Using Tranparency to Regulate in the Age of Technology: A Case Study of the Childcare Business in Kent County, Michigan

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In the shadow of a mountain of scandalous behavior exhibited by both government and business, it is easy to lose trust that any regulatory method can be effective. Transparency holds promise as a means to hold business and government accountable; particularly when both mandatory and voluntary disclosure are driven and shaped by their intended audience: Consumer/customer, employee, supplier, regulator or investor. With the beginning of the Obama Presidency, there is hope for increased governmental legislation and support for disclosure in all sectors (Obama, 2008). Transparency first was a term adopted by the business community to "describe the obligation to disclose basic financial information…" (Tapscott, 2005). Transparency has strong supporters regarding financial information. The Sarbanes-Oxley Act of 2002 was enacted to increase transparency in corporations. High-level officials in the financial market support transparency. SEC chairman Christopher Cox has proposed a requirement that companies disclose the pay of all highly compensated employees, including nonexecutives. "I have a feeling that when people are forced to undress in public, they'll pay more attention to their figures" (Krunacher, 2006). Transparency has come to encompass far more than financial disclosure. "People and institutions that interact with firms are gaining unprecedented access to all sorts of information about corporate behavior, operations and performance…The corporation is becoming naked" (Tapscott, 2005). The internet provides a new tool for transparency involving the potential for dialog between government and business and their various constituencies. Transparency could become a two-way street in which public services are responsive to service users as well as answerable to them" (Stirton, Lodge 2001). Transparency can give the public the ability to watch what is truly happening in government, in business, in schools, and all the places in which there is a vested public interest. It can act as a stimulus for good behavior. As Jeremy Bentham said, "The more strictly we are watched, the better we behave." (The Bentham Project, 2007)

THE FRAMEWORK FOR TRANSPARENCY

For transparency to truly work both as an informer for decision-making and as a watchdog over behavior, an infrastructure for transparency must be built. Although this concept may seem a bit foreign and also a bit impossible to implement, it is possible. Ten years ago, there was no talk of an information highway, but now such a highway exists. The information highway was not built overnight. It was not built by one entity or group, nor was it built according to a prescribed plan. The best description of how it came to be would be to say that it evolved. Just as the information highway evolved, it is possible for an infrastructure of transparency to evolve.

The base of such an infrastructure would involve setting appropriate goals and reporting requirements and standards for various businesses and public services. The goals would need to be set in an atmosphere of neutrality, with the assistance of experts in each field, and with representation by the various stakeholders including advocacy groups and consumers. In general, those forming the infrastructure must include a balanced representation of the stakeholders. The group will need to recognize that none of the single represented parties will be able to get all their goals into the specifications for that service or all the reporting requirements they may want. There will need to be in this group a willingness to consider "tradeoffs and reach consensus on sacrifices as well as aspirations" (Sage, 1999). At times, the group will need to 'vote' to allow experts in the field to make the final decision as an acknowledgement of the complexity of the world in which we live.

The negotiation of the goals and reporting requirements and standards must take place practicing transparency with clear reports in the media. There must be a mechanism that provides the public with a genuine opportunity to voice their opinions. "In Madison's phrase, 'Knowledge will forever govern ignorance; And a people who mean to be their own Governors, must arm themselves with the power which knowledge gives'" (As quoted by Sage, 1999). Setting an infrastructure for mandatory and voluntary transparency standards with civic and business involvement makes increasing sense in a market-state world. "Just as markets fail from lack of information, so too can societies. Mandatory disclosure laws have a role in bringing difficult decisions into the open and providing the deliberative process with the information needed to resolve them. In a representative democracy, citizens often insist that the deliberations that affect them be conducted in public view" (Sage, 1999).

Transparency-Distinct Information for Different Groups

   Voluntary and mandatory disclosure of information must be provided in different ways to different groups in order to be meaningful and useful. For example, a consumer seeking to make a sound purchasing decision needs a certain set of information. A prospective employee evaluating whether a company is a good fit for him to seek employment with needs a different set of information. Community members interested in the environmental impact companies in their community are having also need a different information set. For a transparency infrastructure to work there needs to be acknowledgement of the different information needs of different groups. For example, there would be different information reporting requirements and standards for consumers, for regulators, for stockholders, and for employees. The following chart illustrates what such various disclosure standards might look like for these various groups:

Table 1: Disclosure Standards

Group	Information Provided	Means of Transmission	Means of Enforcement
Consumers/ Public	Safety of product Environmental Impact Statement Cost per unit Where manufactured Average Lifespan of Product Energy Rating Searchable reports from regulators on company website Corporate giving both political and charitable Ethnic, gender, and racial make up of workforce Other as designed by Consumer's Infrastructure Work Group	Internet Outside on the product box In product manual	Social Accounting Financial Accounting Auditing-both social and financial by an independent body Reporting on all various prescribed standards and indicating when choice is made not to report
Regulators	Safety of product Environmental Impact Statement Company Financial Statement Employee safety information Tax information Other as designed by Regulators' Infrastructure Work Group	Mandated reports Secure internet reporting that allows for regulators to make easy comparisons and look for 'red flags' Regulatory inspections	Social Accounting Financial Accounting Auditing- both social and financial by an independent body Reporting on all various prescribed standards and indicating when choice is made not to report
Shareholders	Compensation of Management Employees Financial Statements Profit/Loss Projections Company Strategic Plan Annual Report Share price All information provided to other interest groups including regulators Other as designed by Infrastructure Shareholders' Work Group	Shareholder meetings Secure web-site Independent auditors Annual Report	Financial Accounting Social Accounting Auditing-both social and financial by an independent body Reporting on all various prescribed standards and indicating when choice is made not to report
Employees	Compensation of Upper-most management Employee safety information Environmental hazards Company's strategic plan Profit/Loss projections Other as designed by Employees' Infrastructure Work Group	Company Intranet Employee meetings Annual Report	Financial Accounting Social Accounting Auditing-both social and financial by an independent body Reporting on all various prescribed standards and indicating when choice is made not to report

There would also need to be an over-arching infrastructure transparency plan for various constituency groups and various government and business types to guard against a silo effect, maintain communication between the various interest groups and to ensure an infrastructure of transparency for the whole and not just for the individual parts.

Need for Expertise

If regulation by transparency is to work, there must be an acknowledgement of the need for expertise. Particularly in the area of government, we have witnessed the debacles caused by decisions made by political appointees without expertise. A major critique of the government's failed response to Hurricane Katrina was the lack of expertise at the top level of the Federal Emergency Management Agency (FEMA). Many major issues facing our country cry out for expertise—global warming, universal health care coverage, diminishing oil reserves, and a global economy. The agenda regarding these issues needs the guidance of experts tempered by practitioners, tempered by those with various vested interests. "The developmental agenda (*for a transparency infrastructure*) seeks to affect the operation of the polity by affecting the values, beliefs, and identities of citizens….The objective may include not only education into the obligations and rights of the key identities of the polity but also the establishment of widespread agreement on many substantive purposes and ends. This process can vary in its intrusiveness, contenting itself merely with alerting the public to (and facilitating discussion of) issues of common concern, or, on the other hand, asserting an active role in disabusing people of incorrect views and leading them to make enlightened decisions" (Sage, 1999). There are incorrect views and the public needs to be educated to a greater depth than can ever be provided by thirty-second sound bytes. Egalitarianism is not the route for complex decision-making. There must be weight given to knowledge and to those who 'own' such knowledge. The transparency infrastructure must figure out how to mete out appropriately that weight in their decision-making.

Creating a Theoretical Model

Using various infrastructure workgroups, broad standards could be compiled for the business sector, the government sector, and the non-profit sector. These standards would set specific criteria in terms of goals and standards, but would not prescribe how to achieve them. For certain areas such as those related to financial reporting, pollution, energy usage, etc., standards could be over-arching applying to every sector. Work need not start from scratch, but could be built on many of the existing laws and standards in practice.

Efforts could also be made to undo 'juridification,' the problem of too much law. Currently, there is so much law and regulation that it has become incomprehensible. "Eric Orts states, 'When a body of laws becomes so complex and arcane that it cannot even be known, let alone fully complied with or enforced, one cannot hope that its objectives will be realized'" (Hess, 2001). The goal of the work groups would be to simplify, consolidate and, when appropriate, eliminate law when building a transparency infrastructure. These work groups would devise which things must be disclosed, how to make disclosure uniform, how to make disclosure accessible and to whom, how to be sure it is comparable across all reporters, how to ensure honest and accurate disclosure, and how to 'grade' performance according to a publicly valued standard or goal. Some disclosure would be mandatory and some would be voluntary. Efforts would be made to ensure that disclosure was "limited to information that did not have sensitive competitive implications" (Boot, Thakor, 2001). Efforts also would be made to make companies reluctant to limit disclosure by claiming a need for protection due to fears their competitors would gain an advantage. There would be an eye to designing a system in which enterprises would willingly compete to see who could be better at transparency and information disclosure. Trying to evolve a transparency infrastructure might mean that these work groups would begin at a grass roots local level and work toward setting standards and requirements on a national or even a global level.

Decision Making with Transparency as a Driving Force

Regardless of which service or industry is in question, no business, non-profit, or government agency will be able to meet everyone's expectations. No transparency infrastructure will be able to derive a perfect uniform system of standards, goals, and performance objectives for every type of business, government service, or non-profit service. All decisions, whether it be regarding the rationing of health care, pollution in the environment, pavement of roads, where the grocery store should be built, have differing opinions based on differing values regarding what is 'in the best interest' of the community. Yet, for there to be a transparency infrastructure, standards must be adopted and applied to all sectors. When these standards are available and apparent, the goal would be that all purchasers of service whether using private or public dollars would use the standards in making their decisions. With that purchasing power supporting the standards, more and more effort would ensue to meet them.

