



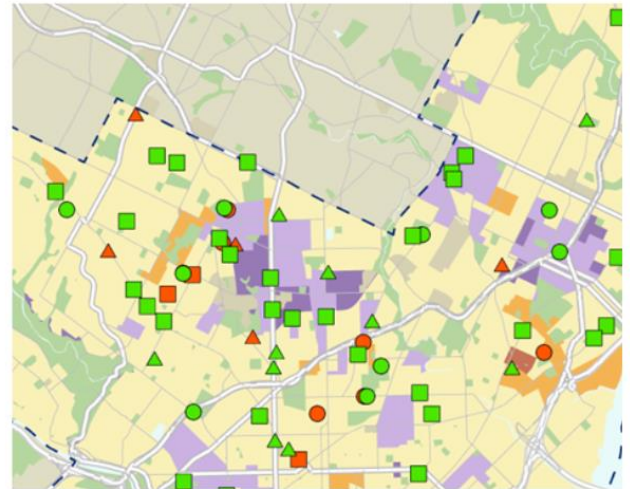
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Estimating Changes in the Supply of and Demand for Childcare in Philadelphia

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Introduction

Since 2014, Reinvestment Fund has been funded by the William Penn Foundation to study the supply of and demand for childcare in Philadelphia. The estimates presented in this report represent a descriptive and spatial snapshot of the childcare industry in the first quarter of 2023.¹ All of data described here are also available on Reinvestment Fund's Childcare Map (www.childcaremap.org), an interactive online tool that showcases the results of this analysis and is accessible to the public at no cost. The website identifies neighborhoods where high-quality childcare is scarce in absolute and relative terms, while also providing actionable information for funders, practitioners, and childcare advocates.

In addition to tracking changes in the city's childcare market, Reinvestment Fund has been working to support access to high-quality care through various efforts, including the Fund for Quality (FFQ), a partnership between Reinvestment Fund and Public Health Management Corporation (PHMC). With funding from the William Penn Foundation, and the Vanguard Strong Start for Kids Program, FFQ provides business planning and facilities-related financing to help high-quality operators expand their programs to reach more low-income families.

Since our last analysis was published in 2022, Philadelphia's childcare operators have continued to confront a staffing shortage exacerbated by the COVID-19 pandemic and changes in the ways that families work and look for care. Although this year's analysis again finds growth in the city's high-quality sector, there are challenges elsewhere. Overall childcare supply declined this year, along with a continued slide in the population of young children in the city and decrease in commuters, putting downward pressure on demand. These parallel shifts (declining supply and declining demand) mean that there was no improvement in the shortage of care. These results highlight the need for ongoing support to help stabilize the sector and support families looking for safe, high-quality learning environments for their children.

2023 Key Findings

- **Citywide, total supply of childcare has declined, reaching its lowest level since 2015.** Since the onset of COVID-19 in 2020, supply in the city's childcare sector has seesawed up and down, but overall has fallen to roughly 90,200 from 97,900 in 2020.
- **Despite overall losses, the city's high-quality sector continues to grow and expand.** Philadelphia added over 2,000 new high-quality seats between 2022 and 2023. Much of this increase in high-quality capacity can be attributed to existing childcare programs that improved their ratings with smaller shares coming from existing programs that expanded and new businesses.

¹ In particular, data on the capacity of OCDEL licensed programs represents capacity on May 11, 2023. Data on enrollment in School District of Philadelphia associated programs and private schools reflect enrollments during the 2022-2023 school year. Additional supply data are collected on a rolling basis, but reflect information collected prior to May 2023.

