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WHY THE CHILDCARE CRISIS IS A SMALL BUSINESS ISSUE

America's childcare system is in crisis as longstanding structural problems coincide with the end of pandemic-era funding. Childcare workers--the workforce behind the workforce--are fleeing the field for better pay.¹ Facilities are being forced to close or raise rates due to economic pressures.² As a result, kids, parents, and our economy are all struggling—and small businesses are taking a particular hit. Half of all small business owners name childcare access and cost a top issue.³ Main Street Alliance is fighting for the robust, affordable, sustainable childcare system our small business—and our country—need to thrive.

LACK OF CHILDCARE KEEPS SMALL BUSINESSES FROM HIRING THE PEOPLE THEY NEED

Without childcare, parents can't work. Lack of access to childcare pushes parents, particularly moms, out of the workforce.⁴ Moreover, grandparents, extended family, and friends often reduce or stop work to fill the gaps. These workforce impacts make hiring and retaining workers harder for small businesses. Moreover, small businesses often cannot staff people for the hours they need due to a lack of childcare, especially those like restaurants and retail that need staff outside of traditional office hours. And while larger businesses may be able to provide care on-site or subsidize childcare to entice workers, small businesses typically cannot, placing them at a further disadvantage on an uneven playing field.



SMALL BUSINESS OWNERS NEED CHILDCARE FOR THEIR OWN FAMILIES

Childcare is not just an employee issue; many small business owners are parents. *More than a third of small business owners who are parents report that access to childcare was an initial barrier to starting their business.*⁵ Reliable, accessible childcare is essential for parents who are small business owners to run, grow, and sustain their businesses, enabling them to do the work that keeps the lights on and the doors open. Moreover, the care must be available and affordable for small business owners with tight household budgets. As Main Street Alliance member and childcare provider Corrine Hendrickson said, “By choosing not to invest in childcare businesses, we are choosing to suppress the economy and continue to squeeze out small businesses and ingenuity.”

RELIABLE, QUALITY CHILDCARE MEANS A MORE FOCUSED, MORE PRODUCTIVE WORKFORCE

Childcare doesn't just get employees and business owners in the door—it enables them to be at their best while at work. In late 2022, half of all working parents reported being distracted to the point of being unproductive at work concerning childcare needs in the last three months.⁶ In the same survey, two-thirds of working parents reported having to come in late, leave early, or miss a shift due to childcare impacts.⁷ When

parents know their children are safely cared for, they can focus on their work and do their jobs better. When childcare is reliable, consistent, and available when needed, parents don't have to miss work or reduce their hours.

ESPECIALLY IN RURAL AREAS, CHILDCARE DESERTS ARE AN OBSTACLE TO BUILDING SMALL BUSINESSES

*In 2018, half of all Americans lived in childcare deserts—areas with an insufficient supply of licensed childcare providers; the pandemic's disastrous impacts have only exacerbated these problems.*⁸ Rural areas are disproportionately likely to lack sufficient childcare. That adds additional challenges for small businesses in these areas, which already struggle to attract investment and hire and retain employees. “When we don't support our small businesses in our rural communities, our communities don't grow,” said Main Street Alliance member and small business owner Colleen Bies.

CHILDCARE PROVIDERS ARE OFTEN SMALL BUSINESS OWNERS

Small businesses are critical to supplying child care to our nation's families.⁹ Women own an overwhelming 96.5% of childcare businesses; half are minority-owned.¹⁰ Nearly nine in ten childcare establishments are solo providers with no employees—the smallest of small businesses.¹¹ For most childcare small businesses, hiring employees is far out of reach, placing the weight of the full business on owners who must personally provide care day in and day out. These businesses also face incredible uphill economic battles, with less than 1% profit margins.¹²

OUR NATION'S CHILDCARE CRISIS IS A PUBLIC POLICY PROBLEM THAT NEEDS PUBLIC POLICY SOLUTIONS

As MSA member Corrine Hendrickson highlighted before the Small Business Committee, “Since the pandemic began, for the first time, for the first time childcare has seen large investments to the small businesses and to the parents . . .” Billions of dollars in COVID-related federal funding temporarily shored up a childcare system on the verge of collapse, giving providers like Corrine opportunities and stability they had never had even at a uniquely difficult time.¹³ But those funds are all but gone, leaving the industry again at an impossible precipice, one that risks bringing small businesses across the country with it.

