

Investing In Families And Our Future

Report at a Glance



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THE PROBLEM

Child care in NYC is a broken market in **need of intervention.**

Families cannot get the care they need, child care providers are struggling to run sustainable businesses, and our workforce and economy are suffering.

In 2022 alone, the city is estimated to have **lost \$23 billion dollars in economic activity** as a result of parents leaving the workforce or downshifting careers to meet child care needs.

At their best, high-quality child care settings are a place for young children to learn, thrive, and engage with their peers. Child care is also an essential service for families in an economy that often demands all adults in a household pursue outside employment. The gaping holes in our child care market hurt our city's economy and our future. **Without access to affordable, reliable child care, young families are leaving New York City.** This is leading in particular to an exodus of Black families who can no longer afford to raise their children here. Losing families hurts our city's future – there are economic impacts, like a **decline in public school funding** and a **decreased tax base** – but also more fundamental challenges, as **New York becomes a city for the wealthy** and no longer one for the middle and working class.

The economics and operational realities of child care are fundamentally broken:

1

There is insufficient child care in New York City; there are more than two children under five for every licensed child care spot in the city, and options are even more limited specifically for infants and toddlers. Child care supply has been declining in recent years – particularly affordable child care – given the challenges providers face generating sufficient revenue to run their businesses.

2

Families are spending an unmanageable portion of their income on child care; by federal standards, more than 80 percent of families in the city cannot afford full-time child care. The impacts are felt disproportionately, with families of color struggling the most to find affordable care.

3

Child care providers – dominantly small business owners who are women and people of color – are running businesses with razor-thin margins and significant regulatory requirements. Providers who work with the city to provide 3-K and Pre-K services have faced late payments and other bureaucratic challenges.

4

Most provider costs go toward personnel given the high staffing needs to care for young children, but child care workers are among the most underpaid professionals in the city; many live in poverty, and the workforce has been depleted in recent years.

5

Though New York City and State invest more public dollars in early care and education than other parts of the country, it is still insufficient to meet the needs of families or providers.



Correcting the child care market therefore requires **intervention by government and private forces.**

The best policy answer is a system that guarantees free or low-cost high-quality child care for all families. Universal child care would be transformational for families – affordable, accessible child care would enable them to continue raising their children in New York City – and would in turn have meaningful returns for the city’s continued economic recovery and growth.

Moving toward a future with universal child care will require us to think boldly about creating child care capacity, expanding and supporting the workforce, and helping families find care that meets their needs. Our city leaders and private sector partners need to dream big and innovate. While we plan for a better future, we also need to address the real challenges facing us right now. The city needs to take immediate action to shore up its own operations and stabilize the child care sector so that we do not compromise the limited safety net we have in place.

In this paper, we present a set of ideas to save our child care system from collapse while fundamentally redesigning what it looks like for the future. By amplifying the ideas put forward by child care advocates and policy experts and lifting up examples that have worked elsewhere, we aim to provide New York City’s policymakers with a menu of options that will lead to action and a greater focus on solutions.

POLICY IDEAS



Shore up the city's existing child care infrastructure

New York City has a rich history of community-based child care centers, and multiple mayoral administrations have invested in growing the supply of publicly-funded care and education. However, the city's current early childhood program faces major operational challenges with backlogs in required background checks for child care workers, delays in payment to contracted providers, and underspending of state dollars for subsidized child care. Many of the city's early care and education seats are empty and the expansion of 3-K has been halted, even though parents say they cannot get the care they need. The city has important work to do to stabilize the foundation of its child care system. To do this, the city should:

- **Streamline governance** to create a more unified policy approach and increased accountability.
- **Prioritize staffing vacancies in the critical functions that support child care.** [Our 2023 staffing report](#) includes detailed recommendations for how the city and specific agencies can more expeditiously fill these roles.
- **Ensure providers can access funds they are owed**, through process improvements and automation for payments, expedited contract registration, and an expanded emergency bridge loan program.
- **Create meaningful opportunities for child care providers to engage in policy-making discussions and decisions**, giving them a voice in the decisions that impact them most directly.
- **Increase transparency into public spending and operations**, providing more data to the public about city-funded child care.



Connect more families to care

Many publicly-funded child care slots go empty, not because families do not qualify, but because they do not know about their options or know how to apply. For the city to make the case that we need to invest more in child care services, we need to first fill the capacity we already have available and make sure it reaches the New Yorkers who need it most. To do this, the city should:

- **Reinvigorate the outreach campaign** for early care and education services, targeting the most vulnerable families.
- **Create a text messaging platform** to allow the city to communicate with parents and guardians of young children.
- **Publish and maintain a user-friendly directory** of all child care programs in the city, coupled with a true 'one-stop' portal for families to access care.
- **Make it easier for families to enroll in care** directly with providers and through the city's Child Care Resource and Referral Networks and the Department of Education's Family Welcome Centers.