In the case of public purchases, government should not deviate from use of the standards for purchasing. As more and more government services are contracted out, the public could depend on contractors being chosen based on

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how well they met objective criteria and not on how well connected they were politically. "Therefore, a valuable role for disclosure would be to assure beneficiaries that most resource allocation decisions remain implicit in system structure and professional standards" (Sage, 1999). The zoning board, the environmental protection agency, the road commission, etc. would provide both the system structure and professional standards to ensure fairness in purchasing. Transparency regarding those decisions would also ensure fairness by explicitly explaining how the more controversial purchasing decisions adhered to set policy and professional standards. If deviation from set policy and professional standards became apparent, there would need to be opportunity for redress by those affected by the decision. When there is not clear preference arising out of adherence to system structure and professional standards, great care must be taken to arrive at decisions that are consensual, rational and non-discriminatory.

Maintenance of True Diversity

Using transparency for regulation, there must be room for diversity and assurance that there will not be tyranny by the majority. Consumer choice can still be valued and honored. Diversity of stakeholders and differing values can be recognized. Transparency can be partnered with integrity and genuine concern for the various stakeholders recognizing their differences and not trying to make them the same. What is important to one group may not be important to another group. With recognition of these different values, targeted services and products could be offered. While certain over-arching regulatory requirements might be the same, what is offered could look quite different. For example, as it is now in the grocery store, many different foods are available with all the nutrition labels having the same format. No one is forced to buy only low fat foods, but the constituency for whom that is important is able to do comparison shopping and choose according to their preference. LEED certification and Energy Star purchases are examples of consumer choice based on set standards, but adopted voluntarily. Likewise, as we move toward universal health coverage, coverage would not necessarily have to all look the same or necessarily to cost the same. Plans could be tailored to reflect the values of different constituencies. Everyone might have to opt into basic medical coverage, but then there could be an ala carte menu of options devised according to differing values and preferences. Though it would be an adjustment for society to accept such options, the truth is that "all health systems ration services, either by price, professional discretion, or explicit public policy" (Sage, 1999). Under this transparency model, the base line medical coverage would be governed by public policy and consensus of what the 'floor' must be for everyone. The optional additions could be a menu of differing plans governed by combinations of price, professional discretion, and differing value systems. Some plans might emphasize palliative care for end of life; other plans might offer all available technologies at the end of life. Whether in medicine or other domains, the choices offered would be transparent to the consumer. "Market participants essentially 'vote' on appropriate corporate behavior with their purchase decisions, choices of employment, investment decisions, and so on" (Hess, 2001).

Transparency as a Means of Exposure

"The key question regarding information about difficult social issues is 'Do people really want to know?'" (Sage, 1999). There is sound basis for the cliché, 'ignorance is bliss.' "Educating the public to make tough social choices does not in itself predict which choices shall be made" (Sage, 1999), or even that a choice will be made. It is easier to put off making hard decisions that might involve sacrifice, imperfect solutions and change. Even when it is clear that something is wrong, it is tempting not to fix it as is readily apparent in terms of our petroleum usage and global warming. The information regarding some of the necessary choices such as reducing our use of carbon fuels are widely known and acknowledged, but apparently are ignorable. With diffused responsibility, time moves on with no one taking responsibility to choose and all sharing the blame when we fail to choose. Self interest, at both the personal and corporate level, causes interference in making choices over difficult social issues. Personal beliefs, religious beliefs and emotions also may cause interference. The power of transparency to allow for better choices will have to overcome the reluctance to choose when the choices are hard or seem avoidable.

Information Verification

Mandatory disclosure laws must be targeted to those areas in which there is a recognized public good or strong public vested interest such as the environment, safety, health, etc. and to those areas paid for by public dollars.

Voluntary disclosure should also be promoted. Both should lead to the ability to make apple-to-apple comparisons between similar businesses, non-profits, and government services and agencies. Information whether mandated or voluntary must be reliable, honest, and verifiable. Audit firms, whether they have financial expertise, environmental expertise, product safety expertise or other expertise, must owe their allegiance to the public rather than to the entity being audited. Information released must be comprehendible, verifiable, and comparable between similar entities. It should be posted in the public domain when appropriate and easily searchable via technology such as the internet. Ideally a system will be devised in which the audit is not paid for by the entity being audited. Professional integrity as well as technical expertise of the auditor must be ensured. They must be allowed unfettered access to those whom they are auditing and endowed to make appropriate reports to various interest groups such as consumers, shareholders, employees, and the regulators of business, industry, and government.

