



# COVID-19 Impacts on Child Care Providers and Families

*Higher Costs, Lower Enrollment Threaten Availability*

In March 2020, millions of parents suddenly found themselves without child care as daycare centers, preschools, and K-12 schools shut down due to COVID-19. Some parents were fortunate to be able to work from home — not that working from home while caring for young children is an ideal solution — while many others were declared essential and continued to fill their positions, whether or not they still had child care. Widespread shutdowns set many workers scrambling to arrange for family, friends or neighbors to watch their children or to find paid child care at one of the few centers that remained open. It was a difficult time for families across the United States.

The 2020-21 school year brought no relief for many of these parents. Some schools reopened their doors — many later in the year and with a hybrid model that allowed families to choose virtual instruction over the risks of in-person instruction. Other schools remained fully virtual through the fall semester. Parents still struggled to balance work requirements and the needs of their children, with the role of teacher added to many parents' long list of responsibilities.

But the COVID-19 pandemic did not create many of these challenges. It simply helped to reveal, and further erode, the already cracked child care foundation that existed in the United States. If states hope to support their residents during the pandemic recovery, they will need to find innovative ways to help child care providers stay afloat and to help parents access care for their children so they can continue to work.

## Inside

Child Care's Pre-Pandemic Issues	2
When Families Cannot Afford Child Care	2
Pandemic's Toll on Child Care Centers	3
Home-Based Child Care	4
What States Can Do	5

## Child Care's Pre-Pandemic Issues with Access and Affordability

According to the Annie E. Casey Foundation's Kids Count Data Center, by 2018, the parents of 67% of children under the age of 6 were active in the labor force. Parents obviously need care for their children while they work, yet a 2017 Center for American Progress study found that even before the pandemic, 51% of people lived in child care "deserts" — areas that lack any child care options or have less than one licensed child care slot for every three children. For families with school-age children, the misalignment between the length of the typical school day and the typical workday means that working parents often need to find care for their children either before school, after school, or both. Given that the recommended age before which children should not be left alone is 10, poor access to child care can be a decade-long problem for working parents.

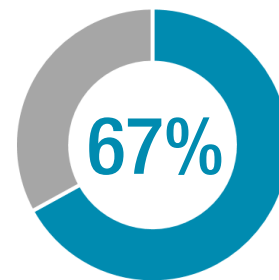
Where care is available, it is often too expensive for many low- and even middle-income families. In fact, according to Child Care Aware of America's 2020 estimates, by 2018 the average cost of care for one child required more than 10% of the national median income for a married couple with children under the age of 18. In a 2018 report the same organization found that costs for single-parent families eat up more than 27% of their median household income. And the average cost of before- and after-school care for school-age children is still substantial: between \$100 and \$125 per week in 2018.

## What Happens When Families Cannot Afford the Cost of Child Care?

One alternative to paid care outside the home is for one parent to drop out of the workforce, and that is exactly what is happening during the pandemic. And as when families face this decision in other times and situations, it is women who are more likely to be forced to leave their jobs. Researchers Zamarro, Perez-Arce and Jose Prados found that female employment dropped 13 percentage points between March and early April 2020 — three points more than employment for males. In the same study, 44% of women reported being the only adult in the household providing child care in April, compared to just 14% of men. The Brookings Institution reported that COVID-19 has been challenging for everyone but "especially harmful" to working women: a survey of 2,557 working parents in May and June 2020 found that women reported becoming unemployed due to a lack of childcare at twice the rate of men, and a later survey showed that mothers lost 2.5 times as many jobs as fathers between February and August 2020.

Being forced out of the workforce has long-term implications for families — especially low-income families. The Center for American Progress reported in 2016 that parents who leave the workforce to care for children tend to earn less when they return to it, which also reduces the retirement and social security benefits they earn over the course of a lifetime. In total, leaving the workforce can mean losing three to four times a person's annual salary for each year spent not working.

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When working parents are forced to leave the workforce due to a lack of child care it costs states, too. Families with lower incomes pay less in taxes and are less able to save for retirement, meaning that these parents are contributing less to state coffers and may rely more on public benefits as they age. These lost wages and tax revenues can add up to billions every year. In fact, for just those families with children younger than 3, inadequate child care costs parents, businesses, and taxpayers an average total of \$5,130 per working parent, per year — altogether about \$57 billion per year, according to a 2018 analysis by ReadyNation.

## When families of children under 3 lack adequate child care...

### Working parents lose



**\$3,350 per year**

in lost earnings, reduced work productivity, and time spent looking for work

### Businesses lose



**\$1,150 per year**

per working parent in reduced revenue and extra recruitment costs

### Taxpayers lose



**\$630 per year**

per working parent in lower income tax and sales tax

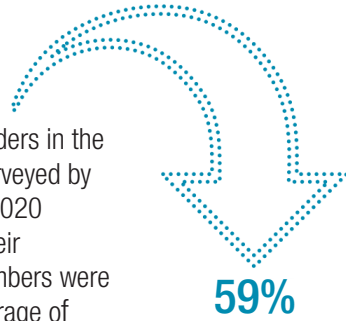
*Source: SREB, based on data from ReadyNation, 2018*

## The Pandemic's Toll on Child Care Centers: Rising Costs and Falling Enrollments

Before the pandemic, child care providers already operated on very thin margins, with much of their revenue paying for staffing costs. By July 2020, the National Association for the Education of Young Children reported that more than 70% of child care centers were facing significantly increased operating costs for staff, cleaning supplies, and personal protective equipment. One study produced by the Institute of State and Regional Affairs found that these additional costs added up to about \$22 extra per child, per week — costs that must eventually be passed on to families in the form of increased tuition rates.