- **Population loss and new workplace arrangements put downward pressure on demand for care in the city.** The population of children under five living in Philadelphia declined 4% since 2022 and 8% since 2018. The expansion of hybrid work arrangements and growth of jobs outside of the city mean that fewer families are looking for care near Philadelphia job centers in Center City and University City.
- **In 2023, the location of large relative shortages in high-quality childcare shifted slightly from previous years.** The largest growth in high-quality seats occurred in North Philadelphia (near Ogontz, Olney, and Strawberry Mansion) and parts of the Northeast (near Oxford Circle). Neighborhoods with the largest shortages in high-quality supply were Greys Ferry, East and West Passyunk, Queen Village, Bridesburg, and Oxford Circle.
- **The level of childcare shortages continues to decline.** The estimated total supply of childcare declined by 5% between 2022 and 2023, while the *maximum potential demand* declined by 4%. As a result, we estimate the city has enough capacity for 91% of children (up from 84% in 2014). Considering only high-quality seats, the city only has sufficient capacity for 40% of children (compared with 21% in 2014).

This work was supported by a grant from the William Penn Foundation. The opinions expressed in this report are those of the authors and do not necessarily reflect the views of The William Penn Foundation.

Estimating the Supply of Childcare

The total childcare capacity in Philadelphia declined substantially between 2022 and 2023. But while the total number of seats declined, the proportion of care and number of seats in certified and high-quality programs has continued to grow. Table 1 summarizes changes over time in the number and share of certified and high-quality seats across the city.

Table 1: Estimated Supply of Total Childcare

	2023 Childcare Analysis		Change from 2022		Change from 2014	
	Total Seats	Share of Total Seats	Total Seats	Share Seats (Percentage Points)	Total Seats	Share Seats (Percentage Points)
Certified	82,274	91%	-949	+3%	+9,270	+10%
High-Quality	40,099	44%	+2,140	+4%	+17,355	+19%
STARS 1-2	42,175	47%	-3,089	-1%	-8,085	-9%
Not Certified	8,042	9%	-3,587	-3%	-9,226	-10%
Total Seats	90,316	100%	-4,536		+44	

There was an estimated supply of 90,316 childcare seats in 2023, a roughly 4,500 seat decline since 2022.² The city's total supply is only 44 seats higher than it was in 2014, in the first year of the analysis. This year, certified operators provided approximately 91% of the city's supply, an increase of 10 percentage points from 81% in 2014. The number of certified seats grew by 14% or 9,270 seats since 2014.

For the purposes of this analysis, high-quality programs were identified as sites that received a STAR rating of 3 or 4, or participated in Head Start or a School District of Philadelphia sponsored-program. Compared with 2014, both the number and proportion of high-quality seats have increased substantially. The number of high-quality seats grew by 17,355, or 76%, since 2014. As a share of all seats, high-quality seats comprised 44% of the total supply in 2023. This represents a growth of 19 percentage points since 2014, when high-quality seats comprised only 25% of the supply.

Our analysis of supply relies on licensed capacity reported by the Office of Child Development and Early Learning (OCDEL) to measure the supply of high-quality seats. One limitation of these data is that in some cases, licensed capacity may be larger than the actual operating capacity of an individual program. For example, a childcare site might have enough square footage to serve 100 children, but choose to only serve 60 children. In this case, the site's licensed capacity would be measured as 100, while the effective operating capacity is only 60. FFQ investments, which are designed to increase the number of children served in high-quality programs, may in some cases increase operating capacity without changing the site's licensed capacity recorded by OCDEL. As such, these estimate should be considered conservative estimates of changes in high-quality capacity, since they may not pick up all changes in actual operating capacity.

A primary goal for the childcare analysis is to help FFQ and relevant stakeholders make data-driven decisions about where to expand access to high-quality childcare in Philadelphia. The following sections describe changes in high-quality capacity since last year (2022) and since the first year that we began tracking childcare supply in Philadelphia (2014).

