



Home-Based Care and the Challenges to Increasing Family Child Care Homes in North Carolina: Voices from the Field

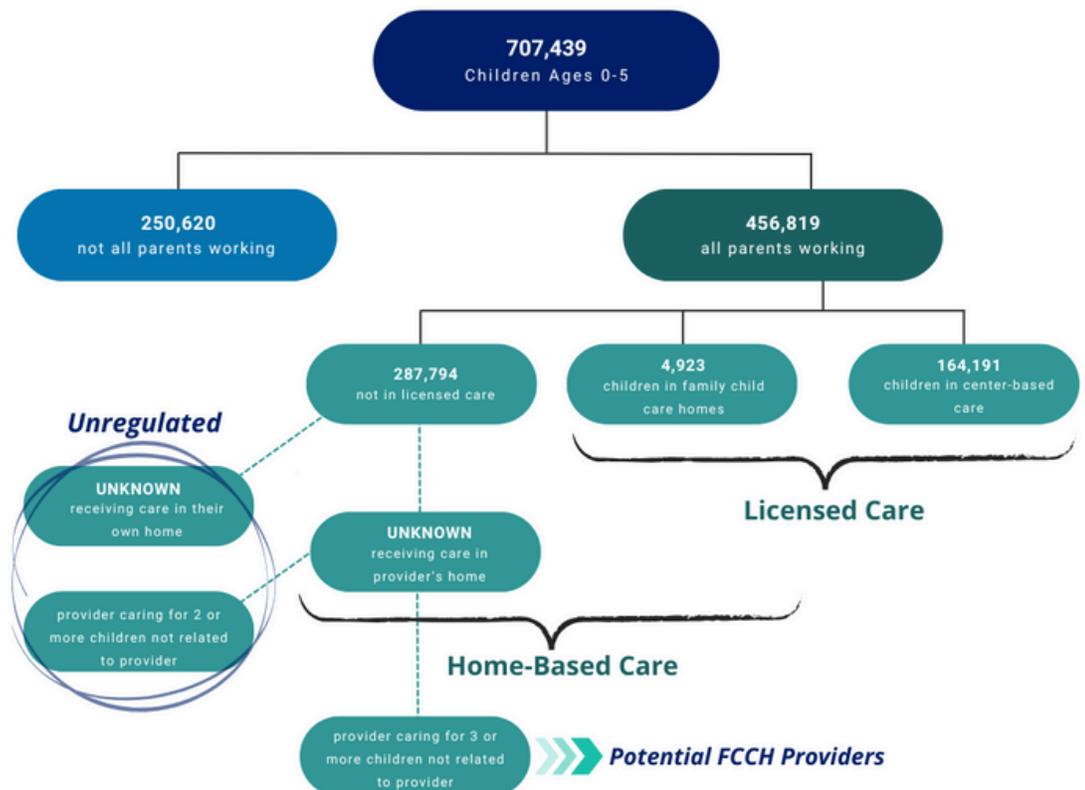
BACKGROUND

North Carolina received multiple federal Preschool Development Grants Birth through Five (PDG B-5). As part of this work, a comprehensive needs assessment update was conducted in 2022 that included focus groups and interviews with early care and education (ECE) providers, stakeholders, and parents in North Carolina. This brief synthesizes what researchers learned from family child care home (FCCH) providers and other key system stakeholders regarding the challenges associated with opening and operating FCCHs and the downstream impacts on child care slots within the state. This research brief describes the types of home-based care in North Carolina, the value of home-based care to working parents, and why licensed FCCH providers say their numbers are declining. It is the first in a series of briefs, *Parent and Provider Voices on Home-Based Child Care in North Carolina*, that explore the barriers and challenges family child care providers experience opening and operating their business in North Carolina.

Home-Based Child Care in North Carolina

Home-based child care is the most common care arrangement for children in North Carolina and an important part of the child care mixed delivery system. There are more than 707,000 children ages 0-5 in North Carolina, and the majority of these young children (457,000) live in households with all parents working. Thirty-six percent of these young children use center-based care, 1% use licensed FCCHs, and the remaining 63% are cared for by family, friends, neighbors or other providers either in their own homes or at the homes of the providers. Child care, in various forms, is absolutely necessary for these children’s parents to remain in the workforce.

