COVID-19 Special Investigation Report:
The Childcare Industry in New England

Prepared August 2020
About the Author

Alicia Modestino

Associate Professor, Public Policy and Urban Affairs and Economics;
Research Director, Dukakis Center

Alicia Sasser Modestino is an Associate Professor with appointments in the School of Public Policy and Urban Affairs and the Department of Economics at Northeastern University. Dr. Modestino also serves as the Research Director of the Dukakis Center for Urban and Regional Policy. She is also a nonresident fellow at the Brookings Metropolitan Policy Program and an affiliate of the Abdul Latif Jameel Poverty Action Lab (J-PAL) at MIT. Previously, Modestino was a Senior Economist at the Federal Reserve Bank of Boston where she led numerous research projects on regional economic and policy issues.

Dr. Modestino’s current research focuses on labor and health economics including changing skill requirements, youth development, healthcare, housing, and migration. Her work has been funded by the William T. Grant Foundation, the Russell Sage Foundation, the National Science Foundation, the Boston Foundation, the National Security Agency (NSA), and J-PAL. She has published in peer-reviewed publications including Review of Economics and Statistics, Journal of Human Resources, Labour Economics, Health Affairs, Journal of Policy Analysis and Management, and Regional Science and Urban Economics. Dr. Modestino’s research has been covered extensively in the media including the Wall Street Journal, the Washington Post, Bloomberg, the Christian Science Monitor, the Boston Globe, Politico, and Vox. She has appeared on NPR’s On Point, WBUR’s Radio Boston, WCVB’s CityLine, NBC News, and FOX25 News.

Modestino holds both a master’s degree and a Ph.D. in Economics from Harvard University, where she also served as a doctoral fellow in the Inequality and Social Policy Program at the Kennedy School of Government.

About the Global Resilience Institute

Based at Northeastern University in Boston, MA, the Global Resilience Institute’s (GRI) research and educational mission is to develop and deploy practical and innovative tools, applications, and skills that drive social and technical changes, which strengthen the capacity of individuals, communities, systems, and networks to adapt to an increasingly turbulent world. Launched in 2017, GRI is the world’s first university-wide institute to respond to the resilience imperative. Today, GRI undertakes multi-disciplinary resilience research and education efforts that draw on the latest findings from network science, health sciences, coastal and urban sustainability, engineering, cybersecurity and privacy, social and behavioral sciences, public policy, urban affairs, business, law, game design, architecture, and geospatial analysis. GRI works in close partnership with industry, government, communities, and non-governmental organizations, as well as engages in external outreach to inform, empower, and scale bottom-up efforts that contribute to individual and collective resilience.
Impact of COVID-19 on Childcare

- **Childcare Industry:** Due to closures and plummeting enrollments, the childcare industry has suffered an enormous loss of revenue. A national survey of providers in April found that just 11% of providers could survive a closure of an indeterminate length of time without government support—and only 27% could survive a closure of a month. In New England, roughly 40 percent of Rhode Island providers that responded to a Department of Human Services survey said they are in danger of closing within a matter of months.

- **Childcare Workers:** Like other industries in the service sector, the childcare industry has suffered large job losses due to the pandemic. Between March and April, 351,500 child-care workers lost their jobs with just under one-third of those jobs having been recovered in May and June. Given that nearly half of all childcare workers were eligible for public assistance even prior to the pandemic, it is unlikely that they have sufficient savings to offset the loss of wages from being laid off or furloughed. For example, in New Hampshire, the state provided an extra $5 per hour in hazard pay which some employers matched with an additional $5 to be able to entice workers to stay on rather than take the enhanced unemployment benefits.

- **Parents:** For working parents, the continued uncertainty surrounding childcare and in-person instruction for school-aged children is unprecedented, with a multitude of consequences for family life, education, and earnings. Among working parents who reported needing care, nearly two-thirds (63%) of parents had difficulty finding childcare, including 33% who found it very difficult—nearly double what parents reported just six months ago. A recent survey conducted by Northeastern University between May 10 and June 22, 2020 revealed that 13.3% of working parents report that they have lost a job or reduced their hours due to a lack of childcare. On average, parents are losing a full day of work (8 hours) each week to address their children’s needs during the pandemic for a total of 15 hours per week per household.

Policy Considerations

Like many sectors of the economy, there are many pre-existing challenges that have been exacerbated by COVID-19. The pandemic has also created new long-term challenges.

- Margins have always been thin for providers but the imposition of restrictions on re-opening will likely mean that many providers will go out of business. These closures could lead to the loss of as many as 450,000 childcare slots nationally, undermining both the ability of parents to return to work and efforts to reopen the economy.

- Daycare was expensive for families prior to the pandemic but is likely to be even more so as the number of slots decreases and the cost per child increases due to space constraints, cleaning, and inability to share toys/supplies. The New England states have some of the highest costs for childcare.

In New England, where female labor force participation is higher, supporting the childcare industry is even more critical to preserving women’s labor force opportunities compared to other regions.

- The burden of childcare has typically fallen disproportionately on women when their family cannot find or afford childcare, and this has been exacerbated by the pandemic. A recent survey of working parents conducted by Northeastern University finds that among women who reported losing a job during the pandemic, 25% say it was due to a lack of childcare. In New England, where female labor force participation is higher, supporting the childcare industry is even more critical to preserving women’s labor force opportunities compared to other regions.

- Even before the coronavirus pandemic, black and brown families were more likely to live in childcare deserts with few childcare options. For example, according to Child Aware, nearly 1 in 3 children under age 6 in working families do not have access to licensed child care in Suffolk County, Massachusetts (e.g., Boston). In addition, the Northeastern University survey found that households that were low-income, less educated, and nonwhite were less likely to have any type of back-up childcare during the pandemic.
To date, recovery efforts have attempted to put a Band-Aid on a gunshot wound.

• Barriers to the application process for the Paycheck Protection Program (PPP) and the program itself have hampered its effectiveness in addressing the needs of the childcare industry. Only 53% of childcare centers and 25% of family childcare providers applied for a PPP loan and of those, only half of were approved for a loan—roughly equivalent to one-quarter of the childcare market. Even among those daycare providers who were fortunate to receive a PPP loan, they will be lucky to break-even as they re-open under the new public health guidelines. One daycare provider who owns multiple centers in Massachusetts shared their detailed budget which showed a financial swing from a net profit of $18,964 in March to a net loss of -$58,765 in July.

• Although a federal relief package in March provided an additional $3.5 billion for the Childcare Development Block Grant (CCDBG) for emergency support, the funding is not enough to keep childcare programs afloat for long and did not go to all types of providers. For example, in Massachusetts CCDBG funds will cover only $2,200 per month for eligible childcare centers in July and August. In the absence of substantial new funding, states will need to make tough decisions about how to allocate the limited CCDBG dollars. For example, during the Great Recession in 2008, funding for 120,000 childcare slots was cut in a single day. Without substantial funding, states will need to make tough decisions about how to allocate the limited CCDBG dollars.

• Although Congress expanded unemployment insurance benefits under the CARES Act to cover parents who had no choice but to stay home to care for their children while schools and day cares are closed, people have had difficulty accessing those benefits. Congress also enacted a temporary national paid leave program but few parents seem to know about it or have accessed it. Only one New England state, Rhode Island, already had a paid leave program in place prior to the pandemic.

Interconnecting Issues

Childcare is a critical piece of our economic infrastructure that enables parents to “get to work” just like roads and bridges do for commuters. A full economic recovery simply cannot happen if children do not physically return to schools and childcare programs.