Inherent Weakness in Transparency

The first inherent weakness of transparency is that everything worth knowing about an enterprise cannot be measured and reported. There are things that are simply outside the scope of measurement, too complicated to measure, or that are ambiguous. It is also the case that what is being measured may not reflect what is important, what is of value, and what is desirable. For instance, there is an example from Great Briton which illustrates the self-defeating specification of what was denoted as a key indicator. A local council wanted to measure how the community was helping the elderly with their meals. The key indicator to be used was the number of meals delivered to the elderly. "Even though elderly people might want a deep freeze and a microwave rather than food delivered by home helps, the number of home helps is the indicator for helping the elderly with their meals and an authority could only improve its recognized performance of help by providing the elderly with the very service they wanted less of, namely, home helps" (Strathern,2000). The key indicator can be nonsensical or can become nonsensical over time when there is not an appropriate feedback loop as this example shows.

The Promise of Transparency

Transparency through a responsive and flexible system of mandatory and voluntary disclosure offers promise for the market state and ensuring a citizenry that have a voice in determining the agenda and resulting policy. As President Clinton said in his Second Inaugural Address:

> And once again, we have resolved for our time a great debate over the role of government. Today we can declare: Government is not the problem, and government is not the solution. We, the American people, we are the solution……..As times change, so government must change. We need a new government for a new century, a government humble enough not to try to solve all our problems for us but strong enough to give us the tools to solve our problems for ourselves……." (As quoted in Sage, 1999)

"Because disclosure laws influence private transactions without substituting direct government regulation, they illuminate all parts of the political spectrum" (Sage, 1999). Transparency can preserve individual and corporate choice; preserve a diversity of choice; provide a means for informed choice; and harness a collective representative community body to implement the infrastructure of transparency on which to base choice. Transparency has the benefit of being a reflexive law approach rather than a substantive law approach. More and more laws will never create socially responsible organizations, but exposure to public opinion can become a driving force to ethical and moral behavior.

CASE STUDY

Using Transparency to Improve Childcare in Kent County, Michigan

Childcare studies point to a crisis of quality which could be addressed by targeted transparency. Currently, childcare is failing our children. The National Institute of Child Health and Human Development studied the childcare experiences of over 1300 children over a seven-year period. The purpose of the study was to determine how variations in childcare related to a child's development. "The NICHD Study found that across all non-parental settings (grandparents, in-home sitters, childcare homes, and centers) in the United States, positive care giving was highly characteristic for only 9 percent of toddlers, somewhat characteristic for 30 percent, somewhat uncharacteristic for 53 percent, and highly uncharacteristic for 8 percent" (U.S. Department of Health and Human

Services, 2004). "…the data suggests that most childcare settings in the United States provide care that is "fair" (between "poor" and "good"). Fewer than 10 percent of arrangements were rated as providing very high quality childcare. At the other extreme, fewer than 10 percent of childcare arrangements were estimated to provide children with very low quality experiences" (U.S. Department of Health and Human Services, 2004).

In Kent County, Michigan there are 84 childcare centers that serve infant and toddlers; of these only seventeen are nationally accredited by the National Association for the Education of Young Children (NAEYC). There are 753 family childcare homes in Kent County that serve infant and toddlers; none are nationally accredited. Of the 166 group homes serving infant/toddlers in Kent County, only two are nationally accredited by the National Association for Family Child Care (NAFCC) (VanderMolen, 2007). It is hard in Kent County for consumers to have assurances of quality from an independent, objective source about childcare.

Another national study looked at the quality of childcare for lower income children. They found that, "Learning activities (reading or being read to, math, science, or nature activities) constituted a small fraction (less than 10%) of children's activities in the family childcare home. Reading was observed in only 37% of these homes. The presence and use of television was a concern. In more than 40% of the homes, the television was rarely or never turned off. In the majority of homes, at least one child was watching television at each observation point (U.S. Department of Health and Human Services, 2004).

These studies as well as other research show that there is a need to improve childcare. Childcare providers need to understand what quality childcare consists of and how to improve the care they provide. Parents need to understand what quality childcare is and have better means to connect with care that meets the needs of their children. There needs to be a growing public will to make improving childcare a priority. Parents want to know not only that their children are safe in terms of care, but also that their children are truly cared for and that their needs are met. They do not want to stumble into quality childcare. They want a means to choose quality childcare.

Targeted Transparency to the Rescue

Because the majority of parents work, quality childcare has become a necessity not only to allay parental concern, but also to ensure healthy child development and school readiness for young children in our society. For most parents needing to find childcare, information about specific childcare providers is desperately desired, but sadly lacking. Currently for childcare providers, there is not an objective way to assure parents that their children will receive quality care. In a targeted transparency infrastructure, parents could be defined as information users; childcare providers could be defined as information providers; parents, childcare business owners, and childhood development experts would set the specific standards for childcare. All would benefit from a balanced, fair and objective exchange of information about the quality of childcare. The entire community would benefit because there would be greater assurance that the needs of young children were being met. Increasingly, research shows that in order for children to succeed in life, their earliest needs between the ages of 0 and five years must be met. The community has a vested interest in their needs being met for the success of the next generation.

