COVID-19 has nearly destroyed the childcare industry—and it might be too late to save it [1]

Author: Vesoulis, Abby
Source: Time
Format: Article
Publication Date: 8 Sep 2020

AVAILABILITY
Access online [2]

EXCERPTS

Jenna Antico, a 31-year-old childcare operator in Sarasota, Fla., thought 2020 would be a pivotal year for her business. The daycare facility she started building in 2015 was turning a steady profit, so she leased a second building in October 2019, then purchased a third in late February 2020. As it turned out, this year has indeed been pivotal—but not in the way she had hoped.

When COVID-19 hit the United States like a tsunami in March, shuttering schools and businesses, and prompting companies to start working remotely, daycares like Antico's got caught up in the current. Parents pulled their kids from the centers and local governments began issuing strict guidelines that providers would have to meet before they could welcome children back.

To meet both the Florida state and Centers for Disease Control and Prevention (CDC) recommendations, Antico erected four new walls—at nearly $8,000 a pop—to reduce the number of kids per classroom; purchased 16 portable sinks for $2,800 each; and hired five sanitation workers to deep clean her original center for three and a half hours every night. She is also paying her administrative assistant overtime to keep up with all the new documentation. But despite these investments, enrollment at her facilities, and therefore Antico's income, hasn't rebounded in the way she had hoped. At the beginning of 2020, her facility was just shy of its 106-kid capacity; by the end of August, only 49 children were enrolled.

Antico is hurting. She has already blown through the entire $91,000 Paycheck Protection Program loan she received through the CARES Act, accrued an additional $70,000 worth of debt, and both of her new facilities remain vacant. She has no funds left to staff or furnish them. "There's no more money left for me to take a salary," says Antico, the mother of three adopted kids and one biological one. She and her husband, a child protective investigator who earns $40,000 a year, have now missed two mortgage payments, pulled their children out of private school, and are considering selling their home to make ends meet. Her childcare business, which she has invested $500,000 into over the past five years, is teetering on the brink of collapse.

Not that it provides her any solace, but Antico is far from alone: 86% of childcare providers are serving fewer children now than they were before the pandemic, while 70% are incurring "substantial" new operating costs, according to a July survey from the National Association for the Education of Young Children (NAEYC). The costs are relentless: daycare managers must hire more staff to handle smaller class sizes, more legal fees to navigate the onerous process of obtaining government loans and abiding by state regulations, and more cleaning supplies and personnel to prevent outbreaks among toddlers. Across the industry, enrollment has plummeted by two-thirds. Without significant government investment, and soon, 40% of childcare programs surveyed by NAEYC—and half of those that are minority-owned—will shutter. Permanently.

Interviews with more than half a dozen daycare operators from across the country reveal why so many centers may never re-open: Even before the pandemic, they said, overhead costs were immense, whereas profit margins were just enough to get by. In this pandemic era, everything has simply gotten worse. Lauren Brown, the director of World of Wonders Childcare and Learning Center in In Marysville, Ohio, says cleaning costs have skyrocketed 300%, while the center grossed $20,000 less in June and July than it normally would. Annette Gladstone, the co-founder of Segray Eagle Rock daycare in Los Angeles, says she's struggling to keep up with rent on her daycare building since enrollment is so low. Segray Eagle Rock normally accommodates 177 children; by late August, it had two dozen kids. Despite the blistering Southern California heat, Gladstone has kept the windows open while the air conditioner is running because the CDC indicates the practice can increase ventilation. Meredith Kasten who runs the Early Childhood Center in Greensboro, North Carolina, says the demand for her services all but dried up. "Our waiting list used to be a year long," she says. "It's now empty."

The slow death of childcare centers nationwide may have a domino effect across the economy, experts say. Entrepreneurs like Antico or Gladstone will face financial hardship, but so will the roughly 1.1 million people, 96% of whom are women and 40% of whom are people of color, who tend to make very low wages caring for other people's kids. Mass closures will also have a ripple effect on communities and parents, who depend on daycare centers to go to work and support their families. Without access to affordable and convenient childcare, many parents—mostly mothers—will find it increasingly untenable, financially and logistically, to work outside the home. It's an eventuality that could cripple women's advancement in the workplace, exacerbate inequality, and put a drag on the U.S. economic recovery.

This catch-22 is somewhat unique to the childcare industry. While public school administrators have also had to grapple with new safety protocols and increased expenses as a result of the pandemic, they are government funded. Daycares aren't. Society decided long ago that children have a right to a grade-school education to which even non-parents are required to contribute, but there is no similar consensus for sharing the cost of caring for smaller kids. Marcy Whitebook, the founding director of the Center for the Study of Child Care Employment at the University of California, Berkeley, says there's no good reason for that societal failure. But the result is clear: "because we're asking parents to foot the bill and it's so expensive," she says, "it means that the only way to really make that happen is to essentially exploit the people who are doing it."

If there are mass closures across the childcare industry to the extent that experts predict, the failure of the government to act will have broader ramifications. Daycare providers who find themselves unemployed may never return to their profession. Daycare owners may abandon their businesses for more lucrative ones. Families may opt to keep a parent home to watch the kids. "Absent our collective investment in childcare, there really won't be an effective community recovery," warns Lynette Fraga, the CEO of ChildcareAware. "If we aren't supporting childcare providers, there won't be childcare to go back to."

A crucial service for pennies on the dollar

Millions of American parents, who are already struggling to shell out an average of about $10,000 per toddler per year for childcare, may wonder why their daycare center is in such dire financial straits. But the industry as a whole was barely profitable even before the pandemic hit.