• According to the American Community Survey, about one-third of workforce has a child under 14 in their household resulting in 50 million workers who may be seeking childcare as the economy re-opens this summer—of whom 30% have children under the age of 6.

• The obstacles that childcare imposes on workers during the COVID-19 crisis is widespread and not limited to just a few key industries or certain geographic areas. Thus, addressing childcare obligations as part of the nation’s “re-opening” strategy is vital for every industry and every state.

• Although workers might find alternatives to organized childcare, the aggregate labor supply effects are so large it will be necessary to address the needs of working parents when developing plans for restarting the economy.

• Even prior to the pandemic, American businesses lost an estimated $12.7 billion annually because of their employees’ childcare challenges. Nationally, the cost of lost earnings, productivity, and revenue due lack of childcare totaled $57 billion each year.

Recommendations

It imperative that policymakers in New England and at the federal level act quickly to put the childcare industry on life support until the pandemic can be brought under control. Otherwise, it is likely that there will be little left of the childcare system to support working parents who are a necessary component of the nation’s future economic well-being.

• The childcare industry is an essential component of the New England and U.S. economic recovery and should receive a large-scale and immediate bail out. One analysis from the Center for Law and Social Policy (CLASP) estimates that it will cost about $9.6 billion a month, for a total of more than $50 billion. Given that the cost of lost earnings, productivity, and revenue due to the childcare crisis that existed even before the pandemic cost an estimated $57 billion each year, such an investment would pay for itself in the near-term.

• Absent a full-scale bailout, the government should target the remaining PPP loan dollars towards the childcare industry and eliminate barriers for family daycare providers. These daycare operators are sole proprietors, some of whom may be unbanked, and additional oversight is needed to ensure that banks are not overly restrictive in their lending requirements.

• As daycares re-open in New England, we should be using this opportunity to learn about transmission of COVID19 among children and which public health measures are the most effective at limiting the spread of the virus. During the summer and fall, we should be performing random testing at daycares and day camps that are running under different state restrictions to make informed decisions about which restrictions need to remain in place (e.g. masks) and which could be lifted (e.g., class sizes).

• Once we have learned more about which public health measures are necessary to maintain safety in daycares, New England policymakers should consider loosening other restrictions that are less effective but costly to providers and developmentally inappropriate for children. We should acknowledge that COVID-19 public health restrictions are intended to mitigate, rather than eliminate, risk.

• Employers need to be part of the solution and it may be necessary to impose mandates that provide working parents with the flexibility and job stability needed to weather the pandemic for the long-term. Maintaining or even expanding pre-existing on-site daycares and expanding financial support for in-home care provided by a relative, babysitter, or nanny can help expand caregiving options for working parents.

• We need to extend the supports put in place by the CARES Act and the FFCRA and ensure that they can be accessed by working parents. Although these supports do not solve the childcare crisis, they do replace some portion of the income lost due to the lack of access to affordable daycare. Absent federal action, states should provide childcare grants directly to working parents to cover the cost of hiring in-home or family daycare.

It is imperative that policymakers in New England and at the federal level act quickly. ...Otherwise, it is likely that there will be little left of the childcare system ...
Although it may seem that the New England childcare industry would be in a better position to weather the pandemic due to the relatively low COVID-19 caseloads, states in the region have imposed even stricter requirements on daycare and school re-openings than in other parts of the country, pushing operating costs even higher. Moreover, the region has a higher female labor force participation rate and relies more heavily on paid daycare such that the impact on re-opening the New England economy is even greater than in other parts of the country.
The Childcare Industry in New England

1. Introduction and Context

The U.S. childcare system is an essential component of the economic infrastructure supporting the nation’s work force. Understanding the role of childcare in the economy, including the demand for and supply of services that shape the childcare industry is vital to forming effective childcare policy in response to the COVID-19 pandemic. This includes acknowledging pre-existing challenges such as the slim operating margins for providers, the lack of affordable care for families, the disproportionate burden that falls on women, and disparities in access for families in black and brown communities. In addition, the disruption caused by the pandemic has raised new concerns about the long-term viability of the childcare industry and the subsequent consequences for labor force participation and economic growth.

This paper provides an overview of how the childcare industry has been affected by the COVID-19 pandemic and offers policy recommendations for supporting this vital component of the nation’s economic recovery. A review of the childcare situation in New England is also included. Recommendations include increased funding for providers, a data-driven review of the costs and benefits of public health restrictions, and the extension of individual supports for working parents who need to take time out of the labor force to care for children. Existing recovery efforts to date have largely put a band-aid on a gunshot wound and it is imperative that policymakers act quickly to put the childcare industry on life support until the pandemic can be brought under control. Without massive public investment, the childcare system is likely to be decimated and unable to support working parents who comprise roughly one-third of the U.S. workforce and are a necessary component of the nation’s future economic well-being.

1.1 Overview and Significance of Childcare

While childcare can encompass a broad set of activities, here I define it more narrowly as the care of children by a day-care center, babysitter, or other provider while parents are working. Even within this definition, there is considerable variation in childcare arrangements from paid arrangements at daycare centers, summer camps, family in-home day-care providers, and nannies to unpaid arrangements with family and friends. The availability of paid childcare has played an increasingly important role in allowing parents with children to remain in the labor force. According to the U.S. Current Population Survey, nearly one-third (31.9 %) of children ages 14 and under were in a form of paid childcare in 2018. For preschoolers under the age of 5, about one-third (31.9 %) are reported in paid care. Figure 1 shows that the share of children in paid care has increased slightly since 2010. However, the use of organized (paid) childcare varies widely based on the demographic and economic characteristics of the child, mother, and household. For example, low-income families often use informal unpaid arrangements with family members or even trade childcare services with other families. Although these informal unpaid arrangements were also likely disrupted by stay-at-home orders, I will focus largely on organized (paid) caregiving in this paper for two reasons. First, despite shutdowns of daycare centers, some informal arrangements might have persisted. Second, these informal arrangements are difficult to quantify with existing data. Therefore, any estimates of the disruption to childcare caused by COVID19 presented here should be considered a lower bound.

The potential demand for childcare is large with roughly 60 million children ages 14 and under in the United States. About one-third (20 million) are preschoolers under the age of 5 and the remaining two-thirds (40 million) are school-aged children between the ages of 5 and 14.2 Families often use multiple care arrangements that also differ greatly for preschool versus school-age children. Typically, younger children are placed in organized (paid) forms of childcare compared to the older group for which school becomes the primary care arrangement—except during the summer months.

Preschool Children: Figure 2 summarizes the most recent data from the Early Childhood Program Participation (ECPP) survey describing childcare arrangements for preschoolers under the age of 5. In 2016, about 11.8 million (58.7 %) of children under age 5 participated in regular, weekly care arrangements with a non-parental provider.

![Figure 1. Share of U.S. Children in Paid Childcare by Age.](https://example.com/figure1.png)

- **Figure 1. Share of U.S. Children in Paid Childcare by Age.**

- **Figure 2. Primary Childcare Arrangement for Preschoolers age 0-4**


Organized childcare facilities were the most prevalent source of childcare, used on a regular basis by one-third (33.0%) of children under age 5. These include preschools, childcare centers (12.1%), and pre-kindergarten programs. Care provided by relatives (e.g., grandparents, aunts/uncles, siblings) was the second most common childcare arrangement accounting for one-fourth (24.6%) of all preschoolers. Other forms of nonrelative home-based care either at the child’s home or the home of a provider were used regularly by 13.4% (2.7 million) of preschoolers.

