

PIECING TOGETHER SOLUTIONS

Childcare: An Essential Industry for Economic Recovery



SEPTEMBER 2020

Executive Summary

The public health crisis of COVID-19 has had a devastating effect on the childcare industry. According to a survey by the National Association for the Education of Young Children, nearly half of childcare providers closed their facilities during the COVID-19 shutdowns.¹ While many providers have now re-opened with limited capacity, 86% are serving significantly fewer children than they were prior to the pandemic; on average, enrollment is down by 67%.² Two out of five childcare providers are certain that they will close permanently without additional public assistance.³

Prior to the pandemic, there were approximately 675,000 childcare providers in this country, predominately small businesses, who were already operating on thin margins.⁴ At a minimum, it costs \$1,230 per month to provide center-based care for an infant and \$760 per month for a preschooler.⁵ These costs represent a program that meets minimum state licensing standards and pays their workers industry-standard wages. Childcare is one of the lowest-paid professions in the United States; the average early childhood teacher makes just \$10.72 per hour.⁶ Even with low payroll costs, childcare centers need a minimum number of children enrolled in order to be financially sustainable. However, almost two-thirds of childcare centers are small businesses serving less than 75 children and are struggling to break even.⁷

Childcare is essential to a healthy economy. In the fall of 2019, the U.S. Chamber of Commerce Foundation conducted a series of surveys, which led to the creation of four reports, referred to as **Untapped Potential**, to better understand how childcare challenges affect parents' participation in the workforce, affect employers' ability to recruit and retain skilled workers, and impact state economies. This study found that childcare challenges, such as breakdowns in care, affordability, or lack of access, contribute to parents postponing school and training programs, forgoing promotions because of schedule changes, and sometimes leaving the workforce altogether. In the four states studied, these childcare issues resulted in anywhere from \$479 million to \$3.47 billion in estimated annual losses for their economies, with specific direct and indirect impact to employers in those states. These losses were significant to families, employers, and states when economies were strong and unemployment was low.



United Community Center in Milwaukee, Wisconsin

¹ National Association for the Education of Young Children (March 17, 2020). *Child Care in Crisis: Understanding the Effects of the Coronavirus Pandemic*.

² Travers, K. and Weinstein, J. (June 22, 2020). *Coronavirus is pushing the US childcare industry to the brink of collapse: Advocates*. ABC News.

³ Center for American Progress (April 24, 2020). *Coronavirus Pandemic Could Lead to Permanent Loss of Nearly 4.5 Million Child Care Slots*.

⁴ <https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf>

⁵ Center for American Progress (April 24, 2020). *Coronavirus Pandemic Could Lead to Permanent Loss of Nearly 4.5 Million Child Care Slots*.

⁶ Ibid.

⁷ Ibid.

EXECUTIVE SUMMARY

Now, several months after that study, working parents are facing new, complicated childcare challenges caused by COVID-19. With many childcare providers closed or at limited capacity, both parents and providers are struggling to find solutions. With that in mind, the U.S. Chamber of Commerce Foundation is in the midst of a longitudinal study to understand how childcare challenges affect working parents and their employers in the unprecedented times of COVID-19. Over the next few months, the Foundation will be releasing findings and insights from multiple angles of those impacted by the childcare challenges, including parents, employers, and childcare providers.

In this study we interviewed 18 different childcare providers about the impact of COVID-19 on their business as well as their concerns and priorities for the future. We interviewed a variety of provider types from large, for-profit centers to local nonprofit organizations to home-based providers. While their specific situations and responses were different, several key themes arose from those conversations:

1

Meeting Needs While Balancing Costs

Providers recognize that they play a pivotal role in the life of working families, and they are dedicated to providing childcare services. However, decreased enrollment and increased costs have left most providers, both for-profit and nonprofit, in an unsustainable financial situation.

2

Managing Health Risks

While providers are diligently following health and safety guidelines and taking every precaution, they also recognize that continuing to operate inherently puts their staff and children at risk. The top priority for providers is understanding how to safely care for young children, understanding that a COVID-19 diagnosis is seemingly inevitable in several geographies, even with the utmost precautions.

3

The Interconnected Nature of Childcare

Childcare is closely tied to — and affected by — how parents return to work and how students return to school. However, many childcare providers are not being included in key discussions with their local school districts or business communities. Employers, local school districts, and childcare providers all have common interests but rarely are childcare providers included in the decision-making processes of which they are both deeply impacted and influential.

