Rethinking Early Childhood Education and Childcare in the COVID-19 Era

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The COVID-19 pandemic offers policymakers the opportunity to rethink early childhood education and childcare in America, and to do a better job of aligning services with the needs and preferences of families. The availability of suitable childcare—affordable and convenient with adequate hours in a desirable environment—is a key component of economic recovery, where working parents no longer have to reduce their hours or quit their jobs. However, moving away from the idea that such care can only take place in highly regulated childcare centers will be necessary in order to foster a robust supply of diverse options.

While widespread childcare closures could cause significant disruptions to work and economic output, there may also be new opportunities and ways of delivering early childhood education and childcare...
that could expand affordable, workable options for families. In order to support such a shift, policies must avoid giving preference to center-based care over family care. Among other reforms, policymakers should allow all childcare centers to re-open, eliminate unnecessary regulations, provide choices for parents if public childcare programs exist, and reduce barriers to informal childcare arrangements, including parent co-ops.

**Childcare and Preschool Pre-COVID and During COVID**

Early childhood education and childcare is a building block in the lives and outcomes of most children in the United States. Of 21 million children under age six who are not yet enrolled in kindergarten, a majority attend some type of preschool program or are cared for, in part, by someone other than a parent.¹ That stopped, at least temporarily, when the COVID-19 pandemic hit the United States. By mid-April 2020, 61 percent of childcare centers had shut down, with the remaining centers operating at significantly reduced capacity, primarily for the children of workers designated as essential. According to Procare Solutions, a childcare management software, enrollment at childcare centers fell to only 13 percent of its pre-COVID level in mid-April.² While enrollment was up to 47 percent of its pre-COVID level as of late June, a lack of childcare—at least the kind of care with which parents feel comfortable—is weighing on the economic recovery and could have significant long-term effects.³ Some of the changes in early childhood education and childcare will prove temporary, while others could have lasting effects.

**The Role of Childcare in the Economic Recovery.** Two-thirds of children ages five and under have all available parents in the labor force—meaning that children’s early education programs are fundamental to parents’ incomes.⁴ If parents cannot find suitable childcare—including affordable, convenient, adequate hours, and a desirable environment—some will have to reduce their work hours or quit their jobs. Since a daycare teacher who loses her job when the school closes cannot trade spots with the nurse or middle school teacher who stays home because of a lack of suitable childcare, these childcare-initiated changes in labor could lead to broader shifts, including shortages and surpluses of workers.

Meanwhile, if childcare centers cannot re-open or are unable to fill their classrooms in the short-term—either because of new regulations or parents’ decisions not to send their children to daycare—many will close their doors for good. Yet, demand for preschool and daycare will presumably rise as the economy recovers, and most notably when a vaccine becomes
available. While new entrants to the childcare and preschool market could replace centers that previously closed, there are significant barriers to entry, including high start-up costs to locate and equip a facility that will pass licensing standards, waiting for building certifications, finding qualified teachers and performing background checks, and recruiting parents to enroll their children.

The interconnectedness of childcare and preschools with parents’ ability to work means that the economic recovery depends in part on families having access to childcare and preschool options that work for them. While widespread childcare closures could cause significant disruptions to work and economic output, there may also be new opportunities and ways of delivering early childhood education and care that could expand affordable, workable options for families.

**COVID-19 Risks Low in Childcare Centers and Preschools.** While the world is still learning, evidence to date from more than 20 countries that either never closed daycare centers (or schools) or have since re-opened them suggests that preschools and childcare centers are among the safest parts of society to re-open. That is because children, especially those ages 10 and under, are significantly less likely to contract the coronavirus.\(^5\) While children represent 23 percent of the population, they account for only 8 percent of COVID-19 cases as of July 23. (The age for “child” reported cases varies by state and can cut off as early as age 14 or as late as age 20.)\(^6\)

When children do contract the virus, they are more likely to have mild or no symptoms and extremely low death rates. As of July 29, there were 23 total COVID-19 deaths among children under age five in the U.S., compared to 55 deaths from the flu and 131 deaths from pneumonia for children under age five.\(^7\) There is also early evidence that young children are significantly less likely to pass the virus to others.\(^8\)