It is important to note that the use of organized (paid) childcare varies considerably by state. Figure 3 shows that the percentage of children under age 5 in non-parental care for at least 10 hours per week ranged from a low of 32.5% in Nevada to a high of 75.7% in the District of Columbia. New England’s rate of childcare usage is above the U.S. average (53.9%) in all six New England states, ranging from a low of 55.0% in Rhode Island to 69.7% in Massachusetts. As such, it will be important to tailor any response to the childcare disruptions caused by the COVID19 pandemic by geography, particularly in regions like New England.

### Table 1. Nonparental Childcare Arrangements of Preschoolers Under 5 Years (2016)

<table>
<thead>
<tr>
<th>Care Arrangement</th>
<th>Number of Children</th>
<th>Percentage of Total Care Arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Children under 5 years</td>
<td>20,059,111</td>
<td>100.0%</td>
</tr>
<tr>
<td>IN A REGULAR NONPARENTAL ARRANGEMENT</td>
<td>11,777,905</td>
<td>58.7%</td>
</tr>
<tr>
<td>Relative Care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grandparent</td>
<td>3,906,541</td>
<td>19.5%</td>
</tr>
<tr>
<td>Aunt/Uncle</td>
<td>622,550</td>
<td>3.1%</td>
</tr>
<tr>
<td>Sibling</td>
<td>170,239</td>
<td>0.9%</td>
</tr>
<tr>
<td>Other Relative</td>
<td>228,436</td>
<td>1.1%</td>
</tr>
<tr>
<td>Non-Relative Care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care Facility: Child Care Center</td>
<td>6,628,491</td>
<td>33.0%</td>
</tr>
<tr>
<td>Preschool</td>
<td>3,118,620</td>
<td>15.5%</td>
</tr>
<tr>
<td>Prekindergarten</td>
<td>1,080,688</td>
<td>5.4%</td>
</tr>
<tr>
<td>Other Nonrelative Care</td>
<td>2,696,451</td>
<td>13.4%</td>
</tr>
<tr>
<td>Own Home</td>
<td>754,859</td>
<td>3.8%</td>
</tr>
<tr>
<td>Provider home</td>
<td>1,808,757</td>
<td>9.0%</td>
</tr>
<tr>
<td>Both Own and Provider</td>
<td>132,835</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other Home Care</td>
<td>110,648</td>
<td>0.6%</td>
</tr>
<tr>
<td>NO REGULAR NONPARENTAL ARRANGEMENT</td>
<td>8,281,205</td>
<td>41.3%</td>
</tr>
</tbody>
</table>


School-Aged Children: A little less than half (49.1%) of school-aged children receive some type of regular childcare. About 21.0% of all school-aged children participate in paid childcare on a regular basis such as that provided by childcare centers and home-based facilities. Again, the share of school-aged children in paid childcare is higher in New England ranging from 21.6% in Rhode Island to 34.9% in Vermont.

It is important to note that the use of organized (paid) childcare varies considerably by state. Figure 3 shows that the percentage of children under age 5 in non-parental care for at least 10 hours per week ranged from a low of 32.5% in Nevada to a high of 75.7% in the District of Columbia. New England’s rate of childcare usage is above the U.S. average (53.9%) in all six New England states, ranging from a low of 55.0% in Rhode Island to 69.7% in Massachusetts. As such, it will be important to tailor any response to the childcare disruptions caused by the COVID19 pandemic by geography, particularly in regions like New England.

2. Characteristics of families using paid childcare

The use of organized care varies by education level, household income, and racial composition. For example, two-thirds (67.5%) of parents with a bachelor’s degree or higher use regular weekly care...
versus less than half (44.6 %) of parents with a high school education or less (see Table 2). Relatedly, the share of children in regular care is approximately 50 % across all income ranges up to $60,000 but rises sharply among children from higher income households. The usage of non-parental care is 11.7 % versus lower than half (49.8 %) versus white (61.5 %) non-Hispanic parents.

Table 2. Characteristics of Children Under the Age of 5 by Childcare Arrangement

<table>
<thead>
<tr>
<th>Education Level</th>
<th>All Children</th>
<th>Regular Weekly Care</th>
<th>No Regular Weekly Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>2,048,589</td>
<td>778,058 38.0%</td>
<td>1,270,530 62.0%</td>
</tr>
<tr>
<td>High school diploma</td>
<td>3,913,075</td>
<td>1,878,390 48.0%</td>
<td>2,034,685 52.0%</td>
</tr>
<tr>
<td>Some college</td>
<td>4,830,193</td>
<td>2,866,853 59.4%</td>
<td>1,963,341 40.6%</td>
</tr>
<tr>
<td>College graduate</td>
<td>5,606,829</td>
<td>3,929,297 62.8%</td>
<td>2,087,542 37.2%</td>
</tr>
<tr>
<td>Graduate/professional</td>
<td>3,660,424</td>
<td>2,735,307 74.7%</td>
<td>925,118 25.3%</td>
</tr>
</tbody>
</table>

3. Overview of the childcare industry

Most organized childcare providers operate as formal business entities, either public or private, and are regulated and taxed by both state and federal authorities. In 2016, this formal sector of the childcare industry consists of a large network of nearly 675,000 small businesses, generating revenues of $47.2 billion and accounting for more than 1.5 million workers. Although three-quarters of children are served by 75,000 large childcare centers that operate as employers (e.g., nursery schools, preschools, Head Start programs, summer camps, and facilities associated with religious organizations and companies), most childcare providers are home-based businesses operated by a sole proprietor (non-employers).4

The cost of organized childcare is steep and varies widely based upon the age of the child and the type of childcare provider chosen. The median cost of care across the states is generally much higher for younger children than for older children, and higher in childcare centers than in family childcare homes (see Table 3). For infants, the median cost of annual care is roughly $7,900 in a family childcare home and $10,750 in a childcare center. Care for 4-year-olds ranges from $7,150 per year in a family childcare home to more than $8,600 in a childcare center. The annual cost for school-aged children ranges from just less than $4,000 in a family childcare home to $4,200 in a center. Costs vary widely across states due to both regional cost of living as well as state differences in required staff-child ratios and safety standards with the New England states have some of the highest costs for childcare.5

Table 3. Annual Cost of Full-Time Childcare by Provider Type and Child’s Age

<table>
<thead>
<tr>
<th>In A Regular Arrangement</th>
<th>Median</th>
<th>50-State Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant</td>
<td>$10,759</td>
<td>$5,307-23,666</td>
</tr>
<tr>
<td>4-year-old child</td>
<td>$8,672</td>
<td>4,670-18,857</td>
</tr>
<tr>
<td>School-age child</td>
<td>4,239</td>
<td>1,987-14,245</td>
</tr>
<tr>
<td>ANNUAL FEES FOR FULL-TIME CARE IN A CHILD CARE CENTER</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infant</td>
<td>$7,887</td>
<td>$4,570-16,737</td>
</tr>
<tr>
<td>4-year-old child</td>
<td>7,148</td>
<td>2,813-14,293</td>
</tr>
<tr>
<td>School-age child</td>
<td>3,947</td>
<td>986-8,844</td>
</tr>
<tr>
<td>ANNUAL FEES FOR FULL-TIME CARE IN A FAMILY CHILD CARE HOME</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Annual data for 2017. The median is determined using the reported cost for each of the fifty states and Washington D.C.