Expand and simplify access to free and low-cost care

Most publicly-funded child care comes with strict eligibility criteria, largely rooted in federal policy and state regulatory requirements. Means-testing for child care creates barriers to entry, particularly for the most vulnerable families, and forces the government to invest resources in bureaucratic processes that could otherwise go toward care. This is why we must move toward a system with universal care. However, for as long as this is the system we have, we should work to make it as expansive as possible. To do this, the city, in partnership with the state, should:

- **Expand who is eligible and provide more care to those who need it** by ensuring the lowest-income New Yorkers qualify for care, creating more access for families with nontraditional income — regardless of immigration status — and changing state policies that limit when families can access care. The city and state could continue to increase the number of families who qualify for care, building on the changes made in recent years.
- **Make it easier and faster for eligible families to get care** by simplifying the child care application, integrating data systems to make it easier — or even automatic — for some families to qualify, enrolling families into care faster, and reducing the barriers that keep qualified families from the care they are entitled to.



Make it easier for child care providers to do business

The city has made a commitment to support its small businesses, and particularly those operated by minorities and women. Helping child care businesses thrive is critical to the city’s broader economic goals. For good reason, child care is a heavily regulated sector, but the complex web of requirements creates many challenges for providers and keeps some out of the sector entirely. If our city leaders want to see an expansion of child care capacity, we need to make New York City a more supportive place for child care operators by making it easier for them to open and maintain their businesses, streamlining the regulations they must comply with, and supporting them as small business owners. To do this, the city should:

- **Make it easier for providers to obtain and maintain the necessary permits to operate**, with more streamlined licensing and monitoring processes and tailored supports for providers to maintain compliance.

- **Ease regulatory burdens** by allowing background check verification to follow child care workers, making it easier for providers to operate during nontraditional hours, and changing outdated provisions in child care funding rules.
- **Provide more direct operational and business support** with access to funding to allow providers to better weather emergencies, access shared service hubs for technical assistance, and receive resources in multiple languages.



Bolster the child care workforce

Many child care workers today earn poverty-level wages, limiting the sector’s growth and creating real equity issues for a workforce that is largely women of color. Child care workers play a pivotal role in early childhood development and often lack access to the kind of robust training that would allow them to grow as professionals. To grow the supply of early childhood education in the city, we must meaningfully expand and strengthen the workforce. To do this, the city should:

- **Invest in higher wages for child care workers in all roles in all settings and explore additional benefits beyond compensation**, including health care, child care, pension plans, housing stipends, and loan forgiveness.
- **Support current child care workers and grow the pipeline for the futures** with expanded career advancement opportunities for child care professionals, partnerships with higher education partners, and flexibility in certification requirements to support the incumbent workforce.
- **Create training programs and apprenticeships specifically for immigrant communities**, helping our newest New Yorkers build professional skills and filling a critical workforce gap.



Create more physical space for child care

High real estate costs impact every sector in New York City. The challenge is even more acute for child care providers because of the strict requirements they face related to facilities. For the city to move toward a more universal system of child care, we need to think creatively about how to create and adapt more physical spaces for care. To do this, the city should:

- **Create new opportunities for child care spaces** with simplified regulation and expanded zoning flexibility.
- **Adapt existing spaces for child care** by maximizing conversion opportunities and helping landlords connect with would-be providers.
- **Make it easier to retrofit and build new child care spaces** with incentives for developers, use of modular construction, funding for climate resilience, and housing stock specifically designed for home-based child care providers.
- **Repurpose vacant public school space** for child care at low or no cost to providers.



Bring employers into the conversation

It is in employers' best interest to make sure their workers have reliable child care for their own bottom line and for employee retention. If we successfully move toward a model of universal child care in New York City, the role of employers would necessarily shift. Still, there are meaningful steps that employers can be taking right now to support their employees and therefore support their business needs, as well as continued steps the city can take to spur action from employers.

- The city could incentivize cost sharing with employers, partner with labor, and set an example by providing child care benefits for city employees.
- Employers could help employees navigate the system to access city-funded care, offer flexible benefits to meet the diverse child care needs of employees, and expand child care supply for employees, including options that specifically match employees' work schedules. Greater scheduling consistency supports all workers, especially those with caregiving needs.

CONCLUSION

New York City and State have demonstrated a willingness to invest in child care, but we must go much further and take the additional steps necessary to make care significantly more affordable and accessible for families – and more sustainable for child care providers. In our report, [*Investing In Families and Our Future: A Policy Roadmap to Address NYC Child Care Needs Now*](#), the 5BORO Institute has outlined a set of ideas that city leaders can take to support the existing child care infrastructure and build the foundation for a future system with universally available care. Our city's future depends on it.

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