The Goal of Targeted Transparency - Improvement of Quality of Child Care

Children need quality care. Young children are vulnerable and must rely on their parents and other adults for their very survival. However, there is much more than survival at stake, they also are dependent on others in order to thrive. Brain research has found:

- 85% of a child's capacity to learn is determined by age five
- The brain of a three year old is 2.5 times more active than the brain of an adult
- By the age of three, children develop most of their capacity to acquire language, the foundation for literacy (Lukens-Parker).

Over half of the nation's infants and toddlers are in non-parental childcare on a regular basis (Kreader, Ferguson, Lawrence, 2005). "It is estimated that 62% of Kent County families with children age 0-5 have all parents in the labor force" (Terry, Griffith 2005). "Research has shown that high quality early care and education can result in increased school success, lower crime rates, higher lifetime incomes, and many other benefits." But not all settings produce these results. These results are correlated with high quality (Mitchell, 2005).

Since a majority of children are in childcare for significant portions of their day, it is imperative that these childcare settings be of high quality. While parents certainly want quality childcare, so must the community. Research has shown that the more standards associated with quality that are met by a childcare provider; the better

children do (U.S. Department of Health and Human Services, 2004). Since that is the case, it seems possible to devise a report card for childcare providers based on the number of standards associated with quality that they are able to meet.

Devising a Targeted Transparency System for Childcare

Archon Fung, Mary Graham, and David Weil describe five common basic design features of targeted transparency. They are:

- A specific policy purpose
- Specified discloser targets
- A defined scope of information
- A defined information structure and vehicle
- An enforcement mechanism (Fung, Graham, Weil, 2007)

In a childcare targeted transparency system, each of these design elements has a logical definition. The specific policy purpose would be affordable quality childcare to promote the healthy physical, emotional and intellectual development of all children to prepare them for school and life. The specified disclosers would be childcare providers. The defined scope of information would be disclosure of how well the childcare provider measured up to research-based, objective criteria/standards shown to be correlated with quality and improved outcomes for children. The defined information structure and vehicle would be a report card or star rating that would be posted prominently in every childcare site, that would be posted on-line on the State of Michigan Childcare Licensing Website, and verifiable by a credential file maintained by the childcare provider and open for inspection by parents. Finally, the enforcement mechanism would be childcare auditing and licensing staff.

The Compelling Public Interest: Healthier Children and Reduced Costs Due to Prevention Rather Than Remediation

In the book Full Disclosure, Archon Fung, Mary Graham, and David Weil state that targeted transparency works best when there is a compelling public interest that supports disclosure and provides information in a way that leads to the desired changes in behavior (Fung, Graham, Weil, 2007). In order for that to happen, they state that it may be necessary to present more than just the facts with no context and no benchmarks. Targeted transparency systems may need to "aggregate, translate, simplify, or benchmark the facts so that resulting decisions fit the objectives that motivated disclosure in the first place" (Fung, Graham, Weil, 2007). Quality childcare is a compelling public interest because without good care, children are at risk for poor school outcomes, increased behavioral issues, and may miss out on critical opportunities for optimum brain development. Increasingly, research is showing that investment in children age 0 to five pays off economically (Grunewald, 2007). In order for a targeted transparency system to work, there will need to be investment in that system by the whole community. Government, employers, foundations, childcare providers, and parents-- the whole community will need to support the children in our lives. When that happens, parents will win because it will be possible for them to afford quality childcare. Childcare providers will win because they will be able to access the necessary resources and technical assistance needed to provide high quality childcare. But most of all, children will win because they will have greater opportunity to reach their full potential.

Developing Criteria

There are two categories used most often to measure quality in child daycare settings. One category is structural in nature and the other category relates to process. The structural category is fairly easy to define and measure. Structural measures include areas such as:

- child to staff ratio
- group size
- caregiver's general education
- caregiver's specialized training
- caregiver's years of experience

- cost of care
- the size of the facility

These structural measures are objective, easy to measure, and lend themselves to comparison. It is fairly easy to set minimum standards for each of these. It is easy to report these to the government, to an information and referral source, and to parents. For example, while all providers of childcare might be required to have a high school diploma as a minimum standard, those providers with degrees in early childhood would be able to report their level of accomplishment. These measures could be displayed on a website, on an advertising brochure, and be verifiable. They also could be placed in a tiered rating system with rankings of minimal, good, better, best. The system must be straight forward so that parents may readily and easily make use of it in their decision-making.