Despite slim profit margins, revenue in the childcare industry was growing steadily over time prior to the pandemic. Table 4 shows that total revenue increased 13.8 % between 2012 and 2016 and has more than doubled (149 % increase) since 1997. In 2016, employer childcare firms accounted for more than 80 % ($38.2 billion) of the $47.2 billion in total childcare industry revenue. The remaining 25 % of children are served by 599,000 very small business establishments that are owned and operated by a self-employed person with no paid employees.
1. Introduction and Context

1.2 Importance to the Economy

Organized childcare plays an important role in the economy in four ways. First, the childcare industry provides direct employment to many low-wage workers, boosting aggregate consumer spending. Second, childcare supports economic growth primarily through its support of increased labor force participation, particularly among women with young children. It’s no coincidence that expansion of the organized childcare industry over the past several decades closely tracks the labor force participation rate of women with children. Yet the U.S. stands in contrast to other developed countries where the labor force participation rates of women with children have risen more continuously.10 Researchers have linked the leveling off in the labor force participation rates of women in the U.S. to the limited availability of childcare and the associated high and rising cost for families.11 The spending of earnings received by owners and employees working within the childcare sector provides an important secondary source of stimulus to the economy. It is estimated that the $24 million in employee compensation and net proprietor’s earnings generated directly within the childcare industry produces an additional $16 million in indirect and induced earnings nationally. Put another way, each new dollar earned by workers and proprietors in the childcare sector produces $0.65 of additional earnings in the broader economy due to the spending of earnings received by childcare workers.7

In New England, the childcare industry is an important part of the regional economy. As of 2017, the industry produced $3.1 billion in revenue in 2017 and employed over 80,000 workers ranging from 5,229 in Rhode Island to 39,107 in Massachusetts. Total earnings across all six states summed to $17.4 million in 2017 with earnings per worker ranging from $17,411 in Maine to $22,768 in Massachusetts. This $17.4 million in earnings in New England is estimated to produce an additional $1 million in indirect and induced earnings throughout the region.8 To put this in perspective, Early Learning in New Hampshire estimates that the childcare industry’s economic impact accounts for 7.1% of state GDP, while direct spending from travel and tourism in New Hampshire accounts for 7.6% of state GDP.12

2. Childcare provides a service that is essential for working parents, thereby expanding the economy’s labor force, particularly among women with young children. It’s no coincidence that expansion of the organized childcare industry over the past several decades closely tracks the labor force participation rates of women with children. Yet the U.S. stands in contrast to other developed countries where the labor force participation rates of women with children have risen more continuously.10 Researchers have linked the leveling off in the labor force participation rates of women in the U.S. to the limited availability of childcare and the associated high and rising cost for families.11

In 2016, childcare firms employed 925,000 wage and salary workers with the typical provider employing approximately 12.3 workers with an annual payroll of $249,000. Pay in the industry remains low, with the average employee earning only $20,274 in annual compensation. In addition, approximately 599,000 childcare sole-proprietors produced approximately $15,000 in annual revenue, and the owner retained an estimated $8,900 in net earnings after expenses.6

The spending of earnings received by owners and employees working within the childcare sector provides an important secondary source of stimulus to the economy.
The Childcare Industry in New England

1. Introduction and Context

2. Childcare Industry in New England

3. Childcare helps reduce inequality across groups by boosting labor force participation, hours worked, and skill development among low-income workers. Childcare can reduce economic inequality by allowing both parents to work, boosting total household income. In addition, subsidized childcare can help low-skilled parents to maintain their connection to the labor force or to upgrade their skills. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), provided subsidized childcare to low-income parents to enable them to work or to allow them to participate in a job training or education program. Estimates show that additional market-based activity in the childcare sector, combined with the added spending due to increased wages, are greater than the cost of childcare subsidies for low-skilled workers. All of these channels help to reduce income inequality and contribute to economic growth and productivity over the long-term.10

1.3 How COVID-19 has Impacted Childcare

The COVID-19 pandemic resulted in an unprecedented shock to childcare arrangements—both formal and informal—most notably with the abrupt closure of daycares and schools in March 2020. At the beginning of the summer, many daycares and summer camps still had not re-opened due to the challenges of complying with state-imposed restrictions. For example, as of June 1, 2020, John Hamilton of the New Hampshire Community Loan Fund estimated that the pandemic had reduced child care in the state to 30% of its capacity.16

In addition, parents are left wondering if informal or unpaid caregiving arrangements with relatives, such as grandparents, are safe—particularly in states with high and/or resurgent COVID-19 caseloads. Many parents also wonder whether the fall will offer any relief with the re-opening of schools—a topic that is discussed in more detail in the related report on the K-12 sector.

Although most cities and states have allowed daycares and summer camps to re-open, many facilities have been unable to do so due to several key factors.12

4. Childcare provides developmentally appropriate activities for children of all ages that can help reduce future achievement gaps, thereby indirectly stimulating economic growth.

Childcare also boosts economic growth by enhancing school readiness and improving educational outcomes across ages. Age 0 to 3 is a crucial time for learning, and having secure attachments to adult caregivers, including early childhood educators, can help promote healthy development.15 The early learning opportunities provided by pre-schools can help reduce achievement gaps between children from low-income families and their more affluent peers that emerge well before kindergarten and largely persist throughout K–12.16

And it’s not just the youngest children—many school-aged children also benefit from organized childcare—particularly during the summer months. Typically, more than 15,000 camps serve more than 26 million children nationwide during the summer months. In addition, many summer camps rely on teen workers age 14–19 who often take jobs as summer camp counselors and for whom childcare is their first formal job experience. As a result, summer camps are an important source of employment for summer jobs programs in many cities including Boston, Chicago, and New York. In addition to earning incomes that help support their families, these types of summer job opportunities provide youth with meaningful employment experiences that have been shown to improve their long-term academic, employment, and criminal justice outcomes.17

In addition to earning incomes that help support their families, these types of summer job opportunities provide youth with meaningful employment experiences that have been shown to improve their long-term academic, employment, and criminal justice outcomes.17

In ten in 1970 to more than one in four (27.0 %) in 2017.12 The combination of these two trends serves to enhance the impact of childcare on boosting the labor force participation of mothers.

Increased labor force participation plays a role in economic growth in two primary ways.4 The first is the direct increase in total employment, household earnings, and total economic output in a region as childcare assists new workers to enter the labor force or existing workers to work more hours. The second is the increase in demand for the market-based childcare industry as a greater share of parents entering the labor force choose to use organized childcare services.

Figure 4. Paid Child Care Usage and Women’s Labor Force Participation Rate (2016)


Although most cities and states have allowed daycares and summer camps to re-open, many facilities have been unable to do so due to several key factors.12

In addition to earning incomes that help support their families, these types of summer job opportunities provide youth with meaningful employment experiences that have been shown to improve their long-term academic, employment, and criminal justice outcomes.17

In addition to earning incomes that help support their families, these types of summer job opportunities provide youth with meaningful employment experiences that have been shown to improve their long-term academic, employment, and criminal justice outcomes.17

Although most cities and states have allowed daycares and summer camps to re-open, many facilities have been unable to do so due to several key factors.12

In addition to earning incomes that help support their families, these types of summer job opportunities provide youth with meaningful employment experiences that have been shown to improve their long-term academic, employment, and criminal justice outcomes.17
Other restrictions are somewhat less costly but more difficult in terms of logistics. These include the need to purchase PPE for staff and additional cleaning materials along with stringent protocols on hygiene, hand washing, and temperature checks for children and staff. Providers must create a single point of entry for kids and stagger parent drop-offs. There’s also restrictions on the number and types of toys to ensure no sharing. In the new guidance document, state officials acknowledge that meeting the new requirements might not be possible for every childcare provider, meaning they’d have to remain closed. But some advocates worry this disruption could also lead to a wave of closures, meaning there won’t be much of a childcare system to go back to.