“The first week, we were chasing the virus ... Quickly we realized we could not do a good job even if we could have kept all our centers open. We voluntarily shut down most centers to only serve essential workers.”

– Large for-profit childcare provider

Meeting Needs While Balancing Costs

Many childcare providers closed temporarily at the beginning of the COVID-19 outbreak, though most have re-opened in some capacity.

The majority of providers we spoke to closed temporarily at the beginning of the pandemic. Some providers were forced to close due to local or state mandates, whereas others chose to close to better understand how to safely provide services. Whenever possible, programs that closed to their regular families attempted to stay open for essential workers. This worked in areas with a large population of essential workers but was not possible in other areas.

Most providers have now re-opened, gradually increasing capacity as local or state public health guidelines allow. A few providers have chosen to remain closed while they watch local trends in the outbreak, especially in areas that have experienced a significant increase in cases, such as Florida or Texas. In particular, home-based providers have had to make difficult decisions around closing. Some have chosen to remain open for essential workers, while others feel uncomfortable about allowing other children into their home.

“On June 1, our teachers came back to the classrooms for a very short day. For the first two weeks we staggered the groups. The [staff] needed to get used to the new protocol. On June 8, we opened all centers ... [but] the family childcare homes said they didn’t feel comfortable welcoming the children into their homes.”

– Miami chapter of a large nonprofit childcare organization

MEETING NEEDS WHILE BALANCING COSTS

Childcare providers of all types across the nation have experienced a steep decline in enrollment.

Every childcare provider we spoke to had experienced a decrease in enrollment, and most are currently operating at around 50% capacity. The three primary reasons for this decrease in enrollment are (1) many states have limited the capacity of childcare classrooms; (2) parents are concerned for the health and safety of the children and choose not to send them to childcare; and (3) parents have been laid off or directed to work remotely and do not currently need childcare.

Even if all parents were comfortable going back to their previous childcare arrangement, most providers can no longer handle that capacity due to state regulations around staff-to-child ratios. In some situations, this has forced providers to make difficult decisions about which children they can care for. They generally give priority to children of essential workers or parents who cannot work remotely, but these decisions are difficult for every provider.

“We’re still in the protocol of 10 people per space – two teachers and eight children. In a preschool classroom, we’re used to 17 children. How is everyone deciding which children are coming in?”

– Miami chapter of a large nonprofit childcare organization



Wanda's Little Hands Educational Center in Raleigh, North Carolina

PROVIDER SPOTLIGHT

Journey Discovery Center

LOCATION:

Spokane, WA



PROVIDER TYPE: Individual center

CHILD AGE RANGE: 0-5 yrs

STAFF SIZE: 20 full-time, 8 part-time

NUMBER OF ATTENDING CHILDREN:
65 (89 before COVID-19)

EXAMPLES OF CURRENT SAFETY PRECAUTIONS:

- Drop-off & pick-up in parking lot
- Temperature checks at door (children & teachers)
- All adults in masks
- Smaller group sizes
- Completely separate "PODS" throughout the program, no mixing of children or teachers
- Early closure to disinfect daily
- Optimized HVAC system to reduce germ spread
- Installed hand sanitation stations and touchless faucets & dispensers

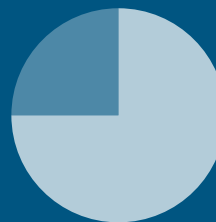


LENGTH OF COVID-19 CLOSURE:

Remained open

PERCENT OF CHILDREN CURRENTLY ATTENDING:

75%



of pre- COVID-19 enrollment is currently enrolled and attending

PERCENT OF STAFF RETAINED:

100%*

*20% turnover due to COVID impacts such as caring for older family members, grandchildren, etc. Have re-hired to fill 100% of positions.

MEETING NEEDS WHILE BALANCING COSTS

Some providers have laid off or furloughed employees due to lack of revenue or funding.

Some local for-profit organizations were able to access small business supports, such as the Payroll Protection Program (PPP), that was provided under the CARES Act to pay staff to avoid layoffs. However, home-based or smaller providers generally **did not access this funding** and had to lay off staff in some instances. Some home-based providers did not apply for PPP because the application process was not clear, were afraid of the long-term tax implications, or did not have established banking relationships.

Programs receiving Head Start/Early Head Start funding did not have to lay off or furlough employees as the Head Start program has continued to provide funding for employees throughout the pandemic. However, many of these providers are unsure how long they will continue to receive their current level of funding if enrollment levels do not increase.

