

Where are private equity-backed child care programs located? ^[1]

Exactly where you think they would be

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Excerpts

Here is one important, unanswered question about the growth of investor-backed for-profit child care chains in the U.S.: Who are these programs serving? These chains are gaining market share while other parts of the sector struggle to stay afloat. The makeup of their target clientele has implications for fair and equitable access to child care.

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What we found is both important and unsurprising: investor-backed chains mostly serve middle-class, upper-middle-class, and wealthy families. Across the 7 states—Arizona, Florida, Missouri, New York, North Carolina, Washington, and Wisconsin—the median household income surrounding these sites for a family of four is over \$88,000. (For context, the national median income is around \$71,000.) Only one in five sites are in census tracts with child poverty rates above 20%.

These averages hide quite a bit of variation. Kindercare sites have the lowest surrounding median income, at around \$75,000, while the incomes around Primrose, Goddard, and Bright Horizons sites exceed \$100,000. (Bright Horizons leads the pack at nearly \$112,000.) Among 95 Goddard sites analyzed, none were in a census tract where 20% or more of households participated in the SNAP (food stamp) program.

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Our data thus further confirms the investor-backed model only works when programs serve a clientele that can absorb high fees.

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SEC filings by Bright Horizons and Kindercare are clear: they need to be able to keep tuition high and staff compensation low to maintain profitability.

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A major challenge posed by this model is that millions of low- and moderate-income American families need child care too. So do families in communities without major concentrations of wealth.

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Through a combination of factors—wealthy family and corporate clients, access to debt financing, economies of scale from snapping up independent programs, and other competitive advantages—investor-backed chains are the only ones poised for continued growth and increasing political influence.

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