1. Childcare Industry

According to survey of 5,000 childcare centers and family daycares conducted by the National Association for the Education of Young Children (NAEYC) during April 2020, nearly half of daycare centers were completely closed and the remaining programs were operating at limited capacity (e.g., for children of essential workers only) or under modified rules. A greater share of programs in cities and suburbs (51%) were completely closed than in small towns or rural areas (40%). In addition, whereas 50% of childcare centers reported they were completely closed, only 27% of family childcare homes had ceased operating.

As with many daily activities during the pandemic, childcare usage is dictated by both state mandates for opening as well as public perception of what is safe. If parents do not feel that it is safe to send their children to group daycares, then they may not be able to take advantage of childcare even when it is made available. For example, of programs that remained open in some way, 85% of respondents to the NAEYC survey reported that they were operating at less than 50% of their enrollment capacity, and the majority of those—65%—were operating at less than 25% of capacity.

Due to closures and plummeting enrollments, the childcare industry has suffered an enormous loss of revenue. According to the NAEYC survey, 52% of childcare centers and 43% of family childcare homes were not charging parents while they were closed and another 22% of both groups offered reduced tuition rates. Regardless of whether tuition was charged or not, the majority of respondents found that fewer than 25% of families continued to pay tuition. As of July, approximately two out of five respondents—and half of those who are minority-owned businesses—are certain that they will close permanently without additional public assistance.

In addition, nearly two out of every three summer camps have opted to remain closed as of June, according to a survey of 885 programs by CampMinder. Of the camps that are closed, most are overnight camps although 17% of day camps have also chosen not to re-open. The American Camp Association predicts that this sector will lose more than $16 billion in revenues in addition to the job losses reported by parents. Another 10% of parents are working outside normal business hours, while 8% are taking paid leave and 11% are taking unpaid leave to care for children. Yet it’s likely that childcare workers have little savings to offset the loss of wages from being laid off or furloughed. Prior to the pandemic, early childhood educators were earning such low wages that nearly half of them were eligible for public assistance. In addition, 59% of individuals working in childcare centers and 43% of those working in family childcare homes cited paying staff or themselves as sole providers as the thing they were most worried about. As a result, nearly a quarter said they had encouraged staff to file for unemployment benefits. For other providers, keeping on staff has meant increasing pay during the pandemic. For example, in New Hampshire, the state provided an extra $5 per hour in hazard pay which some employers matched with an additional $5 to be able to entice workers to stay on rather than take the enhanced unemployment benefits.

2. Childcare Workers

Like other industries in the service sector, the childcare industry has suffered large job losses due to the pandemic. According to the NAEYC survey, 37% of survey respondents reported they have laid off or furloughed workers, or that they themselves were laid off or furloughed. Between March and April, 351,500 child-care workers lost their jobs with just under one-third of those jobs having been recovered in May and June.

Nationally, a survey of 800 working parents of young children conducted in early April found that 43% of parents working remotely and 49% of those working in-person reported needing childcare. Among those needing care, nearly two-thirds (63%) of parents had difficulty finding childcare, including 33% who found it very difficult—nearly double what parents reported just six months ago. Among those able to care for their children at home, one third of parents who are working remotely are alternating hours of childcare with another adult. For parents working in-person, 21% of parents are reducing their hours. Another 10% of parents are working outside normal business hours, while 8% are taking paid leave and 11% are taking unpaid leave to care for children.

What are the consequences for productivity? A recent survey conducted by Northeastern University between May 10 and June 22, 2020 revealed that 13.3% of working parents report that they have lost a job or reduced their hours due to a lack of childcare. On average, parents are losing a full day of work (8 hours) each week to address their children’s needs during the pandemic. Combining reported hours lost for the individual as well as their spouse/partner, the survey revealed an even greater loss of 14.6 hours per week which could represent a significant hit to the household’s total income.

As of July, approximately two out of five respondents—and half of those who are minority-owned businesses—are certain that they will close permanently without additional public assistance.

...61% of parents said that they were “struggling to work from home without childcare.”

...61% of parents said that they were “struggling to work from home without childcare.”

...61% of parents said that they were “struggling to work from home without childcare.”
4. Children

And last but certainly not least is the effect of childcare closures on the children who rely on their providers for stable, nurturing care. For example, in Massachusetts, 84% of parents said that they were “worried that my child is missing out on important developmental opportunities (socialization and learning)” while daycares have been closed. This second most prevalent concern was the spread of the Coronavirus through daycares which was the expressed by 72% of parents.48

Even when daycares re-open, many daycare providers and summer camp directors note that the social distancing measures imposed by the state are not feasible for small children and go against the principles of early education. For example, infants are unable to read facial expressions if teachers are wearing masks and toddlers will fail to develop socialization skills if encouraged to play separately, alone.49

2. Policy Considerations for Recovery

2.1 Preexisting challenges exacerbated by COVID-19

1. Margins have always been thin for providers and the imposition of restrictions on re-opening will likely mean that many providers will go out of business.

Even before the pandemic, childcare programs were operating on razor-thin margins and there is little room for providers to make up for that lost revenue, since the vast majority of funds go to payroll and rent.41 Given that childcare is a labor-intensive business, there is little opportunity to achieve economies of scale and no technological innovation that can lower the cost of care.42 Moreover, workers are paid an average of just $10.72 an hour so cutting wages is not a viable option.43

A recent policy brief by the Learning Policy Institute warned that thousands of childcare centers and family childcare homes are now in danger of closing permanently. The childcare industry is an ecosystem of providers that are mostly small businesses—letting them fail will not be easily undone. These closures could lead to the loss of as many as 450,000 childcare slots, undermining both the ability of parents to return to work and efforts to reopen the economy.44 In New England, where the costs of operating are higher, the fallout could be even greater. For example, in Rhode Island, roughly 40 percent of providers that responded to a Department of Human Services survey said they are in danger of closing within a matter of months.45

2. Daycare was expensive for families prior to the pandemic but is likely to be even more so with the additional restrictions imposed on re-opening.

Over the past two decades, the cost of childcare has more than doubled, while wages have remained mostly stagnant.46 Before the pandemic, infant center-based care for a single child is approximately 17.8% of U.S. median household income and exceeds the cost of college tuition in 28 states and the District of Columbia—including all of southern New England (e.g., Connecticut, Massachusetts, and Rhode Island).47 Among the New England states, the cost of childcare as a percentage of median in-
The Childcare Industry in New England

2. Policy Considerations for Recovery

4. Even before the coronavirus pandemic struck, black and brown families were more likely to live in child-care deserts with few childcare options. As with many other aspects of social and economic inequality, COVID-19 appears to have taken a greater toll on Hispanic and Black communities and exposed large racial disparities in access to childcare. Prior to the pandemic, most childcare “deserts” were located in low- and middle-income communities, including many predominantly Hispanic neighborhoods. For example, according to Child Aware, nearly 1 in 3 children under age 6 in working families do not have access to licensed child care in Suffolk County, Massachusetts (e.g., Boston).

Indeed, the Northeastern University survey found that the loss of hours due to lack of childcare is greater for women of color, women without a college degree, and women living in low-income households—groups which lost 10 or more hours per week, likely due to working in essential industries that require in-person work. Moreover, household that were low-income, less educated, and nonwhite were less likely to have any type of back-up childcare. Yet, when back-up childcare was available to these vulnerable populations, they lost fewer hours of work per week during the pandemic. For example, women without a college degree lose only 7 hours per week instead of 9 hours.

Researchers find that a 10% increase in the cost of childcare reduces the employment of single mothers by 3 to 4% and married women by 5 to 6%.