The process category looks at children's experiences while in childcare. Process might be further sub-divided into learning activities, environment, and relationships. It attempts to measure a caregiver's interactions with children, the degree of warmth in the relationship and how attentive and responsive the provider is to the children. It includes looking at the daily routines of the children as well as the amount and quality of the materials available to the children (State of Michigan, Early Childhood Investment Corporation, 2007). The process category is often measured by direct observation using standardized tools. Direct observation makes the cost of measuring process much higher. It also means that the issue of inter-rater reliability arises, making it harder to ensure scores by different raters for different childcare providers can be compared.

Despite the increased cost and issue of inter-rater reliability with process measurements, both structural and process measurements are important to include in rating quality. While tempting to measure only the structural category, this would lead to a defective rating system unable to achieve all the goals for having a rating system. Structural criteria are not the best measure of the relationship between the caregiver and the child. And, relationship is important. T. Berry Brazelton, a noted pediatrician, and his colleague, Dr. Stanley Greenspan sum up necessity for inclusion of process measurement for quality childcare very well:

> "Every child needs an intimate relationship with a primary caregiver over a long period of time. This is far more important to emotional and intellectual development than early cognitive training or educational games. If this relationship is absent or interrupted, a child can develop disorders of reasoning, motivation, and attachment." (4C of Indiana)

Developing Policies for Quality Childcare

Ten states have developed statewide quality rating systems for childcare. Twenty-eight states are exploring whether to move toward a statewide quality rating system (Mitchell, 2005). Most of these quality-rating systems are voluntary in nature. However, because they are voluntary in nature, many of them have low participation rates. Mary Graham described targeted transparency as a light-handed form of governance (Brown, 2007). The trick of targeted transparency in this area may be how to keep the governance light, but to encourage and increase participation. Some form of mandatory participation might be in order. Keeping the governance light, reducing existing barriers to quality, and increasing both user and discloser utilization of the system, will not be easy. There are some obvious essential policies that will be need to be implemented and some information that the government will need to mandate that childcare providers disclose.

Low Staff to Child Ratios and Small Group Size

There should be a minimal level of staff to child ratio according to the child's age that is mandated in order to be licensed. There also should be a maximum group size mandated in order to be licensed. Minimal licensing standards could be held apart from the targeted transparency system and perhaps provide the floor of any tiered quality rating system. Research has shown group size and staff ratio predict quality. It is known that lower ratios and smaller groups are better for children. "Across all non-maternal settings (fathers, grandparents, in-home sitters, childcare homes and centers), the comprehensive National Institute of Child Health and Human Development (NICHD) Study of Early Child Care found lower child/adult ratios and group sizes to be the strongest predictors of positive (i.e. sensitive, warm, responsive and cognitively stimulating) infant care giving (Kreader, Ferguson, Lawrence, 2005). Each provider would be required to meet established minimum standards. Providers would also be required to disclose their actual group sizes and staff to child ratio.

Caregiver Training

Currently, Michigan is one of three states with no training requirement in order to become a family childcare provider. It is the only state with no requirement for on-going training for group home providers (Terry, Griffith, 2005). Research shows that quality is better when the caregiver has more education and has received specialized training in fields such as child development. A recent "study with a toddler focus found that higher levels of caregiver formal education, specialized training, and recent child-related training predicted higher quality care" (Kreader, Ferguson, Lawrence, 2005). Higher education levels of caregivers is associated with higher quality" (Kreader, Ferguson, Lawrence, 2005). Teachers with a four year bachelor's degree were found to be more "sensitive, responsive, and constructive and had children with stronger receptive vocabularies than those teachers with less education" (Terry, Griffith, 2005).

Therefore, licensing should require some minimal level of education and targeted transparency should require disclosure of the education level of the childcare provider and also all specialized training the provider has completed.

Tiered Reimbursement Related to Quality

Higher wages are associated with quality care" (Kreader, Ferguson, Lawrence, 2005). But providers feel that "This is one of those professions that added training won't get compensated by a raise; families can only pay so much" Kent County Childcare Provider, with four years in the field (Terry, Griffith, 2005). In order to make targeted transparency work in improving childcare quality, there will need to be some sort of subsidy paid out to providers based on quality. In Kent County, a sub-committee for Early Childhood has devised a merit system for childcare. It is a tiered system of care based on quality. No provider is required to participate, but there are financial rewards for participation. (See Attachment A)

Devising an Enforcement Mechanism

The most readily available and logical source for an enforcement mechanism for targeted transparency would be State of Michigan Child Care Licensing. However, the current picture of licensing is bleak. According to the Office of Children and Adult Licensing, Division of Child Day Care Licensing (OCAL-DCDCL), as of January 2007 there were approximately 16,286 licensed early education and care providers and facilities in the State of Michigan serving about 373,121 children. There were 61 childcare-licensing consultants in the state to make initial, regular and follow up visits as well as perform investigations for all these facilities. "This puts Michigan in the bottom 15 states with an average caseload of 295 facilities per consultant. The nationally recommended average caseload size is 75 per consultant (State of Michigan, Early Childhood Investment Corporation, 2007). The State of Michigan is exploring a quality rating improvement system (QRIS) that could include principles of targeted transparency. However, without additional resources such a system is doomed. "Without the addition of necessary licensing consultants, a successful QRIS is unattainable (State of Michigan, Early Childhood Investment Corporation, 2007). Locally, however, Kent County is pursuing means to deliver a QRIS for the community by pursuing funding sources other than the State Of Michigan.

