The Impact of Covid-19 on the Childcare Sector: Themes from State Reports

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Project Background

To support local area research on childcare affordability and availability, the U.S. Department of Labor's Women's Bureau commissioned the development of the National Database of Childcare Prices (NDCP), a collection of county-level childcare price estimates sourced from state market rate surveys (Brown, et al., 2020). The database fills a gap in local area variability of childcare costs within states. However, the database was commissioned in 2019 and does not capture the impacts of Covid-19. The update to the NDCP for the years 2019-2022 provided a unique opportunity to capture key supplemental data collected by states seeking to better understand how the pandemic impacted childcare providers and families.

Using state market rate surveys collected for the NDCP along with stand-alone state reports of Covid-19's impacts on childcare, this study identified common themes related to childcare supply, prices, cost, and the broader impacts on parents, businesses, and the economy. While some limited information from national studies and surveys was included for context, the summary below and all other trends and themes were coded, analyzed, and summarized from twenty-eight reports across twenty-three states, all of which are referenced at the end of this report.

CHILDCARE TERMS USED IN THIS REPORT*

Childcare: Private, for-profit, and non-profit entities supplying non-parental care for children from birth through age 5.

Center-Based Care: Care provided for children in non-residential settings. Centers are usually larger and care for more children than home-based providers and are organized into classrooms of similarly-aged children.

Home-Based Care: Care provided for small groups of children, often of mixed ages, in a regulated home-based setting or residential unit. Also referred to as Non Center-Based care or Family Child Care.

Childcare Provider: The entity operating the childcare program.

Childcare Worker: An individual providing non-parental care within a program. Also referred to as early educators or early education teachers.

**Childcare terminology varies and is defined by each state, usually through laws and regulations. Some terminology from the original reports has been modified to enhance consistency for the reader.*

Summary of Themes from State Reports

Prior to the start of the global Covid-19 pandemic in early 2020, the childcare sector was already facing severe challenges related to financial viability, workforce sustainability, and access and affordability for families. The pandemic then brought unprecedented disruption to the lives and livelihoods of childcare providers and families. Data collected by states, primarily through provider surveys, indicated that programs faced operational hurdles, increased costs, enrollment gaps, and staffing shortages, bringing financial strain and instability to a breaking point for many providers. Families faced constrained access to childcare, increased prices, and in many cases, loss of wages, especially among women who were more likely to take on childcare duties or hold occupations that were not protected as essential work (Commonwealth of Massachusetts, 2021; Hayes & Lee, 2022).

Months into the pandemic, federal and state relief funding, and grant programs (described in more detail throughout this report) provided critical support to stabilize childcare programs, focusing on subsidizing operating costs and facilitating access to resources. Despite these efforts, providers expressed uncertainty about the future. There was also evidence of disparities in access to relief funds and program viability, with under-resourced programs and small businesses facing the greatest economic challenges.

Recent national data suggests the childcare sector has recovered somewhat since the start of the pandemic, particularly in workforce numbers (U.S. Bureau of Labor Statistics, 2024) and childcare demand (Stanford Center on Early Childhood, 2023). But because relief funding was temporary and not intended to fix pre-existing systemic challenges, many of those challenges remain (NAEYC, 2024). State recommendations to further stabilize the childcare sector through the Covid-19 pandemic emphasized addressing financial insecurity among providers, supporting early care and education teachers, and investing in long-term infrastructure.

Methodology

Study Sampling

This study utilized a snowball sampling method to identify published, state-level reports and information related to the impacts of the Covid-19 pandemic on the childcare sector. It is not intended to be a comprehensive study of all U.S. states, but rather a supplement to the NDCP using state market rate surveys already included in the database, in addition to Covid-19-specific state and national childcare studies, where possible.