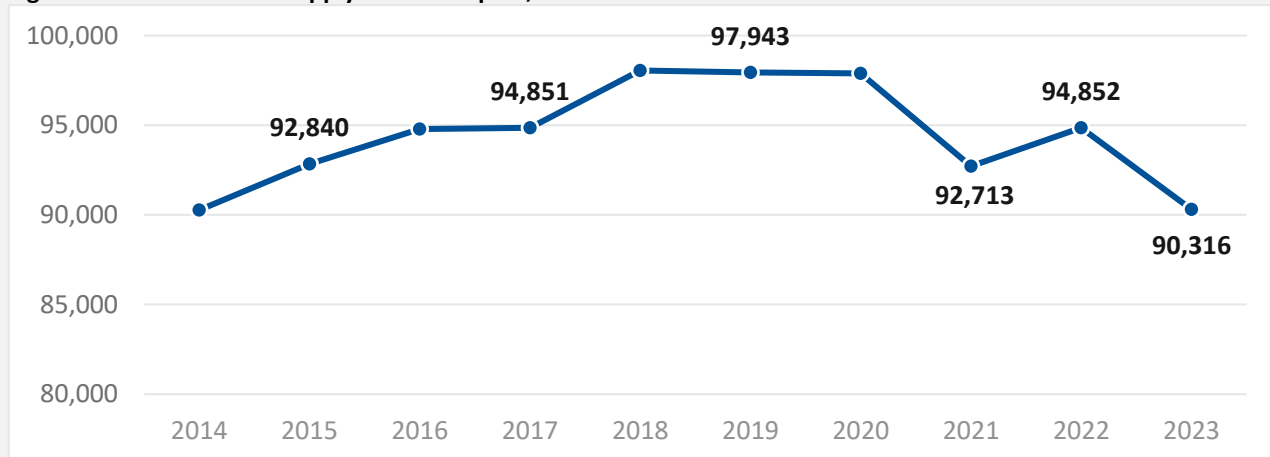
² Please see initial methodology report at <https://www.reinvestment.com/childcaremap/pdfs/full.pdf> for more detailed information on sources for supply data and estimating supply.

Tracking Recovery Since the Onset of the COVID-19 Pandemic

The onset of the COVID-19 pandemic in March 2020 had a profound impact on the childcare industry in Philadelphia and across the country. Our 2020 analysis of childcare supply and demand was released just before the onset of program closures and health and safety lockdowns. Since then, supply has seesawed, declining in 2021, rising in 2022, and falling again in 2023.

This year's analysis finds the city's total childcare capacity at its lowest level since 2015, an 9% decline from its peak in 2019. Much of the decline came from uncertified programs and home-based providers. Capacity in center-based programs and high-quality providers has been much more stable.

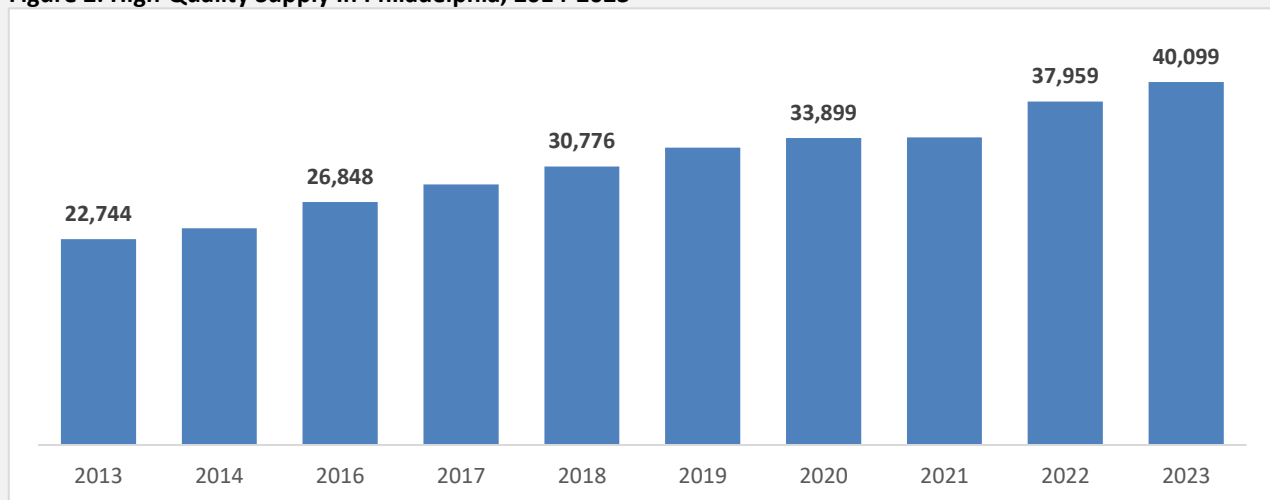
Figure 1: Total Childcare Supply in Philadelphia, 2014 – 2023



Despite overall declines in capacity, the city's supply of high-quality seats has continued to grow. Between 2021 and 2022, the city saw the largest single year increase in high-quality capacity, adding nearly 4,000 seats in a single year. This year's analysis shows another meaningful increase in high-quality supply, adding nearly 2,100 new high-quality seats.