The data play out in the evidence from early childhood programs. Most of the childcare centers that stayed open during the COVID-19 shutdowns experienced remarkably few cases, especially considering they were providing care to the children of many frontline workers. The YMCA cared for more than 40,000 kids nationwide throughout about 1,100 centers, and 10,000 of those children were across 170 centers in New York City. Despite the city being the epicenter of the virus during the spring, neither the YMCA nor the New York City Department of Education, which collectively cared for tens of thousands of children, reported any COVID-19 outbreaks or clusters. The YMCA reported that a few parents and staff members at their centers tested positive for the virus, but that there was never more than one case at a given location.\(^9\)
A non-scientific study by Brown University economist Emily Oster, using crowdsourced data, finds very low infection rates among childcare children and staff. Across 983 sites that voluntarily provided information as of July 8, 42 children of 27,497 (0.15 percent) tested positive for COVID-19, while 107 of 9,691 staff (1.10 percent) tested positive, for a combined infection rate of 0.40 percent.\(^\text{10}\) That compares to a nationwide infection rate of 0.92 percent as of July 8.\(^\text{11}\) Although California has reported a jump in childcare-related cases recently (from 202 total cases as of June 4 to 998 as of July 12), that rise appears related to the general spike in cases across the state. Even with the increase in California, only 1.7 percent of childcare centers (658 of 38,113 facilities) have reported a single case.\(^\text{12}\)

### Parent Arrangements for Early Childhood Education and Care in the Time of COVID

According to an April 2020 poll of working parents with children under the age of five commissioned by the Bipartisan Policy Center, 86 percent of families’ work situations were affected by COVID-19. Most of those households—56 percent—had an adult working remotely in the home, 19 percent had been laid off or furloughed, and 8 percent could not work because their employers closed.\(^\text{13}\) Combined with widespread childcare closures, COVID-19 has changed the way families work and the care their children receive. Many parents of young children—49 percent—have managed childcare closures with someone in the home being able to watch their children.\(^\text{14}\) But working while also watching children is significantly less productive, and many parents feel like they are merely keeping their heads above water.\(^\text{15}\) According to a survey of working parents conducted by Northeastern University, 13 percent of parents have quit a job or cut back on hours because of young children.\(^\text{16}\) Moreover, even children whose parents who do not need childcare are missing out on the social interaction that various early childhood education programs provide.

**So, What Are Parents Doing?** About half of children who previously attended daycare have returned, but re-enrollment rates vary significantly by state, from less than 20 percent in Maryland and New Jersey to more than 70 in Arizona, Idaho, and Tennessee.\(^\text{17}\) Some childcare centers and preschools have closed their doors for good, and among those that have re-opened, a significant number say they may not be able to remain in business for long, since new COVID-19 restrictions have increased costs while health concerns and family situations have reduced enrollment.\(^\text{18}\)
Other parents are juggling work with watching and educating kids, often shift-splitting their schedules (if there are two parents at home) and waking up earlier or staying up later to get work done. Some have also moved in with their own parents who are helping to watch their grandchildren. Moreover, employers are having to learn how to accommodate working parents’ needs with increased flexibility. There have also been some wonderful community efforts to help parents, such as MN COVIDsitters,19 started by medical students at the University of Minnesota to provide free childcare to health care families, and similar babysitting networks at Dartmouth College, Johns Hopkins University, and Ohio State University.20

Ongoing changes in Americans’ responses to COVID-19 will shape the interim, and could alter the future, of early childhood education. Where K–12 schools operate exclusively online, parents who have both preschool and school-age children may need to hire a nanny or in-home teacher, and
may not be able to afford to send their younger children to preschool or daycare. This could lead to more permanent preschool and daycare closures in areas where schools do not resume in person. Or perhaps those preschools and daycares could expand to also provide a supervised educational space for school-aged children, provided that they have the space and that regulations do not prohibit such expansions.

While some K–12 schools will begin the year online, preschools and daycares cannot do the same. The purposes of preschool and childcare are to provide social interaction; hands-on educational instruction; physical supervision; and physical care, such as feeding, changing, and playing with children. Moreover, extensive screen time is not advisable for children. In 2016, the American Academy of Pediatrics has said that children under the age of two should not engage in screen time, and that children ages two to five should be limited to one hour, with parents co-viewing and helping children to understand and apply what they are seeing.21

While it is known that many families’ current preschool and childcare situations are neither ideal nor sustainable, it is not yet known whether or how COVID-19 will affect early childhood education arrangements in the long term.

Current Childcare Arrangements Do Not Align with Maternal Preferences. Many families in which both parents work outside the home, along with single-parent families, rely on some form of childcare to enable them to earn a living. As Carrie Lukas and Charlotte Whelan explain, some 18 million children below the age of 18 live with a single parent, and nearly half of two-parent households are comprised of dual-income earners, making some type of childcare essential for both types of family situations. Among working adults, four in 10 have children under the age of 18.22 Although many families currently turn to formal childcare, those arrangements do not necessarily align with the preferences of most mothers.