Provider Buy-In to Targeted Transparency

Providers in other states where there are quality-rating systems have been surveyed. Their comments indicate that it is possible to obtain provider support, a key element to sustainability of a targeted transparency system. A dozen directors of childcare centers were interviewed about the quality rating system in their state. They were selected by state officials to represent a cross section of program sizes, locations, and ratings. "Though they all started at different star levels, they all acquired more stars—and directors strongly believe—more quality, because of their participation in their state's QRS" (Friedman, 2007). "All but one director said she got the support she needed to enter the system and then increase her star rating" (Friedman, 2007). Directors interviewed felt that the QRS in their states were making a difference in program quality. "Many in the field have always known that if you define quality and allocate resources to provide it, there will be progress" (Friedman, 2007). All of the directors interviewed advised other center directors to participate in their state's Quality Rating System, if they have the chance. "If you can do it, DO IT! I believe every child is entitled to high quality childcare…People should get on board to improve what they are doing. It has to be about the kids" Joyce Kinney, Colorado (Friedman, 2007).

Parents Buy In to Targeted Transparency

Parents want quality childcare for their children, but many times it seems a luxury that they cannot afford. While many want their choice of childcare to be based on quality, parents are often compelled to choose childcare by price, by location, or by what provider has openings. To make it possible for parents to choose quality, incentives could be given such as a dependent care tax credit, a voucher given by an employer, or a higher child daycare subsidy rate based on quality. As parents gain information about what is best for their child, they will seek out quality.

Marketing

Any quality rating system for childcare must be available for public inspection. Radio, television, print media, and the internet could be used to publicize both the QRS system as a whole and the individual ratings of providers. Programs should be required to display their ratings in a prominent setting. Providers could be taught and encouraged to use their rating to sell their program in the community.

