How to Effectively Use Contracts and Policies

Presented by Tom Copeland
For Early Childhood Investigations

Instructor

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Resources

* Redleaf Press www.redleafpress.org; 800-433-8309
* Family Child Care Contracts & Policies
* Redleaf Complete Forms Kit for Child Care Providers

Class Objectives

* This class will enable you to better to –
  * Establish a business relationship with parents
  * Learn what should be put in a contract and policies
  * Enforce agreements with parents
  * End their contract with parents
Disclaimer

- “I am not rendering legal tax, or other professional advice. If you require this type of assistance, please consult a professional to represent you.”

You May Set Own Rules

- Main benefit of being a director or family child care provider
  - Can run your own business as you want
  - Highly structured vs. informal program
  - Religious vs. non-religious activities
  - Cares for or excludes infants
  - Many field trips, dramatic play everyday, vegetarian food, etc.

You Must Set Own Rules

- As owner of your own business, it is up to you to define your program
- No classes for parents: “How to Pay your Child Care Provider on Time”
- Parents are not your “friend”
- You do not need to listen to what I say!

Parents as Clients

- Many parents have little experience with child care
  - Last generation of parents who were not in child care as children
  - Parents may have difficulty understanding child care as a business
Home vs. Center

- Center
  - Easier to relate to as a business
  - School for small children
- Home
  - Harder to understand as a business
  - Do not look like a business, no cashier, no checkout, private home (scary for some parents)

You are Running a Business

- "Why do some parents not treat you like a business?"
  "Because some caregivers do not act like a business"
- Hardest sentence to say to parents: "You owe me money"
- Some caregivers don't like acting as a business
- Need to change personal relationship to business one

Use Props

- Props are physical items that can help communicate business rules
- Contract and policies are primary tool
- Other examples
  - Receipts
  - Bulletin board (post receipts)
  - Written notes (vs. verbal communication)
  - Newsletters/emails
  - Shoe box
  - Contract and policies

Parent Enrollment

- You do not have to accept all parents
- References
- Can say "no" for no reason, or any reason (except illegal discrimination)
- Trial period
How to Say “No”

- “I do not think this is the best place for your child at this time”
- Do not put reasons in writing
  - Parent will be insulted
  - Illegal discrimination danger

Poll Question #1

Can you charge a higher rate to a parent who works at Walmart?

Different Rules

- You can have different rules for different parents
- Rates
- Pickup times
- Other
- Reasons for different treatment should be logical
  - Age of child, parent longevity, “special circumstances”

Illegal Discrimination

- You can run your business however you want with this exception:
- It is illegal to discriminate against parents or children based on: race, color, gender, religion, age, disability, or national origin
What is a Contract?

- Legally enforceable agreement between two parties
- Terms of time and money are enforceable in court
- Hours of operation, open/close for holidays, vacations, sick days, etc.
- Fees for care, terms of payment, other fees

Verbal vs. Written Contract

- A verbal contract is enforceable: “I will promise to care for your child for $150 a week.” “I accept.”
- But verbal contracts are hard to enforce
- Any change to a written contract should be in writing

Basic Contract Terms

- Names of all parties to contract
- Hours of operation
- Terms of payment
- Termination procedure
- Signatures of all parties

Two Key Rules

- To avoid problem of parents owing money when the leave –
  “Client will pay at least one week in advance”
  “Client will pay in advance for the last two weeks of care”
Never provide care unless it has already been paid for
You have expenses during the week (food, supplies)
Payment can be on Monday or on Friday for the next week
Parent can pay a little extra per week as a transition

Most common contract problem: Parents leave without paying
Advance payment covers last two weeks even if rates have gone up
Parent can pay a little extra per week as a transition
You should offer refund if terminating parent immediately
Easier to enforce other rules if paid in advance

Rules that spell out “how” care will be provided
Policy rules are not enforceable in court
Parent does not bring extra change of clothes
Provider does not take scheduled field trip
Provider policies can be simple or extensive