1. The study began with a scan of each state's Market Rate Survey (MRS) report using search terms to identify and flag Covid-19 content. This first-level search resulted in a list of fourteen states that referenced Covid-19 in their MRS reports.
2. Five states identified in the level 1 review were found to also have publicly available, stand-alone Covid-19 reports.
3. Nine additional state reports were either cited or referenced in the Covid-19 reports, and these reports were added to the study pool.

In total, the search process resulted in a final review sample of twenty-three states and twenty-eight reports.

Source	States
MRS Report Only	AL, AK, GA, IA, KS, MI, MS, NH, TX
Stand-alone Report Only	CA, IL, KY, MD, MA, NE, NV, ND, PA
Both	CO, DC, DE, LA, ME

To provide national context on Covid-19 impacts and recovery, findings from national studies or surveys were incorporated, where appropriate. For a state-by-state summary of the experiences of childcare providers throughout the pandemic, the reader may reference the National Association for the Education of Young Children (NAEYC)'s workforce survey page, which includes findings from all 50 states, the District of Columbia, and Puerto Rico (https://www.naeyc.org/ece-workforce-surveys).

Study Coding

Twenty-eight state reports were coded for nine topics related to the impacts of Covid-19.

1. Impacts on **data collection**
2. Impacts on childcare **prices**
3. Impacts on provider **costs**
4. Impacts on childcare **supply**
5. Impacts on childcare **demand**
6. Impacts on childcare **access**
7. Impacts on provider **financial stability or well-being**
8. **State strategies** used related to relief funding, grants, or other support
9. **Recommendations** for a more stable childcare structure

Themes from State Reports

Each section below summarizes information from state reports coded for the nine topical areas identified for the report. Two additional topics, the impact of Covid-19 on childcare worker well-being, and state recommendations for future research, were identified as of interest to the Women's Bureau and are included at the end.

Impacts on Data Collection

Survey Adaptation

To address challenges in data collection during the pandemic, several states delayed or repeated their market rate surveys (CT, GA, NH, AK) or made adjustments to gather Covid-19 specific data (AK, GA, IA, KY, MI). As described in the study methodology, at least nine states also conducted stand-alone surveys or studies to better capture the impacts of Covid-19 on childcare providers.

Reduced response and completion rates

Study teams from Alaska, California, Delaware, and Georgia reported lower response and completion rates compared with previous studies, most likely due to Covid-19 closures and staff turnover. In addition, Georgia researchers hypothesized that multiple, unrelated national and state Covid-19 surveys received by providers during the same period may have led to survey overload or fatigue.

Understated Impacts

In California, researchers cautioned that differential survey participation rates by program type and race/ethnicity may have led to an understatement of the overall negative impacts of Covid-19 on the early childhood education (ECE) field. For instance, home-based providers in California were more likely than center directors to be women of color and faced the greatest levels of economic hardship such as missing a rent or mortgage payment or taking on personal credit card debt. These providers also had lower response rates than White and center-based providers compared with previous studies. The study authors noted that if providers with the highest stress levels were least likely to respond, overall impacts on the field may be understated.

Impacts on Childcare Prices

Price Increases

A significant number of childcare providers (up to 40% in Illinois) reported raising their prices to maintain operations during the Covid-19 pandemic, with rates going up between 8% and 20% across states. In some states like Michigan and Mississippi, a smaller percentage of providers reported raising their rates (17%), but the majority of those that did expect the change to be permanent. Programs reported that price increases were necessary to prevent closures and to continue to provide the childcare desperately needed by children and families.

Discounts and Charges

While some providers offered Covid-19 discounts, others continued to charge families for children not attending, highlighting the financial strain faced by both providers and families. In Nebraska, almost 60% of providers reported using a temporary childcare subsidy rule outlined by the NE governor in Executive Order No. 20-18, allowing providers to bill when enrolled children were absent.

Loss of wages and limited subsidies

In addition to increased childcare prices for families, many parents experienced loss of wages, with little to no increase of available vouchers, even though the need had increased dramatically. These financial barriers made childcare inaccessible to many families who needed it most.