CHILD CARE ARRANGEMENTS FOR CHILDREN 0-5 IN NORTH CAROLINA





What is Home-Based Care

Home-based child care is care provided to children less than 13 years old in the provider's home. In North Carolina, home-based child care includes both licensed FCCHs and unlicensed family, friend, and neighbor care. It is estimated that the majority of the 293,000 young children with working parents who do not use center-based care are using home-based care, however, exact numbers are not known. Home-based providers are particularly valuable to families who work non-traditional hours or variable schedules, live in rural communities, earn low-income wages, and speak a primary language other than English.



Licensed Care

In North Carolina, licensed child care includes child care centers (including Head Start programs and NC PreK classrooms) and FCCHs.[1] Licensing is regulated and monitored by the North Carolina Division of Child Development, Early Education (DCDEE). Data from the DCDEE show that approximately 169,000 children ages 5 and under with all parents in the workforce are in licensed child care.[2] All licensed child care must meet state and local sanitation, building and fire codes as well as health and safety regulations, staff qualifications and training, and activity guidelines. In North Carolina, FCCH providers can care for three to 10 children not related to them.[3] These providers make up 21% of all licensed child care providers in the state and provide care to approximately 5,000 young children.

Unlicensed Care

The majority of children ages 5 and under with all parents in the workforce receive care in their own homes or home-based child care from family, friends and neighbors (288,000). Providers caring for two or fewer children unrelated to them, can do so without regulation or the need for licensing. The state requires anyone regularly providing four or more hours of care in their residence to more than two children under the age of 13 who are not related to the provider to be licensed.[4] However, many unlicensed home-based care providers face steep financial and language barriers to becoming licensed, or may be ineligible for licensure due to their home not meeting building codes for licensed family child care homes. (See [Regulatory Challenges Faced in Opening and Operating Family Child Care Homes](#)). Widespread use of unregulated care is due to a variety of factors including family preferences and lack of access to and affordability of regulated care.

[1] There is an exemption for religious sponsored programs, which can operate under a Notice of Compliance with the child care rules and laws rather than a license. These programs are monitored by DCDEE to ensure facilities are healthy and safe.

[2] In September of 2024, DCDEE reported 169,115 children 5 and under were in licensed care (North Carolina Department of Health and Human Services, Division of Child Development and Early Education Child Care Analysis Summary, report date 10/1/24. Emailed by M. Holland Information Specialist Supervisor Division of Child Development and Early Education NC Department of Health and Human Services on 10/4/24.) Census data from the American Community Survey Table B23008 show 456,819 children under live in households where all available parents work.

[3] Local ordinances may further restrict the number of children a licensed care provider can care for in their home.

[4] Operating a family child care home without being licensed is a Class 1 felony. See <https://ncchildcare.ncdhhs.gov/Home/DCDEE-Sections/Regulatory-Services> for more information.



Why Many Families Choose Home-Based Care

Home-based child care is uniquely suited to meet some parents needs and wants, including being more likely to provide:

- ▶ A more home-like environment with smaller group sizes and consistency of caregiver over time;

“Being a new mom, that was kind of scary for me to put my child in a bigger daycare setting.” - Parent

“I wanted it to be a more home feeling, I just thought it’d be better for my child.” - Parent

- ▶ Mixed-age groups in home-based care means siblings can be together and children are learning in mixed-age groups;

“I love to know that my child is around older [children] because then they can, like, teach him things.” - Parent

- ▶ Care that more closely matches families’ cultural norms and values and/or is in families’ native languages;

“Now that she’s at this [home-based child care], it is really good to know that they can speak Spanish to her. She says a lot of Spanish words, and finally, there’s somebody who can understand her.” - Parent

“Family childcare providers can provide more care that’s catered to the family and culturally relevant, you know, for families.” - ECE Stakeholder

- ▶ Lower costs and more flexible tuition policies; and

“It’s more affordable. I get like a subsidy voucher, and it’s kind of more ideal to utilize an in-home daycare versus ones that are like bigger.” - Parent

- ▶ Shorter travel times in many cases, particularly in rural areas.