2.2 New Challenges and Opportunities that have been Revealed or Caused by COVID-19

1. Fear and uncertainty about the virus have further limited childcare options and future childcare closures have the potential to become a self-fulfilling prophecy.

Fear regarding the spread of COVID-19 has limited alternative childcare arrangements with relatives, particularly grandparents. Among care provided by relatives, grandparents (19.5%) were the most common source of relative care for preschoolers—a vulnerable population with high mortality rates due to COVID-19. Some who would turn to grandparents for extra help now see that option as less safe and other possibilities can be unaffordable.

Ongoing uncertainty about the coronavirus may limit the degree to which parents believe that they can make use of formal daycare arrangements. According to a national survey of 800 parents in April, three quarters were concerned about their child’s potential exposure to COVID-19 when they go back to childcare. In addition, around half of parents (46%) are concerned that their current or previous provider would no longer be open and 37% are concerned that their child’s teacher won’t be the same. Finally, about half (47%) of parents are concerned they won’t be able to afford childcare when they can return to the workforce.

2. The magnitude and duration of the COVID19 child-care crisis has the potential to permanently reduce labor force participation, particularly among women, and in turn lead to slower economic growth for a sustained period of time.

Many families were able to find short-term solutions during the initial round of daycare and school closures by reducing hours, taking paid or unpaid leave to care for children, or alternating schedules with another adult in household. However, these stopgap measures were based on the assumption that the fall would bring a return to school and organized childcare and are simply unsustainable for the long-term. The longer that the childcare crisis continues, it is likely that more parents, primarily women, will need to drop out of the labor force to care for children. Research shows that women who drop out of the workforce to take care of children often have trouble getting back in, and the longer they stay out, the harder it is. In addition, wage losses are much more severe and enduring when they occur in recessions, and workers who lose jobs now are likely to have less secure employment in the future.

Absent adequate investment, there is a concern that many temporary childcare closures will likely become permanent ones, hampering the economic recovery in the short-term and economic growth in the long-run. The April NAEYC survey found that just 11% of providers could survive a closure of an indeterminate length of time without government support—and only 27% could survive a closure of a month. As physical distancing measures are likely to remain necessary well into the fall, the United States is at risk of losing a large portion of its childcare providers, further burdening a system that was already under-resourced.

2.3 Perspective on existing recovery efforts

1. Barriers to the application process for the Paycheck Protection Program (PPP) and the program itself have hampered its effectiveness in addressing the needs of the childcare industry.

Ongoing uncertainty about the coronavirus may limit the degree to which parents believe that they can make use of formal daycare arrangements.
The Childcare Industry in New England 2. Policy Considerations for Recovery

Although a federal relief package in March provided an additional $3.5 billion for the Childcare Development Block Grant (CCDBG) for emergency support, the funding is not enough to keep childcare programs afloat for long and did not go to all types of providers. Childcare is an essential industry that desperately needs a bailout, yet the $3.5 billion that was allotted in March is less than the emergency aid provided for each of the three major airlines: American ($13.8 billion), Delta ($5.4 billion), and United ($3.6 billion).14

Many states, such as Connecticut and Rhode Island, have used the CCDBG funds to pay for childcare for the children of essential workers. For example, CTcares for ChildCare provided $5 million in funding for childcare programs caring for essential workers’ children. An additional $10 million helped frontline workers find/pay for childcare through CTCare for Frontline Workers.15

Although several states have also used the funds to stabilize private childcare providers, this is not a universal practice. For example, Vermont is supporting providers that serve private-pay families who are currently unable to afford tuition through its Childcare Stabilization Payment Program.16 However, in nearby Massachusetts, CCDBG funds have only gone to those centers that accept subsidies for caring for low-income and homeless children, as well as children under the care of the Department of Children and Families. The other half of the state’s 8,200 childcare centers serve only private-paying families and did not receive any portion of the federal bailout money.17

Providers say that the federal relief won’t go far. In Massachusetts, CCDBG funds will cover only $2,200 per month to eligible childcare centers in July and August. One provider reported that would restore only 6% of a loan that was greater than $250,000.15

Even among those daycare providers who were fortunate to receive a PPP loan, they will be lucky to break-even even as they re-open under the new public health guidelines. One daycare provider who owns multiple centers in Massachusetts shared their detailed budget which showed a financial swing from a net profit of $18,964 in March to a net loss of -$58,765 in July. A key driver was the combination of a 40% reduction in revenue combined with a 6% increase in expenses for PPE, cleaning supplies, and curriculum supplies (individual toys and are supplies).

Although a federal relief package in March provided an additional $3.5 billion for the Childcare Development Block Grant (CCDBG) for emergency support, the funding is not enough to keep childcare programs afloat for long and did not go to all types of providers. Childcare is an essential industry that desperately needs a bailout, yet the $3.5 billion that was allotted in March is less than the emergency aid provided for each of the three major airlines: American ($13.8 billion), Delta ($5.4 billion), and United ($3.6 billion).14

Many states, such as Connecticut and Rhode Island, have used the CCDBG funds to pay for childcare for the children of essential workers. For example, CTcares for ChildCare provided $5 million in funding for childcare programs caring for essential workers’ children. An additional $10 million helped frontline workers find/pay for childcare through CTCare for Frontline Workers.15

Although several states have also used the funds to stabilize private childcare providers, this is not a universal practice. For example, Vermont is supporting providers that serve private-pay families who are currently unable to afford tuition through its Childcare Stabilization Payment Program.16 However, in nearby Massachusetts, CCDBG funds have only gone to those centers that accept subsidies for caring for low-income and homeless children, as well as children under the care of the Department of Children and Families. The other half of the state’s 8,200 childcare centers serve only private-paying families and did not receive any portion of the federal bailout money.17

Providers say that the federal relief won’t go far. In Massachusetts, CCDBG funds will cover only $2,200 per month to eligible childcare centers in July and August. One provider reported that would restore only about $500 a week from the $10,000 she expects to lose weekly on tuition alone due to the new regulations.16 In the absence of substantial new funding, states will need to make tough decisions about how to allocate the limited CCDBG dollars. For example, during the Great Recession, funding for 120,000 childcare slots was cut in a single year.16

3. Although Congress expanded unemployment insurance benefits under the CARES Act to cover parents who had no choice but to stay home to care for their children while schools and day cares are closed, people have had difficulty accessing those benefits.

The CARES Act expanded unemployment insurance eligibility to workers affected by COVID-19, including parents who are unavailable to work because a child in the worker’s household is unable to attend school due to a COVID-19-related closure.17 But there has been concern both over how difficult it has been to apply, and unanswered questions about how eligibility expansions will be administered. For example, it’s not clear whether a reduction in hours qualifies them for PUA and states have had to interpret the eligibility criteria until DOL clarifies.

In addition, it seems that state systems have not yet figured out how to validate these cases in a timely manner. An article in the Washington Post told the story of a mother who had to quit her nursing job in Texas due to a lack of childcare. She filed her first unemployment claim in April but received only one payment, eventually discovering that her case has been placed “under review.” As of July she still has yet to receive any additional payments and desperately needs pay rent.

4. Congress also enacted a temporary national paid leave program but few parents seem to know about it or have accessed it.