It is not clear what mix of factors are driving the continued expansion of the high-quality childcare sector in the face of overall shrinkage. Stakeholders have pointed to changes in the rating system itself, growing recognition by providers of the value of pursuing higher ratings or a perceived need to keep up with competing programs. Growth could also be driven by an increasing preference for quality-rated centers by parents, resources like FFQ that support high-quality programs, or simply a reflection of these providers' greater financial stability in the face of increasing costs and sector-wide challenges. At this point, the importance of any one of these factors is difficult to determine.

Figure 2: High-Quality Supply In Philadelphia, 2014-2023



High-Quality Supply in Philadelphia

Philadelphia has made impressive progress in expanding access to high-quality childcare. At the core of these efforts are individual providers who have worked to raise their programs' quality rating scores and have made programmatic investments to align their programs with high quality early education practices. Along the way, however, their efforts have been supported by an ecosystem of public and private actors.

On the public side, efforts by the City of Philadelphia, to expand access to publicly supported high-quality care through PHLpreK, and the School District of Philadelphia, which has worked to expand high-quality Pre-K, have provided a resource base that has enabled and encouraged the efforts of individual childcare providers to improve their programs. Alongside these public programs, efforts such as the Fund for Quality and other philanthropic-led initiatives, have worked to provide targeted supports that clear the way for high-quality providers to expand their programs and reach more families.

This robust support system has been critical to the city's progress in closing gaps in high-quality care. Leveraging and expanding these efforts should be the focus as stakeholders look to build on past success.

Changes in High-Quality Supply Since 2022

The growth in the city's supply of high-quality childcare has been driven more by existing programs increasing their ratings than the expansion of existing programs or the start-up of new providers. Over the last year, new capacity added from existing programs that increased their ratings contributed nearly twice as many new high-quality seats as seats added from new programs and expanded existing programs combined. Table 2, below, shows the different factors that contributed to the change in high-quality capacity since 2022.

Table 2: Change in High-Quality Sites, 2022 to 2023

	Change in # of Sites 2022 to 2023	Net Capacity Change 2022 to 2023*
Positive Change	99	
Site STAR <i>Rating Increased</i> to High-Quality	59	+3,162
High-Quality Site <i>Increased Capacity</i>	24	+529
Newly <i>Opened</i> High-Quality Site	16	+1,097
Negative Change	42	
Site STAR <i>Rating Decreased</i>	5	-411
High-Quality Site <i>Reduced Capacity</i>	20	-771
<i>Closed</i> High-Quality Site	17	-1,466
No Change in Rating or Capacity	393	+31,337
Total Net Change		+2,169

*Capacity represents 2023 capacity with the exceptions of Closed High-Quality Sites. Capacity for this subgroup is 2022 capacity.