Impacts on Operational Costs

Increased Operating Costs

Childcare providers across states faced rising operational expenses due to Covid-19, including costs associated with cleaning, protective equipment, mitigation efforts, and technology for remote learning. In Illinois, increased monthly operational costs rose by as much as 45% for childcare centers and 72% for home-based providers, leading to concerns about the sustainability of operations.

Financial Strain

In states like Alaska, Maryland, and Pennsylvania, providers reported financial challenges related to continued payment of laid-off employees, rent/mortgage, utilities, taxes, and insurance.

Regulatory Impact

Covid-19 regulations contributed significantly to higher operating costs, particularly in terms of health and safety requirements, such as CPR training and compliance with sanitation protocols. Centers in New Hampshire, Pennsylvania, and DC needed to hire more staff to accommodate smaller cohorts and modified drop off/pick up procedures.

Difficulty Obtaining Supplies

Childcare providers in Colorado and other states faced challenges in obtaining essential cleaning supplies and personal protective equipment, leading to increased staff time, program costs, and operational difficulties.

Impacts on Childcare Supply

Temporary Closures

All states reviewed experienced temporary closures, particularly in centers, due to mandates, concerns about staff health, reduced demand, and challenges in adhering to Covid-19 regulations. Temporary closures across provider types ranged from nearly 10% in Colorado to over 86% in Pennsylvania, Kentucky, and DC. For some states, the majority of center-based programs were able to reopen by June 2020, but for others, up to half of providers were still closed as late as mid-October.

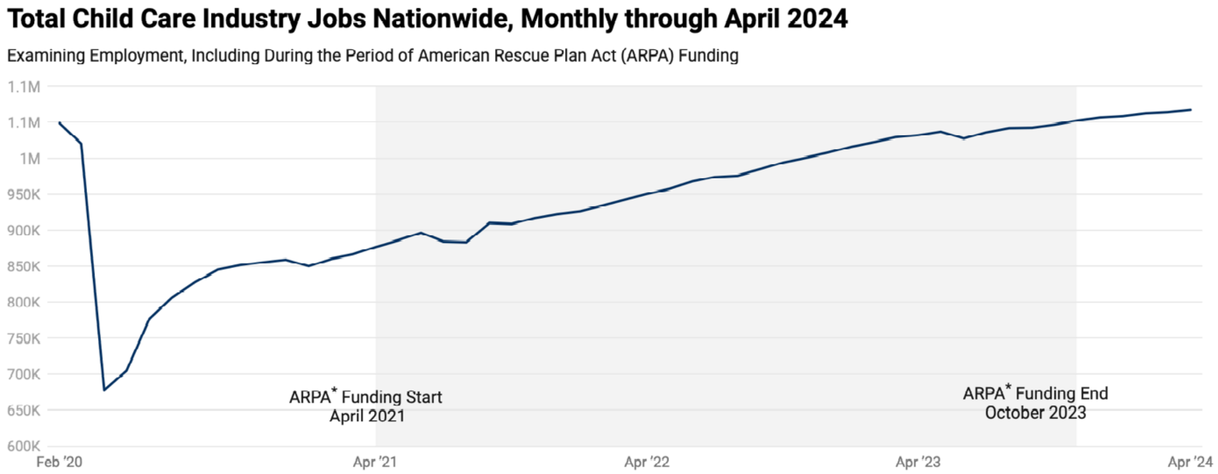
Concern about Permanent Closures

With the financial strain faced by many providers, a number of states raised concerns about permanent closures without additional public assistance. As was reported by Louisiana, Maryland, California, and DC, layoffs, furloughs, and pay cuts were common measures taken by providers to mitigate financial challenges. According to an April 2020 state-by-state workforce survey by the National Association for the Education of Young Children that included over 5,000 providers, 37% of providers reported that they had either enacted or been affected by layoffs or furloughs. Another 41% anticipated these actions would occur in the next 1-4 weeks (NAEYC, 2020).