More than half (56 percent) of mothers with children under the age of 18 would prefer to stay home in order to care for their children and household, according to a 2015 Gallup Poll of U.S. working preferences. Thirty-nine percent with children under the age of 18 preferred to work outside the home. Among mothers who were working either full time or part time, 54 percent reported that they would prefer to stay home instead. Nearly three-quarters (72 percent) of fathers said they would prefer to work outside the home.23

Since 1997, Pew has tracked mothers’ work preferences, finding that working part time was mothers’ top choice in every administration of the survey. Among women with children under the age of 18, nearly half (47 percent) listed working part time as their ideal working situation in the most recent (2012) survey. Another 20 percent reported not working at all to be
their ideal scenario, meaning a full 67 percent would prefer either part-time work or full-time homemaking. Forty-four percent of mothers currently working full time reported they would prefer to work part time instead. That same survey found that only 23 percent of married mothers say that working full time is their ideal scenario, meaning that millions of American women would like to stay home with their children, at least part time.  

Although surveys suggest that most mothers would prefer not to work full time, many need to do so, and some prefer to do so. The data suggest that uniform early childhood education and childcare policies may not capture the wide range of preferences of mothers, and that policies should avoid creating disincentives for mothers to care for their own children.

**Review of the Literature on Preschool**

Although many mothers would prefer to be at home with their children at least part time when their children are young, policymakers have largely supported childcare in center-based settings, which often does not align well with part-time schedules. Proponents of center-based care frequently argue that such care provides not only an important childcare function, but that, in the case of preschool, it also provides educational benefits that accrue over the long term for the well-being of children. However, the literature on the efficacy of early childhood education suggests that the benefits of preschool quickly fade away, and that there is little difference in the academic outcomes of participants and non-participants in the long run.

Indeed, scholarly agreement on the lackluster academic outcomes of preschool is “about as close to an intellectual policy consensus as Washington gets,” proclaimed the *The Wall Street Journal* in 2014. That statement
came shortly after the U.S. Department of Health and Human Services (HHS) released its long-awaited third-year follow-up study of the federal Head Start program—the nation’s largest government early childhood education and childcare program.

Since 1965, taxpayers have spent more than $240 billion on Head Start, a federal preschool program for children from low-income families. In 2012, the HHS, which administers Head Start, released the results of its scientifically rigorous evaluation of the program, assessing Head Start’s impact on more than 5,000 three-year-old and four-year-old children. The HHS found that by the time Head Start participants reached third grade, Head Start had yielded no impact on children’s cognitive, social-emotional, or health outcomes, and on some measures, participation had a negative effect. This third-grade follow-up study came on the heels of the 2010 Head Start Impact Study, which the HHS conducted using the same cohorts of children as they entered the first grade. That study found that Head Start had little or no positive impact for participating children.

**Beyond Head Start—Outcomes of “High Quality” Preschool Programs.** Proponents of government preschool tend to rely on two major studies to make a case for its efficacy: the Perry Preschool Project and the Abecedarian Project. The Perry study, which began in 1962, followed program participants until they reached the age of 40, and found increased likelihood of high school graduation, employment, and higher earnings than the control group of children who had not participated in the Perry Preschool Project. Participants were also less likely to have been arrested five or more times by the time they reached 40. From there, researchers derived an oft-cited $7.16 “return on investment” for every dollar spent on the preschool program. Similarly, the Abecedarian study, which began in 1972, produced seemingly positive benefits, including increased college matriculation, reductions in teen pregnancy, and improved labor outcomes.

Although this sounds promising, both Perry and Abecedarian suffered from severe research limitations that make extrapolating their findings to modern-day policy recommendations inappropriate. The Perry study, now nearly 60 years old, included just 58 at-risk children from Ypsilanti, Michigan, in the experiment group and 123 children overall—all from low-income families. Perry also offered around-the-clock services and in-home visits to parents as part of the study’s comprehensive preschool and care. Like Perry, the Abecedarian study, conducted nearly half a century ago, suffered from a small sample size of just 57 children in the treatment group. Neither study’s findings have been replicated, meaning that they lack a key
hallmark of rigorous empirical research. As the Brookings Institution’s Grover Whitehurst said of trying to apply Perry’s findings to modern-day preschool programs, they
demonstrate the likely return on investment of widely deployed state pre-K programs for four-year-olds in the 21st century to about the same degree that the svelte TV spokesperson providing a testimonial for Weight Watchers demonstrates the expected impact of joining a diet plan.³⁰

