Child Care a Necessity for Rebuilding the Economy

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Long before COVID-19 turned the world upside down, many families faced enormous difficulties finding and paying for care for their young children. The supply of child care has been on the decline in most states for years, according to Child Care Aware of America, a nonprofit advocacy group for providers. And families who can find an open spot pay more than $9,000 a year on average for children age 4 and younger.

Some families are particularly underserved, including those with parents who work nontraditional hours; live in rural communities; have an infant, toddler or child with special needs; or are immigrants. Lower-income families in need of financial assistance for child care also face unlikely odds. Research by the Center for Law and Social Policy, a nonprofit advocacy group, shows that only 8% to 12% of eligible children actually receive subsidized care.

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Meanwhile, child care providers, the majority of whom are female, self-employed and work out of their homes, earn perilously low wages and often lack access to health insurance, paid sick leave and other employee benefits.

Low child-adult ratios in child care settings help to ensure children's health and safety and to support their development and learning. Meeting ratios, however, can mean high labor costs for child care business owners, many of whom barely break even. At an average wage of just over $11 an hour, the poverty rate for child care workers is twice that of workers overall and is even higher for women of color in this workforce.

These dual challenges—parents who can't afford to pay more and child care providers who can't afford to make less—have created serious cracks in the foundation of the nation's child care industry. Add a global pandemic that has permanently shuttered many small businesses (including child care facilities), sent millions of Americans into unemployment and created a sudden demand for care for older kids attending school online, and it becomes clear why many believe the child care industry is on the brink of collapse.

COVID's Early Impact

When most K-12 schools across the country were ordered to close in March, early-childhood educators received a different directive. Through executive orders, most governors filed "child care" under "essential services," allowing providers to stay open, at the very least to serve the children of essential workers. States acted quickly to ensure that first responders and other front-line workers were connected with child care providers who had openings, and many states covered some or all of essential workers' child care expenses.

Child care providers who continued to operate while the economy slowed saw attendance drop significantly. Many parents kept their children home to avoid exposure to COVID-19 or because they no longer needed or could afford care due to pandemic-related unemployment or income loss.

For licensed in-home child care provider Celeste Joyner of Baltimore, this meant going without much of her income for a month. Joyner, who is self-employed, has cared for children age 5 and younger out of her home for more than 24 years. Between mid-March and June, she cared for just two children (whose parents were essential workers) instead of her usual eight, drastically cutting her income. By the time the state released child care relief funds at the end of April, she had laid off her assistant teacher and burned through most of her personal savings.

Many of Joyner's peers could not withstand the lapse in income. Others feared the health risks of staying open and subsequently closed permanently. In April, a national survey of child care providers revealed that 40% believed they risked permanent closure if they did not receive financial assistance quickly. If this proves true, it will mean that roughly 4.5 million fewer children will have access to child care. Since February, the child care field has lost one in five jobs.

Morgan Hall, a fiscal and budget analyst in the Georgia House of Representatives, feared she might lose her son's child care spot when she decided to keep him home in March. As the number of COVID-19 cases began to climb, Hall worried her husband could be exposed through his work as a paramedic. When the Georgia legislature suspended its session, Hall worked from home and opted to keep her son Samuel, who's 1 1/2, with her to avoid the chance of his contracting or passing anything on at child care. The change in routine proved difficult. "The first couple of weeks of him being home was very hard on both of us. … That was a whole different beast I had never prepared for," she said.

Even with Samuel at home, Hall continued to pay his child care center for the next several weeks. "That was a struggle," she said. "But at the same time, I work on economic development policy, so I looked at it from the business perspective. I thought, 'I'm going to keep paying for this because I want them to be there when this is over.'"

Continuing payments despite closures is not an option for all parents, nor is it a reliable means of staying afloat for child care providers. Most providers were not able to depend upon tuition from parents during closures, according to a survey conducted in the spring by the National Association for the Education of Young Children, a nonprofit advocacy group.

Federal Funds Arrive

The federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided $3.5 billion to stabilize child care and gave states leeway in how to distribute the funds. Two commonly used mechanisms of supporting child care providers were direct grants and subsidies based on enrollment rather than attendance.

Some providers were eligible for financial support through the Paycheck Protection Program, which was designed to help small-business owners avoid permanent closure. The National Association for the Education of Young Children estimates that half of all child care providers nationwide applied for a paycheck protection loan, though many voiced concerns over taking on additional debt or loans. In-home family child care providers were less likely than center-based providers to be approved for such loans. In the end, half the providers who applied, representing approximately one-quarter of child care businesses, actually received a loan.