In many cases, providers have needed to lay off or furlough staff to continue operating. Some providers are worried about being able to bring back their staff when they increase capacity as their staff are receiving more money from unemployment benefits.

“We had to furlough everybody at the academy level when we closed. Many of them are making more on unemployment than when they’re working. That put us in a very awkward position.”

– Local nonprofit childcare provider in Texas

MEETING NEEDS WHILE BALANCING COSTS

Childcare providers have needed to quickly become experts on home-based services and wraparound supports.

Most providers that have closed or have limited their capacity are now providing home-based or wraparound supports. Home-based services include virtual learning sessions, lesson plans and activity guides for parents, and physical workbooks or activities. Wraparound supports include virtual check-ins with family members, essential supplies such as diapers, wipes, and formula, and gift cards or cash.

These providers often had previously existing relationships with families and understand the needs of their population. For example, virtual learning is more prevalent in higher-income populations as lower-income families often do not have access to personal computers or the internet. Providers serving low-income communities have focused on providing essential supplies and virtual consultation for parents to ensure they have the resources they need.

“We closed in the middle of March and immediately transitioned to emergency supply providers for the families. We had a couple of partnerships that allowed us to get access to diapers, formulas, cleaning supplies, books, art supplies, so we had drive-up pick-up activities on a Friday afternoon.”

– Chicago chapter of a large nonprofit childcare provider

“Within a week of the ‘stay home, stay healthy’ order, we had Zoom classes and closed Facebook groups to share what they were doing at home (split by classroom). We were sending out weekly things to do in the area that were still safe.”

– Local for-profit childcare provider in Washington

MEETING NEEDS WHILE BALANCING COSTS

Childcare providers are struggling to make ends meet amidst declining enrollment and increasing costs, and do not think they can continue their current form of operation in the long-term.

A significant decrease in enrollment and adjusted staff-to-child ratios have led to substantial losses in an industry that is already struggling with thin margins. While enrollment has decreased significantly, costs have increased for many providers due to new cleaning protocols, price increases on food and other supplies, and materials for virtual learning. Labor costs did not change for many employers as they need their full staff to help with the demanding health and safety protocols or virtual learning.

Many providers are unsure how they can continue to operate under the public health guidelines. The current situation is not financially sustainable for for-profit providers, and nonprofit providers are unsure whether they will continue to receive the funding they require. Childcare providers of all types recognize the essential role they play for families and the local business community. However, they are concerned about long-term sustainability under pandemic conditions.

“In the schools, we provided every family with a Hotspot and every student went home with a Chromebook. In Head Start we had guaranteed funding, and in the state we finally received word that they will give us additional funding to meet these expenses. The concern is that this extra funding is only temporary.”

– Local nonprofit childcare provider in California

“Funding doesn’t begin to cover the costs of lost revenue and the change in procedures, in addition to hard costs of supplies and wages. We cannot operate close to the capacity that we operated at pre-COVID.”

– Large for-profit childcare provider

“We can do this level until September, realistically. It wouldn’t be financially sustainable for us to do this long-term. We have been re-evaluating everything. We’re a for-profit program - is it better for us to be nonprofit? We are hopeful that if our economy is not safe to reopen, that there will be some direct support.”

– Local for-profit childcare provider in Washington

PROVIDER SPOTLIGHT

United Way Center for Excellence Demonstration School

LOCATION:

Miami, Florida



PROVIDER TYPE: Individual center, part of United Way of Miami-Dade and the Educare Learning Network

CHILD AGE RANGE: 0-5 yrs

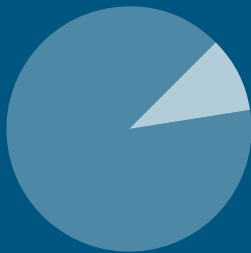
STAFF SIZE: 50

NUMBER OF ATTENDING CHILDREN: 116

ACCESSIBILITY:

10%

enrollment of children with disabilities

**LENGTH OF COVID-19 CLOSURE:**

Ongoing since March 13th (fully virtual)

6'

Children are kept six feet apart at naptime

EXAMPLES OF CURRENT SAFETY PRECAUTIONS:

- New pick-up/drop-off routine
- Intensified cleaning/disinfection efforts
- Masks on adults
- Temperature screen of children upon arrival
- Modify class ratios to ensure safety
- Modify hours of operation to allow for increased cleaning
- Individually prepared meals
- Plan in place in case of child or staff confirmed COVID-19 positive



Managing Health Risks

Health and safety guidelines are a priority for providers, but require additional resources that are difficult to obtain.