Although proponents of universal government preschool frequently appeal to the Perry and Abecedarian studies to make their case, more recent rigorous research on the impact of formal preschool casts doubt on its effectiveness and provides a more realistic outlook. Notably, a 2015 randomized controlled trial evaluation of one of the country’s most exalted preschool programs—Tennessee’s Voluntary Pre-K initiative—found no differences between the control and experiment groups by the end of kindergarten. Moreover, the study, conducted by Vanderbilt University, found that the preschool treatment group, which included more than 3,000 participants, scored lower than the control (non-preschool group) on most measures by second grade.³¹

In 2015, researchers conducted a review of the literature on early childhood education. Their review concluded that even the best preschool programs do not tend to have long-term impacts on children’s cognitive skills, and, where it does perform well, the temporary benefits are confined to children from low-income families.³²

The rigorous research suggests that formal, center-based early childhood education does not support lasting academic benefits for participants. That literature, coupled with what is known about maternal preferences for childcare, should encourage policymakers to reconsider current childcare and preschool delivery mechanisms and attendant subsidies.

What a New World of Early Childhood Education and Care Could Look Like

While parents juggling childcare within their homes and some essential workers receiving free childcare are temporary solutions, they cannot last forever. Meanwhile, COVID-19 may cause substantial changes in supply and demand that could have lasting effects on early childhood options for families. For starters, it is unclear how many early childhood programs will survive COVID-19 and which will close their doors. While larger centers may have more resources saved up, they also face higher operating costs because of
rent and other fixed costs. Thus, it could be easier for home-based daycares that shut down temporarily to start up again.

**Increases in Teleworking Could Usher in Demand for New Childcare Arrangements.** There are also potential changes in the demand for early childhood programs as parents potentially alter their work. One silver lining of COVID-19 may be increased flexibility and remote work options for more workers. There may also be an increase in freelancing and contract work among parents who lost their jobs or who have decided they want to spend more time at home with their children.

Due to the pandemic, the percentage of American workers who were offered telework or flex time increased from 39 percent to 57 percent, with companies like Zillow and Twitter reporting that they plan to allow their employees to work remotely indefinitely after the pandemic ends. More than eight in 10 (83 percent) managers who responded to a survey of companies that employ “professional and office workers” conducted by the Society for Human Resources Management in June said they expected that employees will continue working from home at least three days per week for at least a year after the pandemic subsides. Almost 70 percent of managers reported they expected at least 10 percent of their employees to work remotely indefinitely.

Telework can alleviate the pressure of needing traditional childcare arrangements by, among other things, allowing families to live near relatives, which can help with their childcare needs. Telework can also help women to avoid gaps in their professional career by enabling them to continue working while raising their families. It can, however, create new challenges of its own, such as needing childcare arrangements in order to accomplish work while at home with children occupying the same space as their parents during the day. This, as well as short-term health concerns causing a desire for smaller classes, could increase demand for part-time, flexible, and lower-cost early childhood programs or parent co-ops.

The problem, however, could be a lack of such options. Between 2005 and 2017, the number of childcare providers fell by 27 percent (a loss of 87,700 providers). That decline was entirely the result of small family care providers plummeting 52 percent (a loss of 92,400 providers). Small family care providers, where one person watches a few children in her home, have been declining in part due to increased regulations. Yet, family providers are about 25 percent less expensive than early childhood centers. In 2018, the average cost for center-based childcare was $10,451, compared to $8,331 for in-home care.
Pods and Micro-Preschools Could Hold an Answer. The pandemic has led to a resurgence of these neighborhood options. Preschool and childcare co-ops, micro-schools, and “pod” arrangements are helping to alleviate the pressures faced by parents working from home during the pandemic, and are providing a solution for lower-income families and those parents who must physically go to their jobs day to day and cannot work from home.

**Chart 3**

**Small Family Based Childcare Has Plummeted**

The number of small family based childcare providers dropped by half from 2005 to 2017, due in part to increased regulations. This leaves parents with fewer affordable options, as in-home care (which averages $8,331/year) costs about 25 percent less than center-based care ($10,451/year).

**Sources:**
Although home-based early childhood education and care providers have potentially low costs by using their own home and many of their existing supplies, childcare licensing and regulations have set an increasingly high barrier to establishing and maintaining home-based childcare. In certain states, non-licensed care is illegal. In Maryland, a parent cannot pay a friend to watch her children after school for a few days a week in the friend’s home without that friend having to become a licensed childcare provider. Becoming a licensed provider is not easy: In addition to implementing potentially costly structural changes to one’s home and undergoing multiple inspections, regulations also dictate which toys providers can and cannot offer, which types of beverages can or must be provided at which time intervals, into what size different pieces of food must be cut, which type of tape can and cannot be used for materials in the classroom, and which types of food containers must be used and how they must be labeled.

