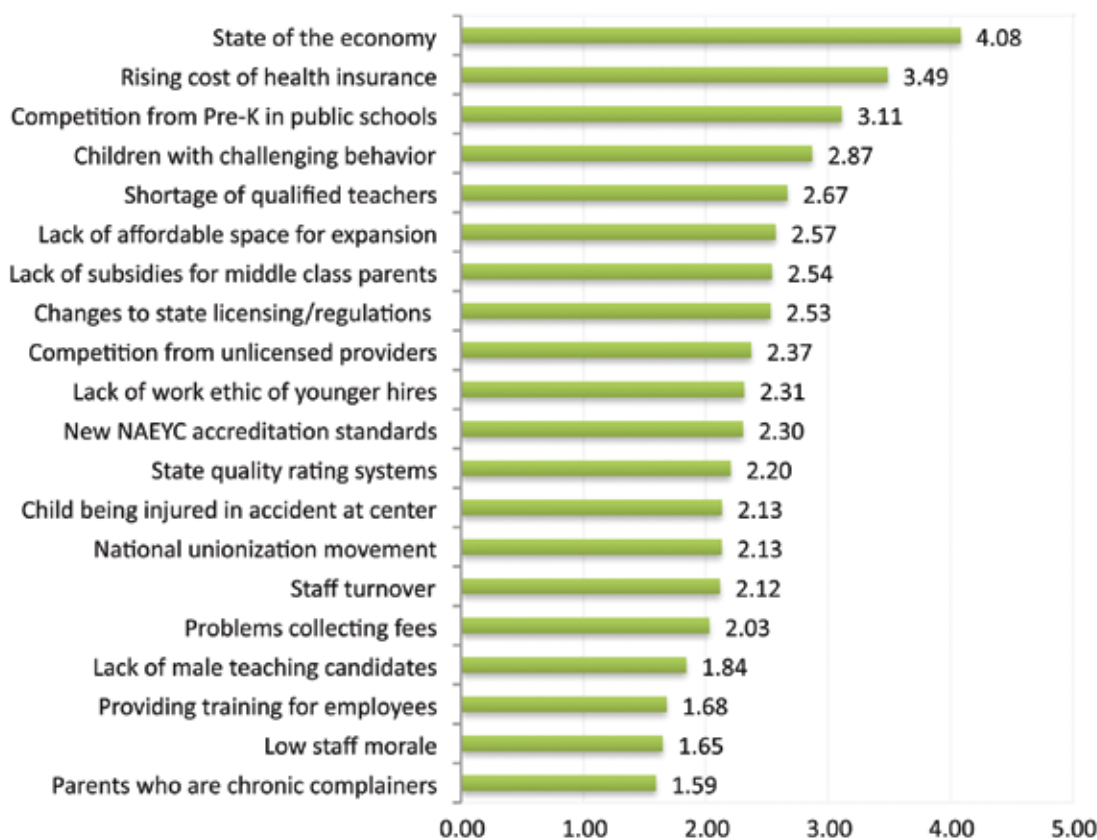
Considering how bad the economy was in 2009, North America's 50 largest for profit chains (see list on page 25) fared pretty well. In fact, about half of these

organizations actually expanded their capacity in 2009 — although the expansion wasn't spectacular, averaging just under 3%. About one-fourth of the organizations

maintained their capacity and a fourth experienced minor decreases. So it was not a stellar year, nor was it a disastrous year for the Top 50.

Major Threats to For Profit Child Care in 2010

Threats as rated by leaders of 70 largest for profit child care organizations in North America



For the two largest for profit organizations — Knowledge Universe-US and Learning Care Group — 2009 was not a growth year. In fact both organizations decreased their capacity slightly. The last two years have shown no growth for both organizations. This is in stark contrast to their activity earlier in the current decade. Both Knowledge Universe and Learning Care Group engaged in a flurry of major acquisitions between 2003 and 2007 (see chart on page 26).

CEOs of the Top 50 organizations are nervously watching the economy for signs of improvement. When these CEOs were asked to rank the most serious challenges they face, far and away

their top concerns were “the state of the economy” and “the rising cost of health insurance.”

In recent conversations with for profit CEOs, considerable uncertainty was expressed on what the future holds. There are many who believe that for child care things will get worse before they get better. State funding for child care, although temporarily bolstered by stimulus money, will decline even more in the coming 18 months.

Likewise, as the economy recovers, people will not simply return to their old jobs, but will move on to new forms of employment. People may move to new locations, work part time instead of full time, or start working from home — all of which will cause shifts in patterns of demand for child care.

Despite all of these uncertainties, CEOs were remarkably optimistic about their prospects in 2010. Two-thirds of them projected that their organizations would expand in 2010 by an average of over 5%.