An Effective Targeted Transparency Childcare System

Targeted transparency for childcare has good odds for success. In the following chart, the viability of targeted transparency is assessed in relationship to political sustainability.
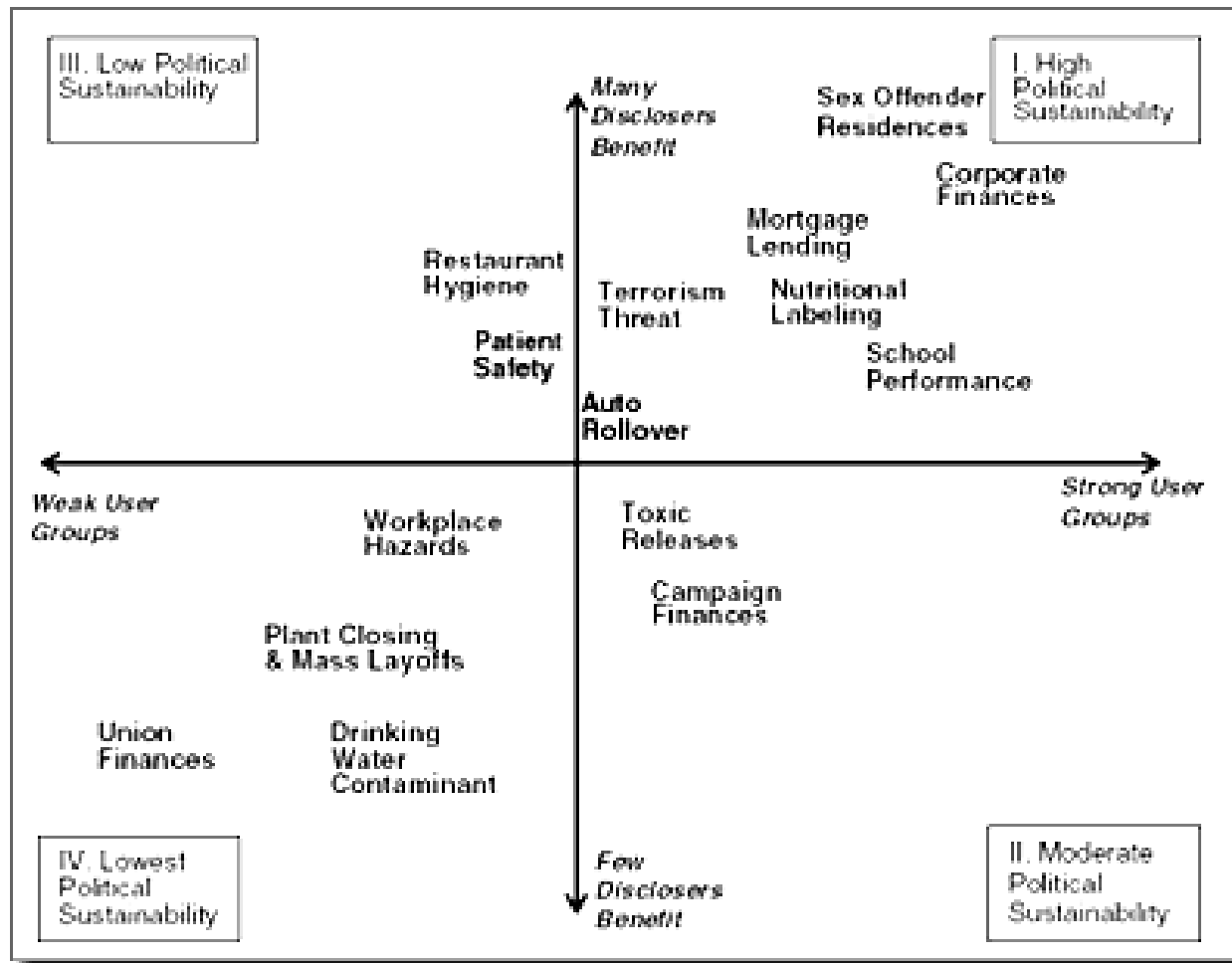
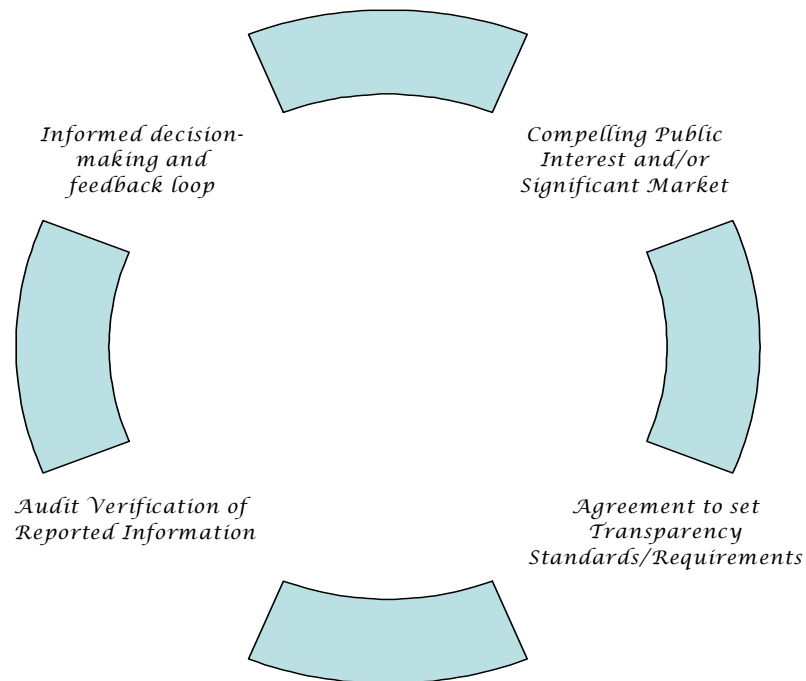Source: "Full Disclosure: The Perils and Promise of Transparency":

Childcare with the assistance of some key policies and investment could be placed in the high political sustainability quadrant. Disclosers (childcare providers) will find benefit in targeted transparency particularly if it leads to increased wages and benefits in the field, a higher degree of professionalism, and better morale. Users (parents

needing childcare) want to have quality care for their children. Therefore, as the accuracy and quality of information about childcare becomes available, they will base more of their decisions on that information (Fung, Graham, Weil, 2007). As they are able to base their decisions on quality, they will influence the product being provided—childcare—toward greater quality. Providers will begin to compete to earn the highest quality rating.

A targeted transparency system for childcare has the potential to be highly effective. Its effectiveness will be demonstrated when it becomes apparent that parents are accessing information in order to choose the highest quality care available; when the quality of care offered by providers is improving as evidenced by higher grades or more stars; and finally when children are doing better in school, are meeting developmental milestones, and are thriving.

Childcare—Just the Beginning

Childcare serves as an example of how transparency might be used to regulate a business. The blue print is simple though implementing is not as simple. The general basic blue print involves:

Informed decision-
making and
feedback loop

Compelling Public
Interest and/or
Significant Market

Audit Verification of
Reported Information

Agreement to set
Transparency
Standards/Requirements

Implementation can come in bits and pieces. Government, businesses and non-profits can begin to move toward transparency as best practice and as a response to the current outrage regarding corruption and unethical business practices. Consumers can reward transparency in their purchasing decisions. Government can mandate transparency where there is a public good involved or public funding. The strongest driving force, however, would be a public outcry for it.

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