Administrators of the All Souls Early Learning Center in Englewood, Colo., secured a paycheck protection loan and used the funds to continue paying their preschool teachers when the school closed in March. When the school reopened for summer camp in June, some higher-risk teachers were unable to return to the classroom, requiring the school's director, Sally Wallace, to quickly replace them. "The biggest challenge," Wallace said at the time, "is finding qualified early-childhood teachers that meet the qualifications for licensing. It was a challenge before this; now it is nearly impossible."

Despite a drop in enrollment from 110 to 90 preschoolers, Wallace had to add a classroom—and two teachers to staff it—to reduce teacher-student ratios and meet new social distancing requirements. Costs for cleaning supplies, thermometers and personal protective equipment for staff ballooned the school's budget. Wallace used to spend about $1,500 a year on cleaning supplies; by September, she had spent more than $3,000.

Business costs are also rising for Joyner, the Baltimore-based in-home provider. Her water bill has nearly doubled, she presumes from increased hand washing. She installed a new faucet with a sensor to reduce water consumption and raised her rates to cover the added expenses.

Her latest challenge is supporting the three elementary students who are attending school virtually while in her care. Adding two kindergartners and a second-grader who participate in online classes has helped Joyner get back to her pre-pandemic income, but she confesses it has been a stressful adjustment. “It’s hectic. I’m having to run between the virtual learners in one room and the little kids in another. It’s a lot.”

Policymakers Respond

Since passage of the CARES Act, federal lawmakers have yet to agree on additional financial support for child care providers or parents. The Child Care Is Essential Act and Child Care for Economic Recovery Act, both of which passed the U.S. House with bipartisan support in July, would provide more than $60 billion for child care and a number of child care-related tax reforms. The Senate’s Health, Economic Assistance, Liability Protection and Schools (HEALS) Act would allocate $15 billion to child care.

Without additional federal funding, state lawmakers may be limited in how they can help providers and parents. Legislators in Michigan recently considered several bills aimed at expanding child care access through existing providers. House Bill 5976 would allow providers to care for more children before and after school hours.

“Access to child care was among the most important issues facing working families in Michigan before the pandemic, and it certainly is now,” Representative Pauline Wendzel (R), the bill’s sponsor, says. “As some schools choose to go virtual, and traditional afterschool activities are canceled or go digital, hardworking families shouldn’t have to choose between caring for their child or their career.”

The sudden demand for care for older children starting the school year online in nearly half of all school districts nationwide has been an additional shock to a child care system that has struggled to right itself after a turbulent spring and summer. When Pennsylvania Representative Patty Kim (D) learned her local school district would be online this fall, she helped to create “community classrooms.” In partnership with local nonprofits and faith-based organizations, Kim recruited volunteers to supervise school-aged students while they attend class online. Host sites follow health and safety guidelines, and background checks are conducted for volunteers ranging from retired adults to young professionals. Parents appreciate the more structured environment the sites provide for their children to focus on learning. Kim’s model has been replicated in other Pennsylvania districts, and she is seeking funding to support its expansion statewide.

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Meanwhile, Kim's colleague Representative Liz Hanbidge (D) hopes to tap into the state's remaining COVID relief funds to help parents and essential workers pay for child care and stay in the workforce. "The more capacity people have with respect to child care, the more they're able to work, and the more money that goes into Pennsylvania," she says. Her legislation, HB 2810, would allocate $100 million for lower-income working parents who earn more than 200% of the federal poverty level and therefore do not qualify for the state's child care subsidies. Another of Hanbidge's bills, HB 2809, would use an additional $100 million to cover child care costs for essential workers. Both bills have been referred to the House Children and Youth Committee.

The Road Ahead

As of July, 18% of child care centers and 9% of family home-based providers nationwide remain closed. Of those still in business, 87% report caring for fewer children than before the pandemic while also covering additional business costs due to increased staffing to meet social distancing requirements and the purchase of additional cleaning supplies and PPE. Yet many states have decreased or stopped offering financial support to providers and parents.

Without additional support, researchers expect more child care providers will exit the profession, leaving working parents in the lurch. Without child care, parents—mostly mothers—will end up reducing their work hours or leaving the workforce altogether. Supporting the communities and populations hit hardest by the child care crisis will be critical to states' economic recoveries.

"As we look to rebuild a healthy state and a healthy economy," Michigan's Wendzel says, "it's essential that the legislature does everything we can to make sure every member of our community is brought along in the recovery."

The uncertainty of receiving additional federal funding puts states in the difficult position of trying to figure out how to support providers and families moving forward. Legislators on both sides of the aisle acknowledge that rebuilding the child care system and supporting their state's economic recovery go hand in hand. "As we're having conversations about rebuilding post-COVID," Pennsylvania's Hanbidge says, "we need to give credence to the fact that child care is part of that conversation."

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Additional Resources

- Early Childhood Policy Overview
- The Early Care and Education Workforce
- Magazine: "State Uses of the CARES Act Coronavirus Relief Funds"