Competition remains an issue

In recent years, the challenge rated most serious by for profit CEOs (and by non profit CEOs for that matter) was “competition from Pre-K in the public schools.” This time around this concern was ranked third on the list and was joined by “competition from unlicensed providers.” In both of these situations, CEOs argue that public funds are being administered in ways that undermine licensed community child care programs.

When public schools offer free or reduced cost child care for four and five year olds, this diminishes the customer base of existing programs in the community. Likewise, when public funds for child care are distributed to unregulated, untrained ‘family and friends,’ this undercuts efforts of licensed child care to deliver a quality product.

There is some hope that the new administration will reverse recent declines in public support for child care. However, there

is also resignation to the fact that with so many more urgent matters facing the administration — such as health care and Afghanistan — it may not be a time when the inadequacies of the current delivery system will be fully addressed.

Staffing always a concern

In the two decades that *Exchange* has been surveying the field on major challenges, staffing issues have always received plenty of attention. This year, these staff issues emerged . . .

- Shortage of qualified teachers
- Lack of work ethic of young hires
- National unionization movement
- Staff turnover
- Lack of male teaching candidates
- Low staff morale

The challenge of recruiting and retaining qualified staff is the Achilles’ heel of child care — the general public does not yet place a high value on child care. Families are still inclined to spend more on entertainment systems and cosmetics than for early childhood services. As a result, funds to pay for child care, whether public subsidies or parent fees, are insufficient to pay teachers what they deserve given the importance of their work. This, of course, applies not only to for profit providers, but to non profit providers and family child care providers as well.

In recent years, increasing numbers of scientists, economists, and business leaders have stepped forward to testify to the incredible importance of quality care and education in the early years. This has resulted, most notably, in the passage of many state Pre-K initiatives. But so far this ‘excitement’ has not resulted in a significant uplifting of fees, subsidies, or salaries.

The challenge for child care programs is three fold:

- The pool of qualified candidates remains inadequate to support growth

in the child care sector. In the 1970s and early 1980s, advertisements for child care teaching positions would attract dozens of strong candidates. However, while the demand for child care expanded rapidly, the wages for child care professionals inched upward far more slowly than the inflation rate. As a result, today, even in a period of high unemployment, “the shortage of qualified teachers” is still ranked among the five most serious threats to the field. Clearly, individual programs cannot solve this challenge alone. There needs to be an industry-wide campaign to boost the image of teaching young children.

- The field continues to turn its back on 50% of the workforce by not reaching out effectively to recruiting men to work in child care programs. Many excuses are given for why men are not attracted to early childhood education, but few organizations make a concerted effort to recruit men.
- As a field, we need to come to grips with meeting the work expectations of today’s youth. In the survey, CEOs lamented “the lack of work ethic of younger hires.” It must be considered that possibly we need to spend more time learning about the unique expectations of these ‘millennials’ who are into flexibility, technology, diversity, team work, and work/life balance.

A look ahead

These next 12 months may be pivotal ones for the for profit child care world — as they will be for many sectors of the economy. Chances are that organizations that are locked into old ways of doing business will find it increasingly difficult to survive. On the other hand, organizations that are closely monitoring how the economy and the workforce change as we move into the ‘new economy,’ will have the best prospects of thriving.