Regulatory hurdles already limit the supply and drive up the cost of childcare, and COVID-19 restrictions have only made the situation worse. Childcare centers operating under the new COVID-19 physical distancing regulations are struggling, with some operating at a loss. Yet, if policymakers can enact commonsense regulatory relief, a number of tech-based childcare start-ups may help to generate more options for parents and more jobs for early childhood educators.

MyVillage is one such example. The online company was established by two moms who noticed the lack of childcare options and “set out to make better care available to all families, with the hope to ultimately revolutionize how we think about and access child care.” To help more individuals—most often moms—establish nurturing learning programs for kids in their homes, MyVillage works with educators, helping them to navigate the licensing system; providing free insurance; establishing scheduling, billing, and financial management tools; and setting up a website.

Other Web-based companies, such as the Wana Family Network and Komae offer platforms for parents to set up co-ops to care for each other’s children, free of charge. Wana Family Network founder and CEO Erin Beck said she was looking for the parent-helping-parent kind of childcare she grew up receiving. These co-op platforms allow parents to form exclusive groups to pool childcare, including establishing schedules and locations. Instead of payment, the platforms operate on earned-points systems.

There may also be some changes in childcare enterprise and management software companies that could help more parents to find childcare programs that work for them. Kinside, which helps workers to find childcare and manage employer-provided childcare benefits, has experienced a
significant decline in the use of its services during COVID-19. Thus, Kinside has branched out, helping essential workers to find care, and reaching out to human resources departments at hospitals and grocery stores to help them offer childcare to their workers. As some employers will have difficulty retaining workers who have young children amid COVID-19 preschool and daycare closures, employer-sponsored daycare and preschool programs could expand, allowing parents to have their children close by and potentially saving on the cost of care.

Preschool co-ops and micro-schools could also benefit families living in rural areas, which have fewer center-based options, and the reduced-rate option offered through some co-ops in exchange for parents volunteering a few hours per month could help to defray costs for lower-income families.

Using a pod, co-op, or micro-school approach to preschool holds numerous advantages for families and can provide a better approach to early childhood education and care long term. Preschool pods may better reflect maternal preferences for childcare, enabling mothers to be at home more with their children while also working; can be more cost-effective than traditional center-based care; allows more flexible schedules; provides safety through co-quarantining; and addresses childcare “deserts” that exist, especially in rural areas. While these new platforms can help more parents to find the type of care they want, need, and can afford, their potential benefits will remain limited without commonsense regulatory relief from policymakers at all levels of government.

Federal Policy Reforms for a Better Early Education and Childcare Model

Early childhood education and care is and should primarily be the domain of families and communities, followed by targeted state policies. However, since 1965, the federal government has been involved in early childhood education through several programs and policies, including Head Start, the Child Care and Development Block Grant, the Child Care Tax Credit, and, more recently, 529 savings accounts.

Federal policymakers should:

**Let Families Keep More of Their Own Money.** Childcare is expensive and can seem unaffordable, which often leads to calls for government-funded, or universal, childcare and preschool. Part of the reason it is so hard for families to pay for childcare, however, is that they pay so much in taxes. In 2018, Americans spent more on taxes than they did on food, housing, and clothing combined. Taking even more from households to pay
for government-funded early childhood programs—which would cost significantly more than existing private and not-for-profit ones—would leave households with less money to spend on what is best for them and few, if any, choices for childcare. Reducing households’ tax burdens, including their payroll tax burdens, would leave families with more choices to decide what works best for them, and with greater control over their futures. Moreover, policymakers should advance Universal Savings Accounts so that Americans can save and invest in a single, simple, and flexible account, for any purpose and without penalties or additional taxes being owed upon withdrawal. These accounts have been particularly helpful to lower-income and moderate-income households in Canada and the U.K. By enabling parents to save in one place and to withdraw funds without penalty or double taxation, these accounts could help families to pay for early childhood programs and allow them to be better prepared for many other types of life events.

Make Head Start Portable. Policymakers should update the federal Head Start program to function more like the existing Child Care Development Fund (CCDF). The CCDF, part of the federal Child Care Development Block Grant, is a federal–state partnership that provides funding to low-income families to access childcare. Eligible families are provided vouchers through the CCDF to pay for tuition at a childcare center of their choice, including family-run childcare centers, relative care, and faith-based providers. Unlike the CCDF, the federal Head Start program, which has been ineffective and mired in fraud, funds public Head Start centers directly, providing few options for enrolled children. Per-child spending on Head Start, which is close to $10,000 per year, exceeds the average cost of childcare in 37 states even while offering fewer hours of care than state-based programs. Allowing parents to take their child’s share of Head Start funding to a preschool provider of their choice could help to better match providers with families and increase the hours of care that children can receive.