Staffing Challenges

Childcare providers faced difficulties in finding and retaining childcare workers during the pandemic. While this was not the case for all states and programs (e.g., 78% of home-based providers in Delaware said Covid-19 did not affect their staffing levels) providers in Illinois, Mississippi, Nevada, and other states reported reduced staffing levels and struggling to hire new staff when needed. Concerns about staff health and safety, as well as Covid-19 exposures, further compounded staffing challenges.

While staffing shortages remain in programs across the country, national indicators suggest the childcare workforce experienced a slow recovery during the pandemic. According to data from the Bureau of Labor Statistics (BLS), total childcare industry jobs have increased to their highest level ever, from 1,049,000 in February 2020, dipping to 678,000 in April 2020, and passing pre-pandemic levels by November 2023 at 1,053,000 workers. Childcare workforce numbers have continued to rise through April 2024 (Center for the Study of Child Care Employment, 2024).



Center for the Study of Child Care Employment, UC Berkeley, *Child Care Sector Jobs, BLS Analysis, August 2024,* https://cscce.berkeley.edu/publications/brief/child-care-sector-jobs-bls-analysis/

Enrollment Declines

Childcare enrollment declined significantly during the pandemic, with facilities reporting enrollment cuts of approximately half or more. In Kentucky, 98% of programs reported they were serving fewer children than before the pandemic with average enrollment down 64%. Decreases in enrollment persisted into mid-2021, with providers expressing concerns about not having as many children enrolled as desired.[1]

Uneven Supply Impacts and Recovery

As was the case in Delaware, Illinois, and Maine, the pandemic's initial impacts on supply were uneven across providers, with center-based programs bearing the brunt of temporary closures, requirements for smaller cohort sizes, and reduced staffing due to Covid-19 concerns. Home-based programs, however, were more likely to expand or keep capacity stable to meet demand. As relief funds were distributed, center-based programs, particularly Head Start and state funded programs, were able to access support and bounce back more readily than home-based providers, as was seen in California and DC.

Impacts on Child Care Demand

Decreased Enrollment

Childcare providers experienced significant declines in demand for slots during the pandemic. In California, 95% of centers and 64% of home-based providers reported a decline in attendance. Other states reported enrollment decreases of over 50% compared to pre-pandemic levels. Pennsylvania researchers estimated that a 50% enrollment decline

[1] A declining birthrate in the U.S. may have contributed, at least in part, to the enrollment declines seen during the pandemic. Between 2015 to 2020, the number of births dropped by an average of 2% per year, including a 4% drop from 2019 to 2020. Hamilton BE, Martin JA, Osterman MJK. Births: provisional data for 2023. Vital Statistics Rapid Release; no 35. April 2024. https://www.cdc.gov/nchs/data/vsrr/vsrr035.pdf

would increase the per-child cost of childcare for providers by almost two-thirds (61%). Enrollment gaps continued into 2021; however, as described in the next section on childcare access, the percentage of parents accessing non-parental care had returned to pre-pandemic levels by May 2022.

Reasons for Reduced Demand

Parents cited various reasons for not sending their children to childcare facilities, including concerns about safety due to social distancing requirements, financial constraints, closure of providers, and the availability of parental care due to remote work or unemployment.

Financial Impact on Providers

In Iowa, 79% of providers reported that families paid no tuition on days the center was closed due to the pandemic. 62% of licensed centers reported a decrease in income. Reduced demand resulted in loss of income for childcare providers, leading to financial strain and operational challenges. Providers had to adjust their costs in response to reduced enrollment to stay afloat.

Parental Care Responsibilities

Providers in Colorado, Illinois, and North Dakota shared that many of their parents left to provide direct care to their children at home due to exposure risk and the lack of access to affordable childcare. This led to changes in childcare arrangements and disruptions in employment for parents.

Uneven Impact on Providers

As was described in reports by Michigan, Nebraska, and other states, center-based providers were impacted more by enrollment declines than home-based providers. The uneven impact of reduced demand further exacerbated financial challenges for providers.