The Families First Coronavirus Response Act (FFCRA) created a new temporary right to paid leave and also a new reason for taking paid leave: To care for your child whose school is closed or childcare provider is unavailable due to COVID-19.18 The new program, which expires at the end of the year, provides 10 weeks of paid family and medical leave through the individual’s employer at two-thirds of the individual’s salary to care for a child who is home due to school or day care closures. However, the benefit only applies to parents working at employers with less than 500 people. Although large companies like Microsoft and Google have expanded paid leave on their own, not all businesses have access to the same resources. In addition, employers of health care providers and emergency responders may choose not to provide paid leave. Also, small businesses with fewer than 50 employees can be exempted, if providing paid leave would threaten their ability to stay in business. Not surprisingly, a recent survey conducted by Northeastern University finds that only 4% of working parents had used paid leave during the pandemic.

Only one New England state, Rhode Island, already had a paid leave program in place prior to the pandemic. New initial claims for family caregiving nearly tripled from February to March, increasing from 1,016 to 2,841 before declining somewhat in April. This is partly due to executive action taken by the governor to expand benefits to workers caring for children who are out of school because of stay-at-home orders.19

In sum, recovery efforts have attempted to put a bandaid on a gunshot wound. There are also a host of long-term issues that are not currently being adequately considered in any recovery effort to date. These include the developmental impacts on children, the mental health of parents and caregivers, and the labor market disruption of working parents dropping out of the labor force for an extended period of time.
3. Interconnecting Issues

Childcare is a critical piece of our economic infrastructure that enables parents to "get to work" just like roads and bridges do for commuters. Millions of working adults rely on school and childcare systems to facilitate their participation in the workforce. A full economic recovery simply cannot happen if children do not physically return to schools and childcare programs.

According to the American Community Survey, about one-third of workforce has a child under 14 in their household resulting in 50 million workers who may be seeking childcare as the economy re-opens this summer—of whom 30% have children under the age of 6. Even assuming that non-working adults in the household can assume these childcare responsibilities, that would leave 21% of the workforce seeking childcare. If we assume only one parent within the household would need to quit their job, that leaves 11% of the workforce (or 17.5 million workers) facing major barriers to work if schools and daycares remain closed.73

Moreover, the obstacles that childcare imposes on workers during the COVID-19 crisis is widespread and not limited to just a few key industries or certain geographic areas. The share of workers without within-household childcare would ranges from 18% in transportation to 25 % in education and health care. Similarly, the share of workers with childcare obligations and no available caregiver in their household ranges from 13% to as high as 33% for some commuting zones, yet the most are near the national average of 21%. Thus, addressing childcare obligations as part of the nation’s “re-opening” strategy is vital for every industry and every state.74

How much is the lack of childcare likely to dampen the economic recovery? One study in Germany explored the labor market consequences of reopening the economy without fully reopening schools and childcare centers. The authors document that 26% of the German workforce have children aged 14 or younger and estimate that 11% of workers and 8% of all working hours are affected if schools and childcare centers remain closed. They estimate the share of affected employed workers to be close to twice the number of all unemployed workers in Germany, and loss of hours worked is eight times the reduction experienced during the 2008-09 financial crisis. Although workers might find alternatives to organized childcare, the aggregate labor supply effects are so large that the authors conclude it will be necessary to address the needs of working parents when developing plans for restarting the economy.75

Finally, even if parents are able to juggle working from home, other studies have found that they are not likely to be as productive. A survey of approximately 4,500 Principal Investigators (PIs) at U.S. and Europe-based research institutions conducted in April 2020, found a sharp decline in time spent on research, with laboratory-based fields being the most negatively affected. However, the largest disruptions are connected to childcare. Reporting a young dependent was associated with declines similar in magnitude to those reported by the laboratory-based fields and can account for a significant fraction of the observed gender differences.76

When access to childcare limits parental employment, businesses cannot operate at full capacity, and overall economic growth slows.77 When problems with childcare arise, parents must scramble to find alternative options or miss work to care for their children. For millions of parents, that insecurity can mean working fewer hours, taking a pay cut, or leaving their jobs altogether.78 Even before the pandemic, about 8.7% of families (2 million) with a child under age 5 had someone quit a job, not take a job, or greatly change a job in the past 12 months because of problems with childcare.79 A 2019 report found that American businesses lost an estimated $12.7 billion annually because of their employees’ childcare challenges. Nationally, the cost of lost earnings, productivity, and revenue due to the childcare crisis totaled an estimated $57 billion each year.80

Although workers might find alternatives to organized childcare, the aggregate labor supply effects are so large that the authors conclude it will be necessary to address the needs of working parents when developing plans for restarting the economy.
4. Recommendations

1. The childcare industry is an essential component of both the New England and U.S. economic recovery and should receive a large-scale and immediate bailout. There is no question that the COVID-19 pandemic has had a devastating impact on the childcare industry in New England. A survey of childcare businesses in May by the Connecticut Office of Early Childhood found that 80% of providers said that COVID-19 has been extremely detrimental to their business. Overall, providers were most worried about loss of revenue, securing PPE and other supplies, and families returning when they re-opened. When asked what the government can do to help, 83% of respondents across all provider types reported the need for financial help including cash flow, debt relief, or supports for their staff. The second most prevalent theme (71% of respondents) was the need for clear and timely communication from the government.80

What will it take to keep childcare programs open? One analysis from the Center for Law and Social Policy (CLASP) estimates that it will cost about $9.6 billion a month, for a total of more than $50 billion.82 This estimate assumes that the government would cover private programs’ lost tuition for 6 months to enable them to continue paying staff and rent. The CLASP estimate also assumes that the government covers the cost of providing childcare for essential workers, which it projects at about 20% more per child to meet enhanced health and safety standards. The policy analyzed in this plan would extend to all licensed childcare providers in the nation, excluding state preschool and Head Start, whose grants have been supported by a group of economists (including myself),84 industry groups,85 and families returning when they re-opened. The second most prevalent theme (71% of respondents) was the need for clear and timely communication from the government.86

Research shows that such an investment would ultimately pay for itself over the course of one year. Estimates show that the cost of lost earnings, productivity, and revenue due to the childcare crisis that existed even before the pandemic cost an estimated $57 billion each year.83 The $50 billion investment has been supported by a group of economists (including myself),84 industry groups,85 and Massachusetts Congressional advocates like Senator Elizabeth Warren and Representative Katherine Clark.86 Although more of this aid could be targeted to daycares that accept subsidies for caring for low-income children, the scale and scope of the current daycare crisis caused by the pandemic suggests that any type of bailout should also include private daycare providers.

2. Absent a full-scale bailout, the government should target the remaining PPP loan dollars towards the childcare industry and eliminate barriers for family daycare providers.

To the extent that additional funding and policy changes are coming for the Paycheck Protection Program, these funds should be limited to only small businesses with an emphasis on family childcare homes. These daycare operators are sole proprietors, some of whom may be unbanked, and additional oversight is needed to ensure that banks are not overly restrictive in their lending requirements. Yet, even a fully functional and funded Paycheck Protection Program would not be enough to sustain the existence of the childcare industry in the face of additional costs associated with public health guidelines including the need to purchase PPE for staff, perform additional cleaning and sanitizing, and provide individual toys and supplies for all children. This is even more imperative in New England where operating costs and the share of children typically served by paid providers is higher than in other regions of the country.

3. As daycares re-open throughout New England, we should be using this opportunity to learn about transmission of COVID-19 among children and which public health measures are the most effective at limiting the spread of the virus.