Providers are committed to following health guidelines to ensure the safety of the children and their staff, but it has been a difficult transition for most providers. Many providers need to hire additional janitorial staff, even with reduced enrollment, to keep up with rigorous cleaning protocols.

For smaller providers, especially those that are home-based, acquiring cleaning supplies has been very difficult because (1) cleaning supplies are often out of stock; (2) stores have placed purchasing limits on cleaning supplies, and providers may not be able to buy enough of what they need; and (3) the providers themselves often bear the cost of purchasing additional equipment or supplies, further cutting into operating margins.

“[New health guidelines] come at us very quickly. One of the things that keeps me up are how quickly things are changing and ensuring the health and safety of our children and staff. I want to make sure that I can sleep at night knowing we’ve done everything we can to provide them the safest work and learning environment as possible.”

– Local nonprofit childcare provider in California

**“Sometimes I shop
at 11 different
stores on one
weekend just to
locate the supplies
that I need.”**

– Home-based childcare provider in California

MANAGING HEALTH RISKS



Wanda's Little Hands Educational Center
in Raleigh, North Carolina

Childcare providers are adjusting operations to manage the risk to staff while providing necessary services.

Providers that have re-opened recognize that even when following all health and safety guidelines, they are still at risk of contracting COVID-19. Especially in states that are experiencing large, sustained outbreaks, providers recognize that staff and/or children being diagnosed with COVID-19 is a risk they must be prepared for.

For this reason, providers are concerned about the physical and mental health of their staff. This creates a difficult situation for both the provider and the staff. Owners and directors are wondering how to limit the exposure to their employees who are at risk simply by working, but necessary for the programs to remain open.. Along with physical health, providers recognize that they also need to be aware of their staff's mental health. Without healthy staff, organizations will not be able to provide this essential service for families.

“We opened the center [in the homeless shelter] with a lot of caution and we closed the center one week after we opened because three of our staff got diagnosed with COVID-19. In three other centers, we’ve had one staff member that is positive so then we follow the protocols with the children going home for seven days.”

– Miami chapter of a large nonprofit childcare organization

PROVIDER SPOTLIGHT

Pat-a-Cake**LOCATION:**

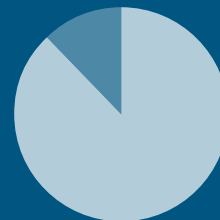
Riverside, CA

**PROVIDER TYPE:** Licensed in-home family childcare**CHILD AGE RANGE:** 12 months - 4 years**STAFF SIZE:** 2**NUMBER OF ATTENDING CHILDREN:** 14

Pat-a-Cake cares for a diverse group of families and children with a variety of developmental delays and disabilities such as Autism, Down Syndrome and speech delays.

EXAMPLES OF CURRENT SAFETY PRECAUTIONS:

- Temperature checks at the door prior to entry and throughout the day
- Hand washing upon entry and sanitizer throughout the day
- Extra toy and touch surface sanitation
- Sign in/out table is now placed outside of the home to limit the number of individuals entering

PERCENT OF CHILDREN CURRENTLY ATTENDING:**88%**

of pre- COVID-19 enrollment is currently attending (up from 50% in March/April)

Play time outside is lengthened, weather permitting

The Essential Nature of Childcare

Without access to affordable childcare, parents without job flexibility are forced to make difficult decisions.

Parents that are able to work from home are able to manage childcare by alternating work hours with their spouses or partners, traveling to extended family for support, working less hours, etc. However, parents that are not able to work from home still need childcare and have had to quickly find alternative childcare arrangements when providers closed.

These conditions exacerbate existing inequality. Higher-earning parents tend to have more job flexibility, whereas lower-earning parents are often essential workers that must find childcare. In these situations, parents may turn to family, friends, or neighbors for childcare.

“Some of the families are trying to have other family members care for [their children while they are at work]. Some are staying with older siblings, unfortunately, which is not what we would want.”

– Local nonprofit childcare provider in Florida



Modern Education Family Childcare in San Francisco, California

THE ESSENTIAL NATURE OF CHILDCARE



Mountain View Child Care in Troy, Vermont

The ability of working parents to return to work relies on the success of the childcare industry.

Whenever possible, businesses have shifted their workforce to remote work. However, as businesses look to returning to the office, childcare providers are concerned that those decisions may not align with employees' childcare needs. Most childcare providers cannot operate at full capacity in order to follow public health guidance and keep children and staff healthy. This means that they cannot serve all the families they served previously, greatly reducing their revenue. Many parents are caring for their children while simultaneously working from home, but as those parents return to work, there will be more families in need than childcare spots available.