The Exchange Top 50
North America's Largest For Profit Child Care Organizations

Organization	Headquarters	CEO	Centers	Capacity
Knowledge Universe – US	Portland, Oregon	Felicia Thornton	1,699	226,529
Learning Care Group	Novi, Michigan	William Davis	1,053	157,000
Bright Horizons Family Solutions	Watertown, Massachusetts	David Lissy	700	77,000
Nobel Learning Communities	West Chester, Pennsylvania	George Bernstein	183	28,500
Child Development Schools	Columbus, Georgia	J. Scott Cotter	163	23,574
Phoenix Children's Academy	Scottsdale, Arizona	Douglas MacKay	131	23,400
The Sunshine House	Greenwood, South Carolina	Nan Rikard	147	20,363
New Horizon Academy	Plymouth, Minnesota	Chad Dunkley	88	13,190
Minnieland Private Day School	Woodbridge, Virginia	Jackie Leopold	17	13,099
CCLC	Sunnyvale, California	Ty Durekas	109	12,380
Brightside Academy	Pittsburgh, Pennsylvania	Mark Kehoe	57	9,305
Children of America	Delray Beach, Florida	Thad Prior	40	8,000
Crème de la Crème	Greenwood Village, Colorado	Bruce Karpas, Peter Lungo	23	6,900
Children's Choice Learning Centers	Richardson, Texas	Donna McClintock	37	6,205
Sunrise Preschools	Tempe, Arizona	Robert Orsi	28	5,789
Children's Friend	Warner Robins, Georgia	F. Dewayne Foskey	39	5,629
Action Day Nurseries/Primary Plus	San Jose, California	Carole J. Freitas	20	4,450
Hildebrandt Learning Centers, LLC	Dallas, Pennsylvania	William J. Grant	40	4,200
Country Home Learning Center	San Antonio, Texas	Sharon K. Ford	10	4,180
Stepping Stone School	Austin, Texas	Rhonda Paver	17	3,374
Creative World Schools	Fort Myers, Florida	Billie McCabe	20	3,300
Rainbow Station	Glen Allen, Virginia	Gail W. Johnson	9	3,131
Ascendere	Lawrenceville, New Jersey	Harsh Chadha	21	2,976
The Malvern School	Glen Mills, Pennsylvania	Joseph Scandone, Kristen Scandone Waterfield	20	2,847
Pinecrest Schools	Sherman Oaks, California	Jeri Dye	10	2,750
Rogy's Learning Place	East Peoria, Illinois	Wendy Pettett, Dawn Meyer, Rick Rogy	20	2,726
Youthland Academy (Corporate)	Cincinnati, Ohio	Mary Janice Schmitt	14	2,620
Next Generation Children's Centers	Sudbury, Massachusetts	Donna Kelleher	10	2,471
The Kinderville Group	Candiac, Quebec, Canada	Manishi Sagar	22	2,398
StarChild Academy	Apopka, Florida	Cindy Zimmermann	5	2,082
Creative Playrooms	Solon, Ohio	Joan P. Wenk	7	2,053
Junior Academy Children's Centers	Colorado Springs, Colorado	Terri Carroll	30	1,872
Creative Kids Learning Center	Las Vegas, Nevada	Carol Levins	8	1,850
Valley Child Care/Cactus Preschools	Phoenix, Arizona	James Emch, Mike Emch	10	1,830
Bar-T Day Kids Club	Gaithersburg, Maryland	Nancy Richardson	30	1,800
Kid's Country	Snohomish, Washington	Lynnda Langston	11	1,758
Bobbie Noonan's Child Care	Frankfort, Illinois	Judith Nevell	13	1,700
The Children's Workshop	Cumberland, Rhode Island	Kevin Fusco	15	1,669
Kids Kare Schools	Fresno, California	James L. Fisher, Jr.	11	1,640
Tot-Time Child Development Centers	Plymouth Meeting, Pennsylvania	Donna M. Fluehr	13	1,604
*Southside Christian Child Care	Louisville, Kentucky	Dwight Derringer	15	1,470
Children's Discovery Center	Maumee, Ohio	Lois Mitten Rosenberry	8	1,449
Creative Child Care, Inc. d/b/a Little Tyke	Bedford, Texas	Alex Little, Keith Davis	12	1,367
Doodle Bugs! Children's Centers	Buffalo, New York	Anthony Insinna	9	1,347
K.I.D.S. Daycares	Westmount, Quebec, Canada	Evelyn Wajcer	14	1,260
EduKids Inc.	West Seneca, New York	Nancy Ware	11	1,147
U-Gro Learning Centers	Harrisburg, Pennsylvania	Gregory Holsinger	10	1,140
Chappell Schools	Jacksonville, Florida	Lynne Chappell-Harris	9	1,000
Children's Corner Learning Centers	Tarrytown, New York	Anthony Ross	9	981
The Gardner Schools	Brentwood, Tennessee	Scott Thompson	5	970

*Data from organizations marked with an asterisk are from 2009 report.

Based solely on information supplied by the organizations. Data on capacity in chart above is the total licensed capacity for all centers as of January 1, 2010.

National Child Care Franchising Organizations

Organization	Headquarters	CEO	Centers	Capacity
Goddard Systems	King of Prussia, Pennsylvania	Philip A. Schumacher	360	51,840
*Kids R Kids International	Duluth, Georgia	Patrick D. Vinson	155	38,500
Primrose Schools Franchising Company	Acworth, Georgia	Jo Kirchner	209	36,902
*Kiddie Academy	Abingdon, Maryland	Michael J. Miller	99	14,376
The Learning Experience	Boca Raton, Florida	Michael H. Weissman	81	13,203
Discovery Point Franchising	Duluth, Georgia	Clifford Clark	58	12,760
Children's Lighthouse Franchise Company	Fort Worth, Texas	George Michael Brown	28	7,123
Legacy Academy for Children	Sugar Hill, Georgia	Melissa and Frank Turner	20	5,000
Youthland Academy (Franchise)	Cincinnati, Ohio	Mary Janice Schmitt	14	2,620