Unlike call centers that were able to cut down on building expenses by downsizing or going remote or retail stores that skimped on staffing, daycare facilities went into the pandemic with little fat to trim. State regulations require that they keep high adult-to-child ratios, maintain ample square footage for space to play and learn, and in some places, hire staff that are trained in early childhood development. These measures are important: Research indicates that early childhood education shapes everything from adult brain volume to reading proficiency. "That has an impact on our future labor force and their economic potential, which ultimately is tied to our country's economic potential," explains Katica Roy, a gender economist.

But childcare providers perform this crucial service for pennies on the dollar. The average daycare operator grosses just $48,000 a year, according to the Bureau of Labor Statistics, whereas the standard daycare worker makes just $24,000. Usually these jobs come with little or no paid time off, and no employee-sponsored healthcare. Only 15% of childcare workers receive health insurance sponsored by their employer versus 50% of workers from other occupations, according to a 2015 Economic Policy Institute report. The lack of healthcare benefits is problematic in normal times, as children unwittingly bring their stomach bug or pink eye to their daycares. But during a pandemic, it's potentially lethal. Daycare providers who make an average of just $11.65 an hour may be unable to risk seeking treatment for any disease, much less COVID-19.

Staffers who need to quarantine or call in sick also pose problems for their bosses. Since most facilities are not currently allowing parents to enter daycare buildings, childcare centers need to have enough staff to bring children inside in the morning and back to their parents outside in the evening. They also need to have enough staff to watch the children throughout the day, but not so many that they can't keep up with payroll in addition to the added expenses for personal protective equipment, cleaning services and administrative help. Kasten, the childcare director in Greensboro, says 12 out of her 28 staffers were out in one day due to a combination of COVID-related causes and scheduled absences. That creates logistical problems for both Kasten and the working parents who rely on her service. "If I don't have enough staff to operate safely," she says, "then I have to close the whole building."

As COVID-19 restrictions loosen in some states, and parents begin to feel more comfortable sending their children back to daycare, some daycare directors have faced difficulty in hiring back staff that they had to lay off and finding new people to fill vacant roles. Since pay for the average childcare worker is so low, some were making more between their state's unemployment benefits and the extra $600 per week provided by the CARES Act. In Florida, where Antico operates a center, the most an unemployed worker could have received in July, before expanded unemployment expired, was $875 per week. When unemployed people had to start proving they were looking for work to receive benefits, Antico says she scheduled 17 interviews in one day; only two people showed up.

Not everyone who lost their daycare-based job was getting unemployment insurance, either. Because Kasten's facility in Greensboro is faith-based, her staff was not required to pay into the state's unemployment fund, nor were they eligible to receive the state-funded benefits when they were first laid off. She made the tough choice to let her part-time employees go so she could continue paying the full-time ones, even when her center was closed. "If we laid them off in March, I would have hung them out to dry. They wouldn't have had a job, they wouldn't have had unemployment, they would have been screwed," Kasten says. "So we kept them on."

Whether those daycare jobs will last beyond 2020 is an entirely different issue as centers continue to hemorrhage money. According to data provided to TIME by the Center for American Progress (CAP), the costs of providing center-based childcare have leapt an average of 47% since pre-pandemic times. In California, costs have jumped 54%, and in Georgia, they've skyrocketed 115%.

Home-based childcare facilities, which approximately 30% of infants and toddlers attended before the pandemic, are also suffering. Though such facilities usually enroll fewer kids, which some parents may have seen as a benefit during COVID-19, the sector was has been in decline for years. From 2005 to 2017, the number of licensed, home-based child-care businesses dropped 44% according to the Department of Health and Human Services. Ellen Dressman, the director of Frog Hollow Nursery School, a home-based daycare in Berkeley, California that's been in business for more than two decades, may soon shut its doors for good. Only two families were interested in returning in recent weeks—not enough to cover operating costs. If Dressman loses the business, which covered her family's mortgage, they could lose the home that the daycare operated out of, too. "I didn't realize how much the industry really needs public support until now," says Dressman, who's now in her 60s.

"This was an industry that was really struggling before the pandemic," Simon Workman, CAP's director of early childhood policy, says of the profession at large. "If you were struggling to get by before, then the chance of you closing now is pretty high."

"We're in a fast-moving vehicle towards destruction"

Back in Sarasota, Antico is about two months away from pulling the plug on her daycare business. If enrollment numbers don't jump, she says, she won't have much of a choice. "If I get to a place where I don't think that I can pay the next payroll, I'll put it up for sale quickly at an attractive price," she says.

Short of the pandemic ending and enrollment levels surging, there's a glimmer of hope for childcare-center directors like Antico. On the presidential campaign trail, former Democratic candidates including Sens. Kirsten Gillibrand and Elizabeth Warren floated tax breaks and universal child care plans that would have pumped money into daycare centers while also reducing the cost of care for working-class families. Democratic presidential nominee Joe Biden has since called for a combination of tax credits and subsidies that would ensure families earning less than one-and-a-half times the median income in their state aren't having to spend more than 7% of their incomes on childcare.

There's also been some movement in Congress. The Democrat-led House recently passed a bill appropriating $50 billion toward the Child Care Stabilization Fund to provide grants to childcare providers, but it's unlikely to pass the GOP-controlled Senate. And even if it did, it probably wouldn't be enough to save individual centers that are already underwater. The Center for Law and Social Policy estimates that the industry as a whole will need nearly $10 billion per month to survive the pandemic, according to an April report.

"It is short-term triage, but it may be too late," Whitebook says of the House bill for emergency childcare funds. "We're in a fast-moving vehicle towards destruction of a lot of people's lives, livelihoods, and health. And kids are in that vehicle too."

Region: United States [3]
Tags: social policies and programs [4]
system [5]