Expand the Allowable Uses of 529 Savings Accounts to Include Preschool and Homeschooling Expenses. Historically, 529 savings plans could be used to save for, and pay for, the college expenses of a designated beneficiary. However, as part of the Tax Cuts and Jobs Act of 2017, Congress expanded the allowable uses of a 529 plan to include K–12 expenses, such as private school tuition. Parents can use these plans to pay for up to $10,000 per year per student from kindergarten through college. Although this expansion was welcome news for parents—529s allow accrued interest to grow tax-free in the accounts as long as the money is put toward allowable education expenses—funds cannot currently be put toward preschool or
homeschooling expenses. Congress should further expand the allowable uses of 529 accounts to include preschool, childcare, and homeschooling costs. Although parents would not have many years to save in a 529 before a child reaches preschool age, since anyone—grandparents or friends—can contribute to a designated beneficiary’s account, families could use their 529 accounts as savings vehicles for contributions from sources beyond the parents’ investment. At the same time, allowing 529s to be used for homeschooling expenses could also support the growing trend of preschool co-ops and pandemic pods for childcare.

Eliminate Barriers to Employers for Offering Early Childhood Education and Care Benefits. Employers who provide childcare benefits—such as onsite preschool or childcare programs, or subsidies for back-up childcare—can be a huge benefit to working parents and also help employers to increase employee retention. Yet, under the Fair Labor Standards Act (FLSA), employers who provide any kind of onsite childcare or childcare subsidies must include the value of those benefits in employees’ “regular rate” of pay calculations. This complicates and increases costs when workers who are paid hourly work overtime because, instead of just paying the worker 1.5 times their wage, employers also have to add on 1.5 times the hourly value of any childcare subsidy, even though those subsidies are usually fixed benefits. Policymakers should exclude childcare benefits from the “regular rate” of pay calculations, just as the law already excludes similar benefits, such as retirement contributions, and accident, health, and life insurance benefits. This would particularly benefit lower-income to middle-income workers who are more likely to receive hourly wages.

Allow a Safe Harbor for “Household Employees” Who Choose to Be Contract Workers. With many K–12 schools opening only partially or not opening until 2021, and with some preschool and daycares remaining closed or having limited spaces, many families will be seeking people to come to their homes to provide care and educational support to their children, perhaps even forming “pods” with other families. Yet, hiring a “household employee,” as opposed to a contractor, can involve a burdensome and time-consuming process of complying with state and federal regulations and tax laws. Currently, if an individual or family pays another individual more than $2,200 per year (the equivalent of $42 per week) for work performed in his or their home, they are required to pay, withhold, and submit multiple taxes. This process requires registering as an employer with the state and federal government, hanging official employee-rights notices in one’s home, and can include registering with, and submitting tax payments to, the state and federal unemployment insurance systems, state
and federal income tax systems, and the Social Security Administration. In addition to the tax burden, compliance with all the different rules and taxes is both confusing and burdensome, and mistakes can lead to significant tax bills for both the household “employer” and “employee.” Under the current rules, a family could not even hire a babysitter at $15 per hour for four weeks before exceeding the $2,200 threshold and having to treat that individual as a legal employee.

Individuals who provide services may prefer to be treated as contractors as opposed to household employees. A preschool teacher, for example, may provide services to two different preschool pods, covering 10 families in total. Under the current tax and regulatory structure, this could get confusing quickly. First, it is unclear whether just the families that host the preschool pod would be household employers. If the host families become the employers, they would probably have to become licensed providers and collect fees from the other families sending children to their home. If each of the families instead becomes household employers, the preschool teacher would be dependent on 10 different families to track, report, and pay Social Security, Medicare, and unemployment-insurance taxes. Failure of one or more households to do so correctly could result in significant end-of-the-year tax bills for the teacher. Moreover, it could be that the teacher crosses the $2,200 per year threshold for some families and not for others, leading to confusion over who—the teacher or the family—should be submitting taxes. Congress should create a safe harbor to allow individuals performing household work to choose to be treated as contractors instead of household employees.\(^5\)

State Policy Reforms for a Better Early Education and Childcare Model

As the primary regulators of preschool and childcare programs, state and local governments play the biggest role in fostering the availability of early childhood programs that meet families’ needs.\(^5\) They are also essential in helping childcare programs survive the COVID-19 pandemic and helping families to find the care they need so that they can work and maintain their livelihoods.