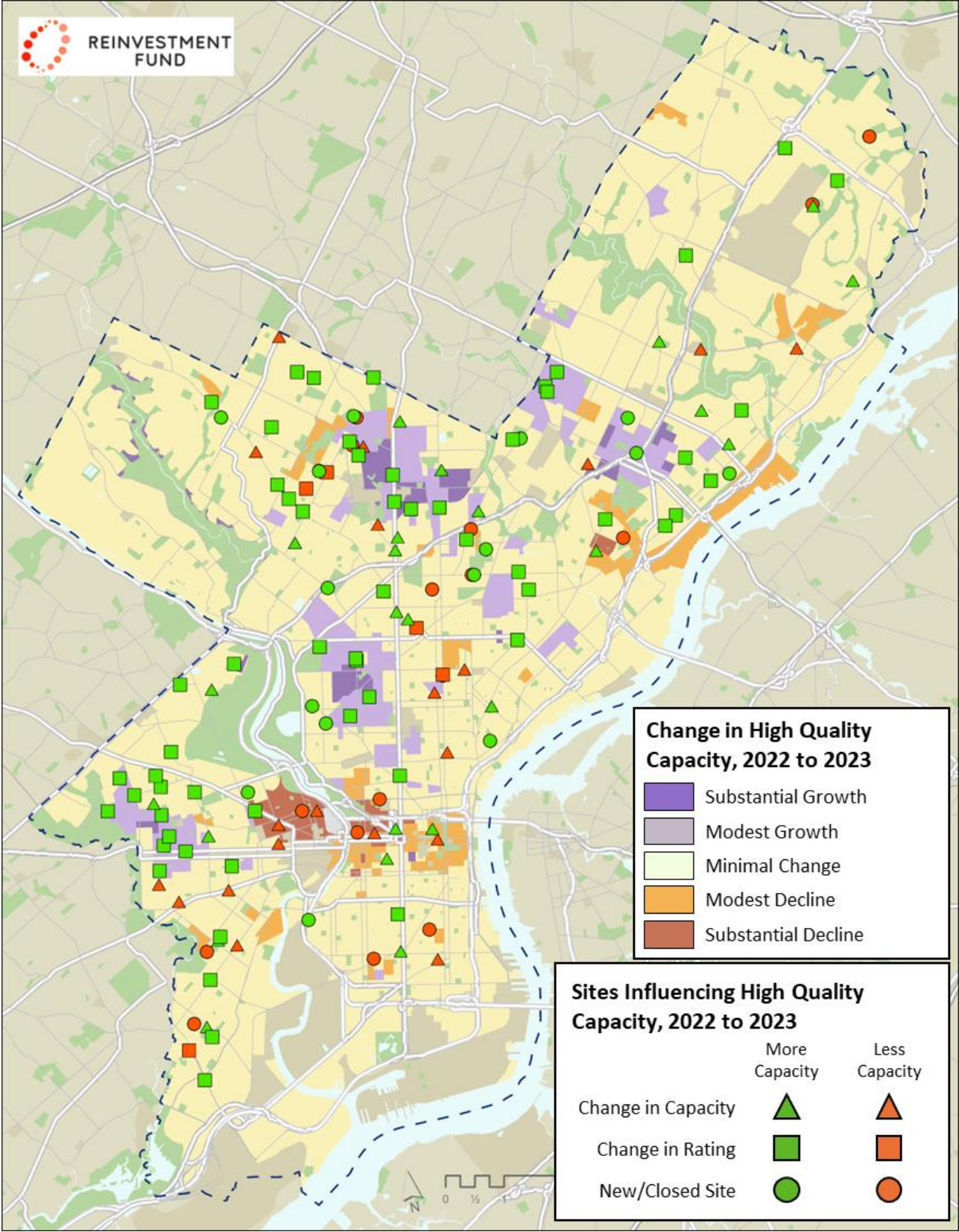
Many of the areas that experienced the largest growth in high-quality supply are also home to historically disadvantaged communities. The table below shows the change in high-quality supply among communities where residents are predominantly (over 50%) White, Black or Hispanic. Areas that were predominantly Black saw the largest gains in high-quality supply between 2022 and 2023.

Table 3: Change in High-Quality Supply by Resident Demographics, 2022 to 2023

	High-Quality Supply, 2023	High-Quality Supply, 2022	Change (% Change)
Areas Over 50% White	8,166	7,934	+232 (+3%)
Areas Over 50% Black	18,377	17,156	+1,221 (+7%)
Areas Over 50% Hispanic	3,980	4,008	-28 (-1%)
Areas Over 50% Asian	162	170	-8 (-5%)
All Other Areas	9,414	8,691	+723 (+8%)
Total	40,099	37,959	+2,140 (+6%)

Figure 3 illustrates where the changes in high-quality capacity were concentrated over the last year. The largest increases in high-quality capacity were concentrated in the Cecil B. Moore, Ogontz, and Oxford Circle neighborhoods. The largest declines were concentrated in Mantua and Fairmount.

