

# The child care paradox: How to build a better system <sup>[1]</sup>

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## EXCERPTS

Ask any parent of young children about their biggest expenses and child care is likely at the top of their list. Up there with housing and other necessities, child care costs on average almost \$10,000 a year per child up to 4 years old. In states where child care is extremely expensive, like my home state of California, families often piece together coverage from different sources to try to make something work within their budget.

But unlike other expensive services, many child care businesses are not thriving. In fact, a recent report found that many child care workers cannot afford to make a living, even in California where care costs are high. In only five states do child care workers make enough to meet living wage standards, according to the 2018 Early Childhood Workforce Index.

So, what gives? How is it that the cost of care can be so high and businesses can still struggle so much? At my company, we help match parents to day cares and preschools, as well as help bring child care providers online. We've gathered data on over 150,000 child care providers across the U.S. and are in a unique position to see the key inefficiencies underlying the current system.

### **Relying on word of mouth is no longer working.**

The costs of operating a child care business are pretty fixed, so each additional child in your program (up to your legally allowed capacity) is essentially profit. If you aren't operating at or near capacity, your profit margin is going to be lower. So what keeps child care businesses from operating at capacity? One big factor I observed is that the system is highly fragmented. Providers who have excess space at certain times often struggle to find a parent who is looking for care during exactly those times.

Another factor I observed is that child care businesses used to rely on word of mouth to get customers —something they need a new source of on a regular basis as children age out of their program. But we've heard from providers time and time again this has stopped working for them. More people are looking for this information online. Gone are the days of finding a preschool solely by talking to one's friends.

This shows that information regarding your child care business needs to be online at our fingertips. But in the case of many child care businesses, they lack any web presence whatsoever. If you aren't on the internet, for all intents and purposes, you don't exist. Make sure you have a strong presence in local directories, such as Google, and take the time to build your own webpage (some platforms are free).

### **Regulation increases the cost of doing business.**

Day care and preschool in America is highly regulated. With few exceptions, to operate a child care business, you must be licensed and inspected by your state. This is an important safety measure for parents and children. You must also maintain certain child-to-caregiver ratios at all times. Because of this, the cost to start a new child care business is high and, in my experience, businesses can overstaff to make sure they can cover their ratios. Quality is obviously extremely important when it comes to child care and early education, but I believe more regulation does not always equal higher quality.

So, make yourself aware of changes coming to the industry. California, for example, just passed a law that will make it easier for small in-home providers to expand their businesses. To help small child care businesses thrive in every state, it's important to make your voice heard.

### **Caregiving does not get the recognition it deserves.**

Like much of the labor that has been historically performed by women, I believe caregiving often does not receive the recognition it deserves and is fundamentally undervalued. Much of a child's personality, intelligence and skills are formed during their early years. Children who attend preschool are not only more prepared for kindergarten but some also say children are better set up for the rest of their lives. But if the work isn't valued, it can lead to a lack of sector support for the labor. In my experience, undervalued usually means underfunded.

Some politicians are advocating for change, but from my perspective, the solution must come from both the public and private sectors. Business leaders and executives, especially, have an opportunity to step up to the plate and ask what their companies can do to better

support parents.

At a minimum, encourage employees to take their full parental leave, their full vacation time and do not expect employees to work during their off-hours.

There are a few ways you can go beyond that, too. Consider offering backup care benefits or even onsite child care. Create an environment where it's OK (and encouraged) to miss work to juggle a sick child or attend a preschool field trip during the day. Parents are often some of your most productive and seasoned employees, even if they are working fewer hours. Value these employees by valuing their caregiving responsibilities.

Finally, business leaders should be vocal about their own family obligations. As a CEO and mom of two — soon to be three — young children, I am leading by example. I don't hide my pregnancies; I don't apologize for my personal obligations; and I use social media to share with the world that it is possible to be a successful business leader and successful parent. People on my team see this and feel it gives them permission to place more value on caregiving too.

Regardless of whether you're a parent or ever plan to be one, I believe it's our shared responsibility to raise this next generation of humans. They are our future. It's time to help build a better child care system that supports our caregivers.

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