State policymakers should:

**Allow All Early Childhood Programs to Re-Open Upon Receiving Safety Guidance, with Minimal Absolute Restrictions.** Like other businesses, early childhood programs need to implement new health and safety measures for operating under the increased risks of COVID-19. Guidance,
such as that provided by the Centers for Disease Control and Prevention early on during the pandemic, can be helpful, but absolute restrictions will limit the supply of early childhood programs. Limits on group sizes, physical space, and classroom configurations have increased costs while cutting revenues in half. That is not sustainable. As Chris Peusch, executive director of the Maryland State Child Care Association asked, “If you don’t lift the ratios, how are we going to pay our bills?”

States should provide guidance instead of hard rules, requiring only that providers notify parents of their plans and procedures and allow parents to make their own decisions. Along the same lines, providers and parents should have the flexibility to adapt their policies at the discretion of parents and providers. For example, if a three-year-old refuses to keep his mask on, affected parents and teachers should be allowed to decide whether they are comfortable with kids not wearing masks at all times. In instances where the state does establish red lines, such as what would warrant a daycare having to close, those guidelines should be clear at the onset and procedures should be in place for a prompt and safe re-opening upon specified conditions being met.

TEXT BOX 1

Policy Reforms for a Better Early Education and Childcare Model

Federal Policy Reforms

- Let families keep more of their own money to make more of their own choices by reducing tax burdens and enacting Universal Savings Accounts.
- Allow eligible families to use Head Start funds for early childhood programs of their choice.
- Expand the allowable uses of 529 savings accounts to include preschool and homeschooling expenses.
- Allow a safe harbor so that individuals providing education and childcare services in families’ homes can choose between being “household employees” or self-employed contractors.

State Policy Reforms

- Allow all early childhood programs to re-open upon receiving safety guidance and, with minimal redline restrictions, allowing flexibility for local and program-specific circumstances.
- Provide choices for parents, as opposed to one-size-fits-all prescriptions, wherever public childcare programs exist or are developed.
- Eliminate unnecessary regulations that increase costs without significantly improving child welfare.
- Reduce barriers to informal childcare arrangements, including low-cost and no-cost parent cooperatives.
Provide Choices for Parents Where Public Childcare Programs Exist. Many state and local governments already offer childcare subsidies, and others are considering providing new government-financed childcare programs in the wake of ongoing COVID-19 closures. New York City, for example, plans to provide childcare to upwards of 100,000 children in the fall as schools will only be open part time. This care will almost certainly be costly for taxpayers, and it could leave parents with few or no options. All subsidies from state and local governments should be directed to families to use at their preferred preschool or childcare program, including faith-based providers and informal care provided by friends and family.

Eliminate Unnecessary Regulations. Some regulations, such as requiring childcare providers to be trained in cardiopulmonary resuscitation (CPR), make sense as they improve the safety of children; but others provide little or no value, merely taking away time and resources from childcare providers. Regulators should evaluate their existing policies and remove those that drive up costs and restrict supply without significantly improving child welfare. Regulations, such as child-to-teacher ratios, space requirements, and non-childcare-related educational requirements have been found to add significantly to costs without noticeably improving care. In addition to these major regulations, a multitude of small regulations—such as regulating the storage of food items, the timing and type of beverage distribution (including mandating that milk with 1 percent fat or skim milk be served with each meal, despite pediatrician recommendations for 2 percent milk), and requiring the providers to maintain a nursing-mothers room—all add to the costs and regulatory burden of opening and operating a childcare facility. As regulations drive up the costs of care, some providers have challenged them (such as the District of Columbia’s requirement that childcare providers obtain a bachelor’s degree), but even if such suits are successful, they still harm families, children, and providers. A mother without a bachelor’s degree who operates a daycare out of her home should not have to sue the government in order to be able to continue caring for children. States could increase affordable childcare options by scaling back regulations that drive up costs without significantly improving the safety and quality of childcare.