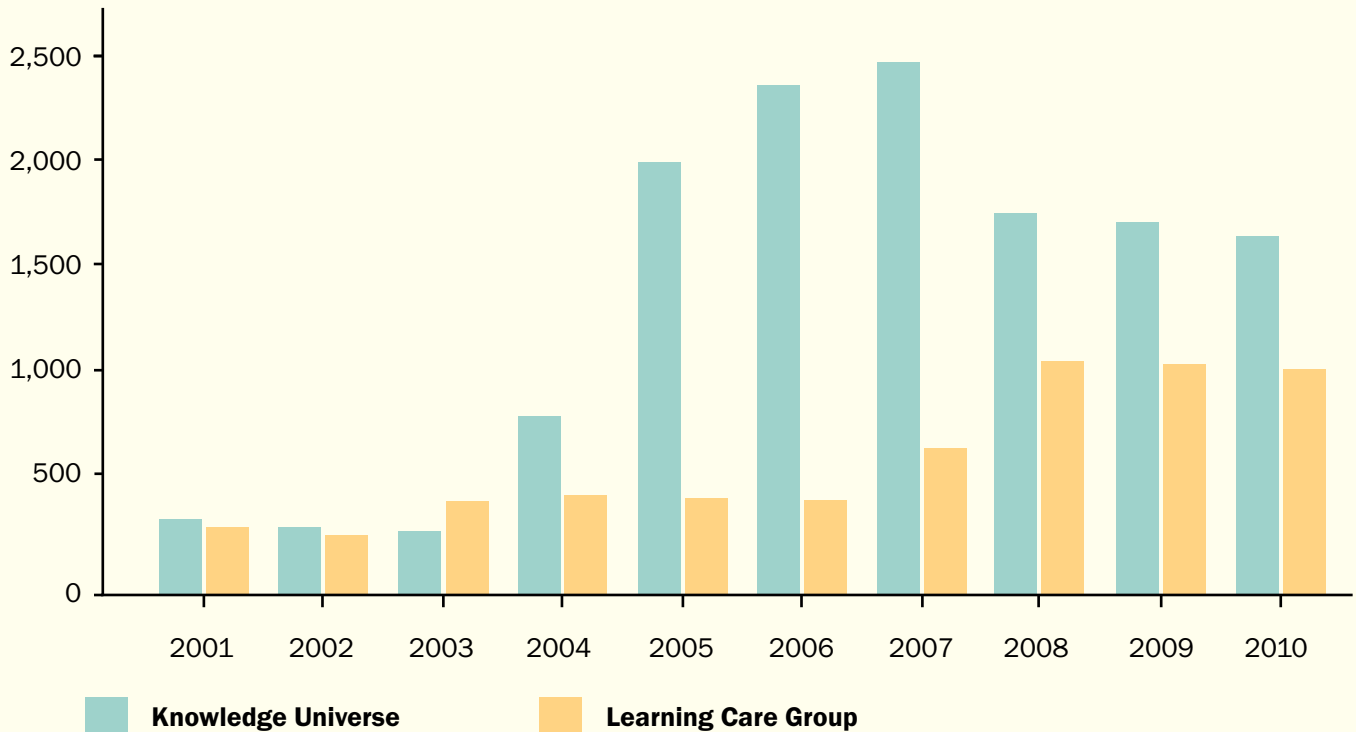
*Data from organizations marked with an asterisk are from 2009 report.

Data on capacity in chart above is the total licensed capacity for all centers as of January 1, 2010.

Data for 'Franchising Organizations' include both franchised and company-owned centers. Based solely on information supplied by organizations listed.

A Decade of Developments for Two Largest Organizations

Number of centers operated as of January 1 of each year



2008 – Morgan Stanley Private Equity purchased a 60% stake in the Learning Care Group from ABC Learning, Learning Care Group's Australian parent organization

2007 – Learning Care Group acquires La Petite Academy

2006 – ABC Learning Centers from Australia acquires Learning Care Group and Children's Courtyard

2004 – Knowledge Universe acquires KinderCare Learning Centers

2003 – Knowledge Universe acquires Children's World Learning Centers

2001 – Children's Discovery Centers acquired by a new ownership group and renamed Knowledge Universe

**DO YOU
BELONG
IN THE
TOP 50?**

We will be updating these Top 50 lists in the coming months:

- 50 Largest Non Profit Organizations in North America
- 50 Oldest Early Childhood Organizations in the World
- 50 Largest For Profit Organizations in North America

If you believe your organization deserves to be included on any of these lists, please contact Exchange at

info@childcareexchange.com.