Figure 3: Change in High-Quality Sites and High-Quality Supply, 2022 to 2023



Changes in High-Quality Supply Since 2014

In addition to tracking year over year changes in childcare capacity, our analysis seeks to understand how long-term investments in the sector, through the Fund For Quality, have influenced citywide supply. To that end, Table 4 and Figures 4 and 5 (see pages 8 – 9) highlight changes in high-quality childcare between 2014 and 2023.

Table 4 summarizes the factors that contributed to the change in the high-quality supply between 2014 and 2023.³ The largest driver in the growth of high-quality seats has been existing programs improving their ratings. Between 2014 and 2023, 180 programs improve their ratings to become high-quality programs, adding nearly 11,500 new high-quality seats to the city’s supply. The next largest contributor was newly opened sites. Since 2014, 158 new programs have opened and become high-quality, contributing just over 10,200 new seats. Over the same period, 91 high-quality programs closed, reducing the city’s supply of high-quality seats by just over 6,000.

Table 4: Change in High-Quality Sites, 2014-2023

	Change in # of Sites 2014 to 2023	Net Capacity Change 2014 to 2023*
Positive Change	398	
Site STAR <i>Rating Increased</i> to High-Quality	157	+10,686
High-Quality Site <i>Increased Capacity</i>	44	+1,600
Newly <i>Opened</i> High-Quality Site	197	+13,078
Negative Change	170	
Site STAR <i>Rating Decreased</i>	15	-461
High-Quality Site <i>Reduced Capacity</i>	39	-1,320
<i>Closed</i> High-Quality Site	116	-6,228
No Change in Rating or Capacity	75	
Total Net Change		+17,355

*Capacity represents 2023 capacity with the exceptions of Closed High-Quality Sites. Capacity for this subgroup is 2014 capacity.

Figures 4 and 5 illustrate the spatial distribution of the factors highlighted in Table 4 since 2014. Areas with the largest gains in the supply of high-quality childcare between 2014 and 2023 (dark purple areas in Figures 4 and 5) contained both providers that improved their *rating*, as shown with blue circles in Figure 4, and existing high-quality providers that increased their *capacity*, as shown with green circles in Figure 5. Areas in the city where the supply of high-quality seats substantially increased since 2014 include West Oak Lane, Juniata, Rawnhurst, and Haddington. The largest declines were in West Passyunk and Old City.

³ Some sites that increased their rating may have done so as a result of changes to the Keystone STARS rating system implemented in 2018, rather than substantive programmatic changes, see “Understanding How Changes to Keystone STARS Ratings Will Affect Gaps in the Supply of High-Quality Child Care” (<https://goo.gl/hSb2nX>).

Figure 4: Changes in Status of High-Quality Centers & Changes in Block Group-Level Supply Estimates for High-Quality Childcare (2014 to 2023)