We must learn from and build upon pandemic-era successes to build the childcare system we need for the long haul. *As Treasury Secretary and former Federal Reserve Chair Janet Yellen noted, “It's past time that we treat child care as what it is – an element whose contribution to economic growth is as essential as infrastructure or energy.”*¹⁴ That crucial foundational role in our country and our economy demands significant, sustained public investment that can meet the needs of childcare providers, employers, parents, and kids—investments that will pay off for families and our economy now and many years into the future.

CONCLUSION

Today, America's childcare system is like a leaky roof—better than nothing but not keeping us dry. Main Street Alliance members have seen and lived this challenge from all perspectives: as employers, parents, and childcare providers. That's why small business owners are doing what we do best: rolling up our sleeves to build something that can last for our communities and families.



“What if our small businesses were fairly invested in according to the value they provide in goods and services to our local economy, increased ingenuity, increased competition, therefore increasing quality of those products and services along with the quality of life of our community members? From the perspective of small businesses, our government is choosing to focus on big business and corporations, ignoring the dire needs of small businesses around the country, eliminating the opportunity to truly live up to the American dream.”

- Corrine Hendrickson, MSA Member, Owner and Operator, Corrine's Little Explorers Family Child Care rural New Glarus, WI

Endnotes

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- 2 Ana Teresa Solá, “Some 70,000 child care providers may close as federal aid ends, report finds,” CNBC, <https://www.cnbc.com/2023/09/12/more-than-70000-child-care-providers-may-close-as-federal-aid-ends.html> (September 12, 2023).
- 3 Small Business Majority, Small business and the State of the Union, <https://smallbusinessmajority.org/sites/default/files/research-reports/2023-Small-business-and-the-State-of-the-Union.pdf> (February 7, 2023).
- 4 United States Department of Treasury, The Economic of Childcare Supply, page 4, <https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf> (September 2021).
- 5 Small Business Majority, Small Businesses Face Barriers to Affordable Child Care, Support Expanded Access, <https://smallbusinessmajority.org/our-research/workforce/small-businesses-face-barriers-affordable-child-care-support-expanded-access> (September 25, 2017).
- 6 Clive R. Belfield, Child Care and Working Families: A Post-Pandemic Economic Analysis for the U.S., Council for A Strong America, page 5, <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>.
- 7 Id. at 4.
- 8 Rasheed Malik, Katie Hamm, & Leila Schochet, “America’s Child Care Deserts in 2018,” Center for American Progress, <https://www.americanprogress.org/article/americas-child-care-deserts-2018/> (December 6, 2018).
- 9 Heather Boushey et al., “Care Businesses: A Model that Doesn’t Work for Providers, Workers, or Families,” White House Council of Economic Advisors, <https://www.whitehouse.gov/cea/written-materials/2022/04/08/care-businesses-a-model-that-doesnt-work-for-providers-workers-or-families/> (April 8, 2022).
- 10 Id.
- 11 Id.
- 12 Annie E. Casey Foundation, 2023 Kids Count Data Book, https://www.aecf.org/resources/2023-kids-count-data-book?gad=1&gclid=Cj0KCQjw1aOpBhCOARIsACXYv-eZmgMkQaLrGZXmhLmVsrBmFVM76YAPwuC1zu8-fpbAYKkra5PAteKaA-o2PEALw_wcB.
- 13 Julie Kashen et al., “Child Care Cliff: 3.2 Million Children Likely to Lose Spots with End of Federal Funds,” The Century Foundation, <https://tcf.org/content/report/child-care-cliff/> (June 21, 2023).
- 14 Remarks by Secretary of the Treasury Janet L. Yellen on Shortages in the Child Care System, <https://home.treasury.gov/news/press-releases/jy0355> (September 15, 2021).



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