Before the pandemic, affordable, high-quality childcare was already difficult for most families to find. Now, with many childcare providers closing or limiting availability, it will be even more difficult for working parents to find childcare. With fewer options, working parents will have to make difficult decisions about whether they can return to work. In a recent survey of working parents conducted as a part of this study, more than one in five parents were unsure whether they would return to work due to childcare and health concerns.

“We know at least in Washington State, we had 120,000 fewer spots than we potentially needed going into COVID-19. When we’re at risk of losing half of that —how are families going back to work? What about families who are not able to work from home?”

– Local for-profit childcare provider in Washington

“If we want our workforce to be at work, we need to figure out how to support this work in the childcare field adequately... Childcare, along with other essential workers, may need to be rethought.”

– Chicago chapter of a large nonprofit childcare provider

The future of the childcare industry is tied closely to how K-12 schools operate this school year.

As we asked providers about their key concerns over the coming months, many brought up that they are very concerned about the implications of the decisions that schools make as this affects (1) the ability of their own staff to return to work, and (2) whether early childcare providers will need to take on extra capacity to care for children who are not in school.

In many programs, especially those serving low-income populations, the staff represent the communities in which they serve. Many of their staff also have school-aged children at home that they need to care for. If schools do not return fully in the fall, their staff will be forced to make difficult decisions about whether to leave their jobs, leave their children at home unsupervised, or try to find another childcare solution.

Several providers mentioned that schools that have a virtual or hybrid model will need to account for those children when they are not in school. Since parents will most likely need to return to work, staff wonder where those children will go, if they will be at home unsupervised, or if childcare providers will be asked to take on extra capacity. Childcare providers are not part of the decision making process for K-12 school systems, yet those decisions greatly impact providers in their catchment areas.

“We have staff with children in elementary and middle school. If the school system goes to a hybrid model, elementary and middle school schedules might not match, so those staff might need to lose their jobs.”

– Miami chapter of a large nonprofit childcare organization

Implications and Additional Areas of Exploration

While access to high-quality childcare was a challenge before the COVID-19 outbreak, this pandemic has magnified the situation and stressed the fragile state of the childcare industry. This critical point in time is an opportunity for providers, policymakers, and employers to come together to re-evaluate the childcare industry and make adjustments to the business model to ensure providers succeed and working parents have access to high-quality, affordable childcare.

As businesses consider how they can help their employees safely return to work, they must first seek to thoroughly understand their employees' childcare needs. Many parents have found temporary childcare arrangements in order to continue working, but they still need long-term solutions in order to fully return to work. As of June 2020, more than one-third of parents felt they would need to change their current childcare arrangement within three months. Without sustainable childcare solutions, many working parents may be forced to cut back their hours, switch employers, or leave the workforce entirely.

Employers in other industries can also consider the role of childcare providers in the local business community. Most childcare providers are small business owners themselves, many owned by women and women of color, who could benefit from the relationships, network, and support of other local companies. Businesses can support these organizations by investing and supporting these business owners' development and growth, funding or offering space for operations, providing donations such as personal protective equipment (PPE), office supplies, furniture, services, or championing better policy. State and local chambers could also encourage childcare providers to join their membership and integrate more intentionally into the business community, taking providers' unique needs into account when advocating on behalf of the business community.

As the pandemic continues to evolve over the next several months and key decisions around schools and childcare programs are made, it will be critical to gather additional data to understand how working parents are re-evaluating their ability to return to work and the decisions they are making to revise their Childcare Equation in light of this pandemic. For this reason, the U.S. Chamber of Commerce Foundation will administer additional data collection in the fall for working parents and employers. After collecting and analyzing all data sources, the Foundation will be able to share more insights regarding employer priorities and needs, childcare provider challenges and plans, how working parents are navigating their return to work, and the potential implications on the economy if we do not address childcare challenges. ■

APPENDIX: SURVEY METHODOLOGY

PROVIDER TYPE	NUMBER OF INTERVIEWS	LOCATIONS
Large for-profit childcare provider	1	National
Large nonprofit childcare provider	3	National, Illinois, Florida
Local childcare providers (for-profit and nonprofit)	7	Texas, Washington, Maryland, Florida, California
Home-based childcare providers	4	California, Connecticut
University-based childcare providers	1	Georgia
Supporting organizations	2	National, Texas

Cover image:
Mountain View Child Care in Troy, Vermont