Provider promises to hold slot open until a future date
You should not promise to hold slot without a parent payment
Payment can be flat fee, % of regular fee
Holding fee is nonrefundable
You should not apply holding fee to care once child is enrolled
Key Policy Terms

- Provider information
- Client responsibilities
- Child care program description
- Illness, health, and safety policies
- Policies for transporting children
- No requirements for any policies

Contract/Policy Negotiation

- You can set your own rules
  - You can negotiate with parents to change them
- Parent wants to renegotiate late fee
  - Response: No, Raise regular rate, Make exception
- Parent cannot afford to make weekly payment
  - Response: Repayment plan, Forgive debt, Terminate

Poll Question #2

Any change to a written contract must be in writing

Two Separate Documents

- Contract and policies should be two separate documents
- Contract can only be changed with parent signature
- You can change your policies at will
Common time of stress

"I forgot my checkbook"

Go home and get it (late fee will be due)

Use blank check obtained earlier from parent

Some caregivers use electronic payment plans such as Reliafund (www.reliafund.com)

- Minute Menu Kids Pro

You are always responsible for enforcing your contract and policies

You can enforce your rules, renegotiate them, or ignore them

If you decide not to enforce a rule you should take it out of your contract or policies

- To enforce the agreement you must set a consequence
- Consequences to parents are usually
  - Money
  - Termination of the agreement

Parent is regularly late in picking up child

Possible consequences:

- Late fee
  - No late fee if notified by phone within 1 hour
  - 15 minute grace period, then $5.00 minute
  - $1 minute

- Termination
  - 2 late pick-up in a month, then termination
  - Immediate termination
Caregivers are often worried that parents will leave if they put their foot down and enforce their rules.

Sometimes parents do leave—but not often.

Caregivers rarely regret it when they do enforce their rules.

What is the Worst Thing That Can Happen?

- Clearly state the problem and its consequences
  - "Pay me on time or I will terminate the contract"

- Give the parent a written warning
  - "The next time you pay me late I will terminate the contract"

- Give the parent a termination notice

Before Ending the Agreement

- Reasons for terminating the contract
  - Disruptive behavior
  - Violation of the contract
  - High anxiety
  - Any reason

- Before terminating, you should ask yourself—"Is there anything the parent could do that would change my mind?"

Ending the Contract

- "Parent must give a two-week written notice. Payment is due for this notice period even if child is not brought to care."

- "Child care center or family child care provider may terminate at will."

- You may give a notice

Termination Procedure
Poll Question #3

It’s best to give reasons for terminating a parent in writing

Termination Notice

• “Your last day of care will be _________. Under our agreement you are required to pay for my services until then, whether your child attends my program or not.”
• Do not explain reasons for termination in the notice
  • Parent will not agree
  • Parent may believe you are illegally discriminating

Conflict Resolution

• Caregivers often feel stuck in trying to resolve conflicts with parents
• Find a coach to help you deal with parent conflicts (spouse, another provider, etc.)
• Job of coach is to get you to choose one of the 3 Choices of Life to resolve the conflict

3 Choices of Life

• Choice #1: “I am happy”
• Choice #2: “I am not happy. This is what the parent must do to make me happy. If the parent doesn’t do it, I will terminate the parent”
• Choice #3: “I quit my job (center) or my business (home)”
3 Choices of Life Explained

- Choice #1: “I am happy”
  - Life is too short to worry about it. Let the parent do what they want.
- Choice #2: “I am not happy”
  - If the parent won’t follow the rules, end the agreement
- Choice #3: “I quit my job/business”
  - I am not happy and I cannot deal with the stress, so I am going out of business

Deciding What to Do

- It’s acceptable for you to choose any one of the 3 Choices of Life
- Many caregivers bend their rules and remain happy
- Some caregivers are better off moving on to another job – why be unhappy and make a small amount of money?
- If you are not happy you need to take action

Summary

- You are your own boss – design your program to meet your needs
- Use a written contract and policies
- Adopt two key contract rules
- Enforce your rules with consequences

Contact Tom for Help

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Good luck!