Changes in Childcare Usage During the Pandemic

The RAPID survey project by the Stanford Center on Early Childhood (2023) charted childcare use over time throughout the pandemic. Their analyses of multiple national, state, and community surveys between 2020-2023 showed that starting in April 2020, there was an initial drop in the percentage of families using center-based care (from 33% down to 6%) with a corresponding increase in parent-only care (from 43% to 71%). By April 2023, the trend had reversed. A greater percentage of families were accessing center-based care than before the pandemic (43%), and parent-only care decreased to below pre-pandemic levels (19%). This trend corresponded with parents returning to in-person work, centers re-opening, and parents becoming more comfortable utilizing group care.

Image: Stanford Center on Early Childhood (2023). Access interactive chart at https://rapidsurveyproject.com/latest-data-and-trends

Impacts on Childcare Access

Decline in Children Served

As programs reduced the number of slots available and struggled with staffing and operational impacts, families across states found it more difficult to access childcare services when needed. In Alabama, the average reduction in childcare slots during the early months of the pandemic was twenty-two children per center. Colorado reported that 33% of families did not have access to the childcare needed when surveyed. Families who made less than $25,000 per year were the least likely to have needed care for their children of any age. In Massachusetts, 96% of working mothers reported that their arrangements were affected in some way due to Covid-19 related changes in childcare and educational arrangements.

Enrollment Challenges

Some families encountered temporary difficulties in accessing needed childcare due to service disruptions, with parents reporting being waitlisted or not having access to preferred arrangements, as was described by programs in Alabama, Alaska, Colorado, and Massachusetts. Childcare providers in Alaska, Colorado, Delaware, Illinois, Michigan, and Nebraska reported declined enrollment was due, at least in part, to parents' discomfort sending their children back into group care settings and risking exposure.

Financial Constraints

The pandemic exacerbated existing challenges in accessing affordable and consistent childcare for families, especially those with limited financial resources, as was described by programs in Colorado and Illinois. Many families struggled to find suitable back up care options when their center closed, and these disruptions in services put many families in the position of scrambling to balance work and childcare .

Impacts on Provider Financial Stability and Well-Being

Financial Strain Across States

The Covid-19 pandemic inflicted significant financial stress on childcare providers across various states, leading to closures and reductions in enrollment. Some states, like Alabama, reported up to an average 50% decline in enrollment. In Kentucky, 79% of programs engaged in furloughs, pay cuts, or layoffs.

Operational Challenges

Childcare providers who remained open faced operational changes and increased costs related to the pandemic that impacted their business viability, such as requirements for smaller cohort sizes, cleaning, and sanitizing procedures, and reducing or waiving tuition. Many providers already operated on thin margins pre-pandemic and expressed concerns about permanent closure without adequate support.

Losses and Revenue Decline

Childcare providers reported significant monthly losses, adding to the lasting financial strain. Maryland's survey data indicated that 67% of childcare providers experienced a loss in revenue, totaling more than $51 million as of May 2020. In Louisiana, 87% of providers experienced financial losses, estimated at $26,000 per center and $37 million state-wide.

Disrupted Economic Stability

Researchers in Massachusetts highlighted the challenges existing before the pandemic, including low wages and insufficient funding, which were exacerbated by Covid-19. Lack of reliable childcare implementation makes it difficult for parents to find economic stability, further complicating the recovery process.

Variations by Program Type

In states like California, the pandemic led to increased disparities within the childcare sector by program type. Home-based providers generally had fewer resources than childcare centers and were less likely to access relief funds or receive private fundraising. In turn, they were more likely to report individual financial struggles like taking on personal credit card debt. There were also differences between subsidized centers like Head Start and non-subsidized centers, primarily due to the inability of non-subsidized programs to access federal relief and special, one-time state subsidies. As a result, non-subsidized centers were more likely to report financial challenges.