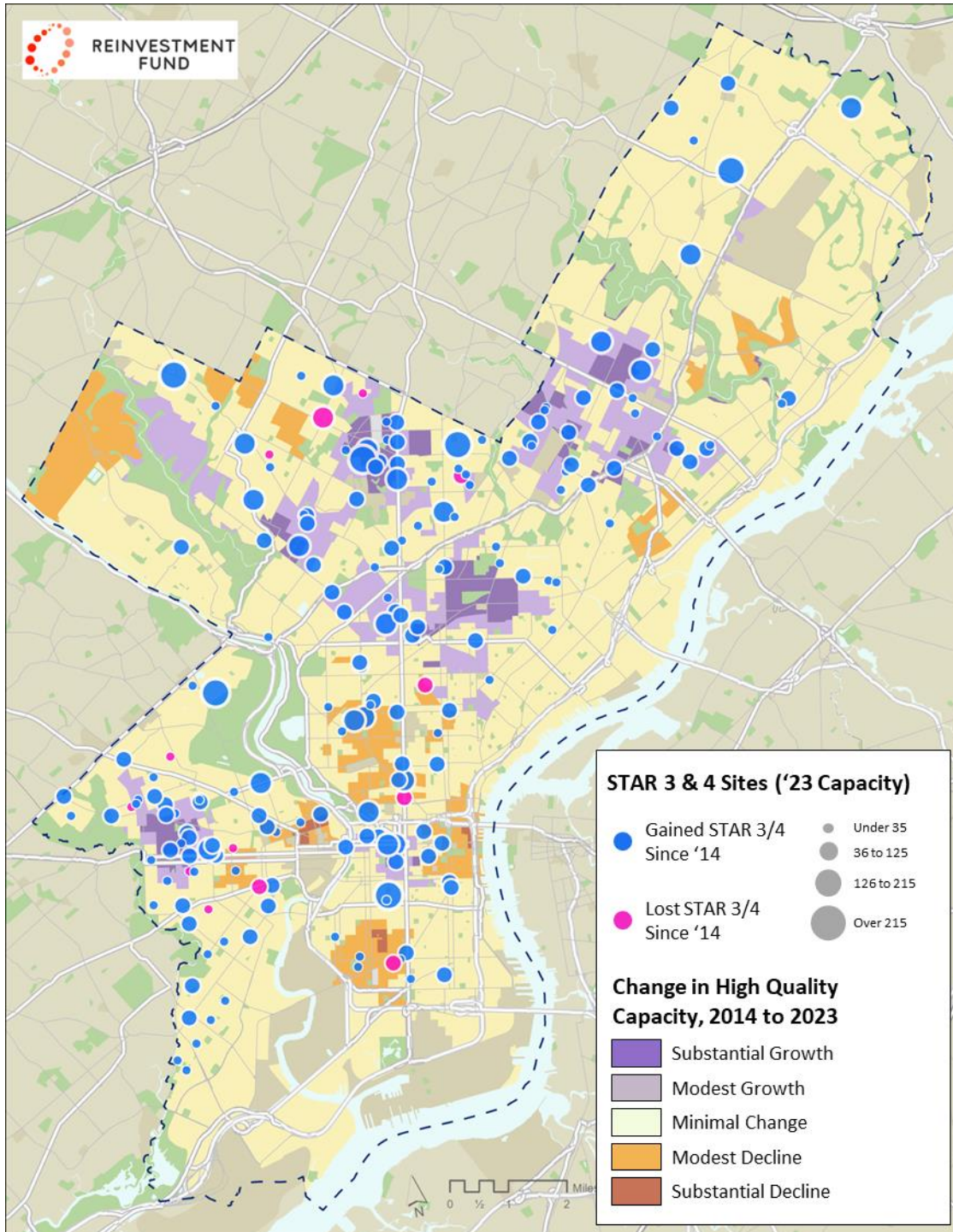


Figure 4:

- Only sites for which there was a change in rating status are reflected on this map.
- Purple areas represent increases in high-quality supply; brown represents declines in high-quality supply.
- Blue circles represent childcare sites that increased their rating to high-quality status since 2014.
- Pink circles represent childcare sites that lost their high-quality status since 2014.
- The size of the circles represents the 2023 capacity of the facility.

Figure 5: Changes in Capacity at High-Quality Centers & Changes in Block Group-Level Supply Estimates for High-Quality Childcare (2014 to 2023)