“I was a team member at Target for a little while, and so my hours were from like 2pm to like 10pm...And [our provider has] been like really, really flexible, which I’m really, really appreciative of because it is so late and so long of a shift.” - Parent

“We may have some centers that have extended hours till maybe 7pm, but, for 2nd and 3rd shift, it’s nearly all family childcare.” - ECE Stakeholder





Why the Numbers of Family Child Care Homes Are Declining

While many families prefer home-based care for their young children, the number of licensed FCCHs in North Carolina and across the nation has declined in the last few decades. In 2004 North Carolina had 4,750 FCCHs. Today, there are 1,067, a 77% decrease.[6] There are a number of reasons for this rapid decline, including an aging provider population, the labor-intense nature of the work, complex government regulations and requirements added to providers' workload, and increasing costs for everything from insurance to food and toys.

“I wasn't able to sustain the expenses, as far as like upkeep of toys and, you know, food costs, it is expensive.” - FCCH Provider

“What the market rate is, that's not a living wage for us anymore. I mean, between the cost of food, having to buy materials for kids... I mean, it's just not enough.” - FCCH Provider

For many providers, rising wages in other sectors mean there are now multiple options that provide pay as good or better than what they can make as a FCCH provider.

“I'm doing it because I love the children. Until you get so burnt out that you're like, 'Is this really worth it?' When I could work at Amazon, and have a peace of mind, and have a consistent paycheck, and have expectations that I know I'm able to maintain.” - FCCH Provider

At the same time, tuition is constrained by what parents of young children can pay. The average annual cost of child care per child in North Carolina is \$7,500-\$12,250, depending on the child's age and location, which is equal to or greater than the cost of in-state tuition at UNC System schools. Unlike the publicly funded K-12 system, which is free to families and funded through federal, state and local tax dollars, the cost of child care is largely borne by young families. Federal and state dollars do provide child care subsidies for families with low incomes[6], but these reach approximately 15% of eligible families, leaving most families struggling to pay for child care.

“A whole lot of push back you know, for family child care homes stating that you shouldn't raise your prices this high because the parents, 'can't pay the overage.’” - ECE Stakeholder

The significant decline has left many in the field to worry about the child care choices left for parents in more rural or smaller areas.

“[Our] county's already small and we're down to five [FCCHs], and when I started seven years ago, we had 13. So, it just keeps decreasing and there are no places for these kids to go. And we're seeing more and more on like the social media pages of, you know, who has care. And these kids are just going to places [parents] find on Facebook.” - ECE Stakeholder

The significant decrease in FCCHs creates challenges for parents to find affordable care for their children. As of 2018, 44% of all North Carolina residents live in a child care desert, where there are more than three times as many children, ages 0-5, as licensed child care slots. Retaining and expanding family homes is a critical strategy for North Carolina to address these supply gaps as well as meet families' needs and preferences.

[5]North Carolina Department of Health and Human Services, Division of Child Development and Early Education Child Care Analysis Summary, report date 10/1/24. Emailed by M. Holland Information Specialist Supervisor [Division of Child Development and Early Education](#) NC Department of Health and Human Services on 10/4/24.

[6] The eligibility guidelines for child care subsidies are available online at <https://ncchildcare.ncdhhs.gov/Services/Financial-Assistance/Do-I-Qualify>.



Reversing the Tide: How to Support and Grow FCCHs

FCCHs are an important part of a solution to address the shortage of child care in North Carolina. However, becoming licensed and then succeeding as a low-margin business is a challenge. Caring for children is labor-intensive, does not pay well, and licensed care is governed by a complex web of regulations including zoning, safety, training, programming and others. More needs to be done to address the many challenges these small business owners face in order to ensure FCCHs remain a part of the child care delivery system in North Carolina. Expanding licensed home-based child care is possible with changes to policies and practices to create more viable pathways and supports for FCCH providers. Policymakers at the local and state levels should work together to:

1

Provide pathways to licensure and supports for the existing pool of potential licensed care providers, including those currently providing family, friend and neighbor care for more than 200,000 children ages 0-5 across North Carolina.

2

Address the many bureaucratic, language, and regulatory barriers that do not affect the safety of young children but do create barriers for potential and current FCCH providers.

3

Develop funding models that allow FCCH providers to meet the needs of children and families in their communities while also making enough money to keep their businesses open

While this publication includes or references data provided by the North Carolina Department of Health and Human Services to the James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc., or information that was derived from or generated by the Department's data, the findings and conclusions in this publication are those of the author and do not necessarily represent the view of the North Carolina Department of Health and Human Services.