Potential Long-Term Impact

Nebraska's childcare providers experienced profound economic impacts, with one in four reporting income reductions of over 50%. The pandemic exposed and exacerbated funding problems in the childcare system, leading to concerns that its consequences would endure long beyond its critical phases.

Strategies Used with Relief Funding, Grants, and Other Support

Utilization of Federal Funding Sources

States utilized various federal funding sources to support childcare providers during the pandemic, such as Coronavirus Aid, Relief, and Economic Security (CARES) Act, Child Care and Development Block Grant (CCDBG), Coronavirus Relief Fund (CRF), Coronavirus

Response and Relief Supplemental Appropriations (CRRSA) Act, the Paycheck Protection Program (PPP), and the American Rescue Plan Act (ARPA). In a national survey (NAEYC, 2022), 92% of programs that received Covid-19 federal and state relief funds said the grants helped them stay open. In Colorado, programs that did not receive public funds were 1.6 times more likely to close.

Support Through State Grant Programs and Forgivable Loans

State grant programs and forgivable loans were commonly utilized to assist providers with operational costs, including staff salaries, Covid-19 supplies, and fixed expenses like rent, taxes, and insurance. Early in the pandemic, the Illinois Division of Early Childhood began administering a series of business grants to help programs manage the impacts of the pandemic. The grants combined funding streams to maximize access to stable and predictable funding and supplied between $10,000 per home-based program and $25,000 per center-based classroom per year. Without the federal funding that came later, however, state grants often did not meet the full need. In DC, programs said that only 35% of their costs were covered by grants.

Establishment of Public-Private Partnerships

Public-private partnerships, collaborations with childcare referral networks, and partnerships with charitable organizations like United Way were established to facilitate access to funding, resources, and vaccines for childcare workers. In Nebraska, two out of every three providers reported receiving small private donations which they used for food, cleaning supplies, rent/mortgage, and staff salaries.

Guidance and Support Initiatives

Ongoing guidance and support were provided to childcare providers to navigate the challenges posed by the pandemic, including access to testing, vaccination, and emergency licensing procedures. Some states, like Alabama, utilized their Quality Rating Improvement System (QRIS) to support good quality child care throughout the pandemic. Maine's Office of Child and Family Services approved Emergency Temporary Licensing which supported over forty providers and added nearly 2,200 child care slots. Colorado's Covid-19 Early Childhood Research Partnership reported that state-based early childhood credentialing and advanced degrees protected staff from furloughs and may have prevented workforce turnover.

State Recommendations for a More Stable Child Care Structure

A number of states provided recommendations for stabilizing childcare structures. These included strategies related to addressing financial insecurity among providers, supporting childcare workers, investing in long-term infrastructure, ensuring equitable access to funds, and simplifying data collection to inform future policies. These recommendations aimed to alleviate the economic strain on providers, improve access to quality childcare, and support the well-being of both providers and families.

Louisiana's Focus on Teacher Support

Louisiana emphasized the need to support early care and education teachers, who already face low pay and lack workplace benefits. Without incentives, laid-off teachers may not return to the workforce, hindering the reopening of childcare facilities.

Maine's Comprehensive Strategies

Maine proposed various strategies categorized into access, quality, and workforce to stabilize childcare providers, value quality childcare, and invest in long-term infrastructure. These strategies aim to support providers across different aspects of their operations.

Massachusetts' Economic Stability Measures

Massachusetts suggested increasing economic stability by addressing financial insecurity for low and moderate-income families and strengthening workers' rights. Additionally, the state recommended developing incentives for businesses to support employees managing childcare responsibilities.

Nebraska's Provider Needs

Nebraska identified ongoing needs for childcare providers, including financial assistance, access to affordable essential supplies, continued childcare subsidy allowances, and access to counseling services to support well-being. The authors also highlighted the importance of childcare referral networks to match families with available slots.

Nevada's Policy Considerations

Nevada addressed concerns about childcare workers being cut off from public benefits if their compensation is increased. The state urged policymakers to implement solutions that ensure childcare workers receiving increased financial support do not lose crucial public assistance, such as SNAP or housing subsidies.