Unfortunately for child care centers, increased costs related to the pandemic have been met with “dramatically reduced” enrollments, according to Child Care Aware of America’s 2020 analysis. This is supported by data from other sources — NAEYC found in July 2020 that 18% of child care centers and 9% of in-home child care providers remained closed. Procare Solutions, a major provider of child care management software, reported that 31% of the centers using its software remained closed as of the week of September 21.

Child care providers in the SREB region surveyed by NAEYC in July 2020 reported that their **enrollment** numbers were down by an average of



And many children have not returned when centers have reopened: an SREB analysis showed that the average attendance at these Procure centers in the SREB region fell 45% compared to the week of March 2, just before states began to issue stay at home orders. Similarly, 86% of NAEYC respondents surveyed in June reported serving fewer children than before the pandemic. An SREB analysis found that those surveyed in SREB states reported their enrollment numbers were down by an average of 59%.

Child care providers that remain closed have no income, but still have fixed expenses such as rent and insurance. Those that have reopened find themselves with increased operating costs and less tuition coming in due to lower enrollment. It is no wonder that child care providers are struggling.

### Home-Based Child Care: A Small but Important Piece of the Puzzle

Home-based child care providers have been able to help fill the child care needs for families with children who are not old enough to enroll in school. The Bipartisan Policy Institute notes that some states allowed home-based child care providers — sometimes called family child care providers — to continue operating even when most child care centers were closed due to stay-at-home orders in spring 2020. According to Home Grown, about two-thirds of home-based providers stayed open to serve children of essential workers.

The 2015 National Survey of Early Care and Education — the most recent data available — showed that some 118,000 state- or federally-recognized providers cared for 751,000 children ages five and under at that time. While they make up a fairly small proportion of overall child care providers, Home Grown explains that home-based providers disproportionately serve marginalized children, whose parents are more likely to have work schedules outside the typical 8 am – 5 pm shift. This is in part because home-based providers are able to offer flexible and nontraditional hours to meet the needs of working parents and can be more affordable than center-based care, says Linda Jacobson from K-12 Dive. Liz Bell of EdNC explains that home-based providers can operate in rural areas where there aren't enough children to support a child care center. Their small size and ability to maintain a consistent group of children and staff also means that it is easier to control COVID-19 risk.

Tuition paid by families is a main source of funding for home-based child care providers. But as Home Grown and Education Dive both report, home-based providers receiving state subsidies for serving low-income children often receive less than their center-based counterparts, and Home Grown argues that the subsidy rates set by states are too low — as a result, “home-based providers work long days for near poverty wages.” A licensed provider earns an average annual income of just \$29,377 and provides care for an average of 56.5 hours per week. It is little surprise that the federal Office of Child Care reports that some 97,000 family child care homes closed between 2005 and 2017.

A 2019 publication from the National Center on Early Childhood Quality Assurance provides more than a dozen ways states and localities can support home-based child care providers. These include creating family child care networks with paid staff who can provide consultation, professional development and other supports to providers. The center also promotes working with home-based providers to increase their participation in state early childhood quality rating systems and help them meet the qualifications for these systems.

## What States Can Do to Help Families and Child Care Providers

The three relief packages passed by the United States Congress in 2020, including the CARES Act, provided much-needed assistance to families, businesses, and states. Funds included \$3.5 billion for the Care and Development Block Grant Program, which states and localities have used to help keep child care providers open and help families pay for alternative child care arrangements. Any future relief packages are likely to include additional funds for these purposes.

For example, states like Michigan and Georgia are using some of their CARES Act funds to subsidize care for school-aged children who have limited or no access to in-person learning. Michigan's FY2021 budget includes \$18 million for child care subsidies for school-age children with no in-person school option.

Georgia created a scholarship called SOLVE for children ages 5-12 whose publicly funded schools are offering in-person learning for less than 50% of the time. Eligible families can use the scholarship to pay for "care, supervision, and support during the school day while students are engaged in virtual learning." Some center-based child care providers have recognized the need for care for school-aged children and altered their models to offer virtual learning support. The SOLVE scholarship thus benefits both families and child care providers: parents in qualifying families can continue working while their children are safely supervised and participating in school, and providers can use the additional funds brought in to help support themselves through the pandemic.

Some localities have also partnered with other groups to provide child supervision for families for whom virtual learning is the only option. In Virginia, eight jurisdictions in the Virginia Peninsula contributed part of their CARES Act funds to support a regional collaborative called Care and Supervision for School-Age Children (CASSAC), created by United Way of the Virginia Peninsula and Smart Beginnings of the Virginia Peninsula. Like the SOLVE scholarship in Georgia, this collaborative provides up to 100% tuition assistance to qualifying families and important financial support to child care providers who expand their capacity to include supervision for school-age children who are learning virtually.

Given the already high cost of child care and additional financial stresses caused by the COVID-19 pandemic, increased child care tuition is a burden that many families simply cannot bear. A lack of access to care due to the pandemic's effect on child care providers puts further pressure on families. For families who continue to rely on non-family child care providers, the challenge of accessing care still stands, with fewer providers open and fewer slots available. What do you do if there are simply no providers near you with openings?

States will need to work to address the issues that existed before the pandemic, as well as grapple with the new and exacerbated challenges it created. Existing state funds and funds from another round of federal stimulus can be used to support child care providers — including home-based providers — and help parents who are already struggling continue to work by ensuring that their children have care. States and localities have already shown ingenuity in the face of this extraordinary challenge. Now they must continue to find innovative ways to help their residents weather the storm.

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