Reduce Barriers to Informal Childcare Arrangements, Including Parent Co-Ops. In 44 states, it is illegal to watch children in one’s home without having to make one’s home a licensed childcare facility (with the exception of limited circumstances, such as watching only a few children or for very limited hours). This is presumably part of the reason why the number of small in-home providers has dropped by more than half since
In Maryland, for example, a license is needed to provide paid care for children unless that care is “informal,” which includes a friend, relative, or nanny who receives “no compensation of any kind,” or if the individual “provides care for less than 20 hours per month.” This means that an individual who watches a friend’s child one day per week for six hours would exceed the 20-hour-per-month limit and must be licensed. Instead of relaxing these restrictions to open doors to more families who are trying to find care within their neighborhood or families due to COVID-19 concerns, Maryland recently announced that it is, at least temporarily, outlawing these informal childcare providers. On July 20, 2020, Maryland announced that unlicensed “Family and Friend Care” will not be allowed and that “[f]amily and friend providers wishing to continue to provide child care services should contact their regional licensing office to become a licensed family child care provider.” This is the opposite of what state and local governments should be doing. Amid COVID-19, and beyond, parents need more opportunities to work with close family and friends, who can provide early childhood education and care that aligns with their own concerns and needs, at a cost they can afford.

In addition to easing licensing requirements, state policymakers should allow more flexibility for parent co-ops. Parents helping parents, based on mutually agreed rules and standards, as opposed to government-dictated ones, offers a clear-cut solution for increasing accessibility and affordability of childcare. Yet, even parent-led babysitting and playgroups have faced scrutiny. In 2018, regulators in the District of Columbia tried unsuccessfully to crack down on parent-organized playgroups, on the basis that they were allegedly unlicensed childcare providers. While most co-ops are free to organize, they often cannot exchange payments without exchanging self-governance for costly and burdensome licensing-governance. Yet, there are instances in which it would be helpful for parents in a co-op to be able to pay one another without triggering licensing requirements, such as if one parent has more children than another or cannot provide as many hours of care per week. Policymakers should provide more space for parents to pay one another directly—without licensing requirements and without one parent having to become a formal employee of the other.

**Conclusion: An Opportunity to Create Better Options**

By opening doors for more early childhood programs to exist, providing parents with options for using public childcare dollars, easing regulations on existing providers, and allowing more friends and family to provide
unlicensed care will help more families to find the care they need, from the provider and in the environment they want, at a cost they can afford.

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Endnotes

1. National Center for Education Statistics National Household Education Surveys Program, “Percentage of children from birth through age 5 and not yet in kindergarten participating in weekly nonparental care and the mean number of hours per week that children spend in current primary weekly nonparental care arrangements with relative, nonrelative, or center-based provider, by child and family characteristics: 2016,” https://nces.ed.gov/nhes/tables/ECPP_HoursPerWeek_Care.asp (accessed August 3, 2020).


3. Ibid.


7. Ibid.


11. Author’s calculations based on Centers for Disease Control and Prevention data showing 3,047,671 U.S. cases through July 8, and an estimated population of 329,882,000 as of July 8.


14. Ibid.


17. Leonhardt, “States Have Largely Reopened Childcare, But Only 47% of Children Have Returned So Far.”


27. Ibid.
36. Ibid.
41. The prohibition against participants receiving pay for watching others’ children presumably exists because state licensing laws often require individuals who receive pay for childcare to conform to full childcare facility regulations, not to mention the tax and employee/employer implications.


51. Ibid.

52. This choice would allow individuals to receive higher base pay as contractors because of the compliance and tax savings for the household they serve. While those households would have to report any income they pay to individuals that exceeds $600 in a year, they would only have to provide a single document—Form 1099-MISC—as opposed to registering with and meticulously tracking, reporting, and sending taxes to as many as five government entities.

53. Programs that receive federal funding, including Head Start, are subject to additional federal regulations. For information on specific state regulations, see National Database of Child Care, “Licensing Regulations,” https://childcareta.acf.hhs.gov/licensing (accessed August 3, 2020).


60. National Center on Early Childhood Quality Assurance, “Addressing the Decreasing Number of Family Child Care Providers in the United States.”


62. Maryland Department of Education, Division of Early Childhood Education, “Early Childhood Grants, Programming and Initiatives in Maryland During COVID-19 State of Emergency,” https://earlychildhood.marylandpublicschools.org/early-childhood-grants-programming-and-initiatives-maryland-during-covid-19-state-emergency (accessed August 1, 2020). As of August 1, the website read: “Family and Friend Care: Effective July 20, 2020, unlicensed Family and Friend Care will no longer be allowed. A family child care home is not required to be registered if the provider: (a) is a relative of each child; (b) is a friend of each child’s parent or legal guardian and the care is provided on a non-regular basis of less than 20 hours a month (COMAR 13A.15.02). Family and friend providers wishing to continue to provide child care services should contact their regional licensing office to become a licensed family child care provider.” For information on licensing, see Maryland Department of Education, Division of Early Childhood Education, “Licensing,” https://earlychildhood.marylandpublicschools.org/childcare-providers/licensing (accessed August 31, 2020).