California's Recommendations for Equity

California emphasized providing pandemic relief and recovery funds specifically designated for compensation and to address documented inequities among programs. The authors also recommended utilizing methodologies to fund the true cost of providing high-quality early childhood education and to prioritize stable, contract-based funding arrangements for providers. Finally, the state encouraged the use of simplified data collection protocols to examine the utilization and impact of relief funds to inform future policies and resource allocation.

Additional Topics

The impact of Covid-19 on the Mental and Emotional Well-Being of Childcare Workers

In a September 2021 survey of over 7,500 childcare workers in all states and settings (NAEYC, 2021), over one-third were considering leaving their center or closing their home-based program within the next year, with an additional 14% undecided. This percentage increased to 55% among minority-owned businesses and 70% for workers in the field one year or less, signaling not only a disparity in impacts but a concerning situation for the future of the childcare workforce.

States like Colorado, Nevada, and Massachusetts cited significant impacts to the mental and emotional well-being of childcare workers related to working through the pandemic, including widespread symptoms of stress, sleep disturbances, difficulty concentrating, social isolation, and heightened anxiety. Many workers were highly concerned about health and safety, with some having underlying health conditions or fearing virus transmission to their families. Others lacked the assurance of paid sick leave, with less than 25% of workers covered in some states.

Financial insecurity due to furloughs and layoffs contributed to heightened anxiety, and childcare workers dissatisfied with pay rates were frustrated by inadequate compensation for work that puts them at risk. Workers stated that they desired more respect, compassion, and recognition for their essential roles. They also had concerns about the long-term developmental impacts of the pandemic and its learning disruptions on the children they served. Despite the fact that many were still passionate about early childhood education, childcare workers reported that the risks and low compensation often outweighed their desire to remain in the field.

Considering the potential impact of turnover on the operational and financial viability of the childcare sector, the availability of childcare for families, and children's academic and behavioral well-being (Markowitz, 2024), attention to the pay and mental health of the childcare workforce will likely be important issues for the recovery.

State Recommendations for Future Research

A few states, such as Alaska and California, anticipated the continued need to understand Covid-19's impacts and provided recommendations for future research and surveys. Some of these recommendations included:

- Detailed analyses of program costs pre- and post-pandemic
- Comprehensive assessments of how waitlists operate across age groups
- Greater insights into the use of relief funds to guide future initiatives
- Investigation into how quality of care may have been impacted by the pandemic
- Surveys that account for variations in age groups, eligibility, and payment logistics
- Disaggregation of data on the early childhood workforce and analyzing variations by program characteristics to assess disparities
- Evaluation of the prevalence and quality of health coverage among childcare providers
- Investigation into the mental health effects on childcare workers of pandemic-related financial strain, health and safety concerns, and limited access to health insurance on providers

Conclusion and Key Considerations Moving Forward

While the most significant challenges of the Covid-19 pandemic may have receded, the underlying challenges that the childcare sector faced long before the pandemic remain. Though the body of research on child development and public interest has been continuously growing, the sector still lacks support to fund programs at the levels that would allow all eligible children to receive high-quality care from an appropriately compensated workforce (NAS, 2018). The pandemic highlighted these ongoing challenges, further increased the public interest in finding solutions to these challenges, and led to temporary federal and state investments in childcare that were unprecedented. In turn, these investments catalyzed the implementation of numerous large-scale state policy initiatives designed to stabilize the childcare sector.

While the funding from federal relief funds that supported these initiatives has mostly expired, multiple states have committed to continuing and expanding investments in these initiatives (NAEYC, 2024). Policymakers and advocates can leverage these recent experiences to inform future initiatives. They can learn from the many studies that states conducted to better understand childcare markets and the cost of providing childcare, and they can build upon the multitude of strategies that states implemented to stabilize the sector, strengthen the childcare workforce, and make childcare more affordable for families.

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