The combination of school and daycare closures and a lack of testing capacity has left us with little knowledge about the rate of transmission among children and which public health measures are most effective at stopping the spread of the virus. During the pandemic, the YMCA cared for up to 40,000 children between the ages of 1 and 14 at 1,100 separate sites, with no reports of coronavirus clusters or outbreaks. Similarly, in New York City, the Department of Education reported that it cared for more than 10,000 children at 170 sites with no outbreaks.87 Yet recent outbreaks at summer day camps in several states suggest that we cannot extrapolate from those earlier experiences without better scientific evidence.88

As school districts consider reopening plans throughout New England, we should be learning from these real-world childcare experiences. We should be performing random testing at daycares and day camps that are running under different state restrictions for staffing ratios, mask wearing, hand washing, cohorting, spacing, deep cleaning, ventilation, temperature checks, and elimination of high touch surfaces and shared tools. Understanding which practices are most effective at limiting the virus and assessing the costs and benefits of these measures with testing and contact tracing could help us make more informed decisions about which restrictions need to remain in place and which could be lifted. Indeed, a May report from the Johns Hopkins Center for Health Security calls for a national research agenda to quickly address the outstanding questions about children and the coronavirus including the vulnerability of children with underlying health conditions and the disparities across communities with greater risk of exposure.89

4. Once we have learned more about which public health measures are absolutely necessary to maintain safety in daycares, New England states should consider loosening other restrictions that are less effective but costly to providers and developmentally inappropriate for children.

Policymakers should acknowledge that COVID-19 public health restrictions are intended to mitigate, rather than eliminate, risk. The American Academy of Pediatrics suggests that any type of bailout should also include private daycare providers.
The Childcare Industry in New England

4. Recommendations

5. Employers need to be part of the solution and it may be necessary to impose mandates that provide what we refer to as the family leave for parents who have lost a job to care for children or a relative, babysitter, or nanny can also help expand caregiving options for working parents.

6. States and the federal government need to extend the supports put in place by the CARES Act and the FFCRA and ensure that they can be accessed by working parents.

The expanded UI benefits under the CARES Act for workers who have lost a job to care for children should continue until daycares and schools can safely re-open in-person in a given state. Although this support does not solve the childcare crisis, it does replace some portion of the income lost due to the lack of access to affordable daycare. Moreover, states should be required to show that their systems are in compliance with these new regulations and should provide benefits in the interim if applications take more than two weeks for review.

The Families First Coronavirus Response Act (FFCRA) provides 10 weeks of paid family and medical leave at two-thirds of the individual’s salary to care for a child who is home due to school or day care closures. However, the legislation is temporary and will expire at the end of this year. It should be extended at least through the next school year. In addition, the process by which parents can take paid family leave through their employer should be mandated and made transparent. In addition, coverage should be extended to include healthcare workers, small businesses, and low-wage workers in large companies who are least likely to have the resources to weather an extended unpaid leave. Absent federal action, states should provide childcare grants directly to working parents to cover the cost of hiring in-home or family daycare.

In conclusion, it is imperative that policymakers act quickly to put the childcare industry on life support until the pandemic can be brought under control. Otherwise, it is likely that there will be little left of the childcare system to support working parents who comprise roughly one-third of the U.S. workforce and are a necessary component of the nation’s future economic well-being. Although it may seem that the New England childcare industry would be in a better position to weather the pandemic due to the relatively low COVID-19 caseloads, states have imposed even stricter requirements on daycare and school re-openings than in other parts of the country. Currently, pushing operating costs even higher. Moreover, the region has a higher female labor force participation rate and relies more heavily on paid daycare such that the impact on reopening the New England economy is even greater than in other parts of the country.

Policymakers also need to take into account the loss of both social/emotional and academic learning that may hinder child development in the long-run. Again, the AAP notes that “in Pre-K, the relative impact of physical distancing among children is likely small based on current evidence and certainly difficult to implement. Therefore, Pre-K should focus on more effective risk mitigation strategies for this population. These include hand hygiene, infection prevention education for staff and families, adult physical distancing from one another, adults wearing face coverings, cohorting, and spending time outdoors.”

Equally as important is the cost associated with how the lack of peer interaction has affected children’s mental health. As James Morton, chief executive officer of Boston’s YMCA, stated in a recent interview, “Our goal is to make this the best summer ever. That’s certainly one of our mantras every summer. But this summer is different. This summer ... has to be different than any summer camp experience we’ve offered before, because children are experiencing so much more now than they’ve ever had to experience. And we want to bring their lives back to a sense of normalcy. Frankly, we’re thinking of one word, and that is relief. We want to provide our children with as much relief as we possibly can.”

These concerns are especially relevant in New England where COVID-19 transmission rates are relatively low. This region is one of the best candidates for safely re-opening daycares and schools in person—either fully or in a hybrid model.

Never before has the need for employee work-life balance been greater and this problem is likely to become more acute as more people physically return to the workplace. According to a recent survey by the Society for Human Resource Management, 56% of employers said they are offering or considering offering flexible hours, 71% said they may allow full-time remote work for parents, and 63% said they may offer reduced working hours. Maintaining or even expanding pre-existing on-site daycares can help ameliorate the loss of daycare slots if other childcare providers go out of business. Expanding financial support for in-home care provided by a relative, babysitter, or nanny can also help expand caregiving options for working parents.

The expanded UI benefits under the CARES Act for workers who have lost a job to care for children should continue until daycares and schools can safely re-open in-person in a given state. Although this support does not solve the childcare crisis, it does replace some portion of the income lost due to the lack of access to affordable daycare. Moreover, states should be required to show that their systems are in compliance with these new regulations and should provide benefits in the interim if applications take more than two weeks for review.

...states should be required to show that their systems are in compliance with these new regulations and should provide benefits in the interim if applications take more than two weeks for review.

This region is one of the best candidates for safely re-opening daycares and schools in person—either fully or in a hybrid model.
Works Cited

1. Data on childcare arrangements typically comes from two sources. The first is the Early Childhood Program Participation (ECPP) surveys administered by the National Center for Education Statistics which addresses participation in regular nonparental forms of care and education programs for children ages 6 and under who have not yet enrolled in kindergarten including relative, non-relative, center-based, and Head Start programs. The second is the Survey on Income and Program Participation (SIPP) administered by the Census Bureau which covers care arrangements of school-age children ages 5 to 14.


3. Ibid.

4. Ibid. The estimate includes all childcare (NAICS 6244) business entities, either corporate or non-corporate, that generate revenue but do not have employees. Most are operated by self-employed proprietors operating sole proprietorships with no employees.


7. Ibid.

8. Ibid.


12. Ibid.

13. Ibid.


20. MASSACHUSETTS CHILD AND YOUTH SERVING PROGRAMS REOPEN APPROACH Minimum Requirements for Health and Safety https://reeclead.force.com/resource/1/00Q10000020C3LJ0M/Min_Req


27. Ibid.

28. Ibid.


33. https://www.bls.gov/news.release/empsit.t17.htm#


The Childcare Industry in New England

Works Cited


71 https://www.dol.gov/agencies/whd/pandemic/flora-questions


74 Ibid.


78 Schochet and Malik, “2 Million Parents Forced to Make Career Sacrifices Due to Problems with Childcare.”


81 Survey of businesses conducted by the Connecticut Office of Early Childhood

82 Childcare is Key to Our Economic Recovery https://www.ciasp.org/publications/report/brief/child-care-key-our-economic-recovery


86 Bailout sought for child-care industry https://www.bostonglobe.com/2020/05/05/metro/bailout-sought-child-care-industry/


91 Ibid.

92 James Morton, chief executive officer of Boston’s YMCA from ‘This Summer Is Different’: As Coronavirus Restrictions Ease, YMCA Summer Camps Adjusthttps://www.wbur.org/news/2020/05/24/coronavirus-restrictions-summer-camps

Global Resilience Institute
at Northeastern University

globalresilience.northeastern.edu