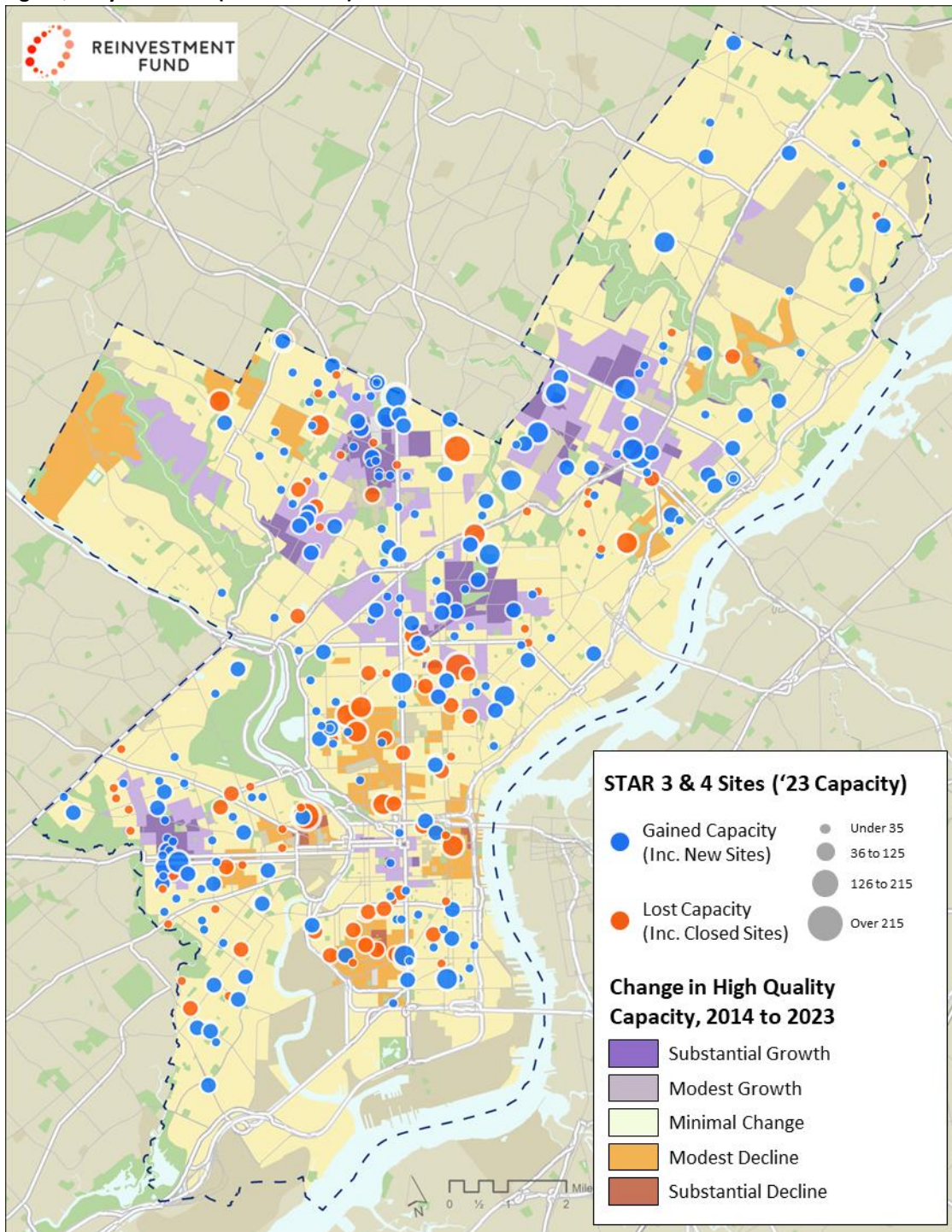


Figure 5:

- Only sites for which there was a change in licensed capacity are reflected on this map.
- Purple represents increases in high-quality supply; brown represents declines in high-quality supply.
- Blue circles represent high-quality childcare sites that grew or started after 2014.
- Red circles represent high-quality childcare sites that reduced capacity or closed since 2014.
- The size of the circles represents the 2023 capacity of the facility (closed centers reflect 2014 capacity).

Demand for Childcare

When it comes to understanding the childcare marketplace, supply is only half of the equation. In addition to estimating the supply of childcare, our analysis also creates an estimate of the demand for care that accounts for parents who live in the city and commuters who live outside of Philadelphia but look for care in the city.

In 2023, there was an estimated population of 98,541 children under five living in Philadelphia, a 4% decline from 2022 and an 8% decline since 2018. This number represents the *baseline demand* for childcare. From this *baseline demand*, adjustments were made to account for commuting patterns and characteristics of parents, as some parents prefer childcare options near their work. These adjustments suggest that across the entire city of Philadelphia some 16,200 resident children traveled with adults to childcare located outside the city near a parent's place of work, while 17,300 children who live outside the city travel with parents to childcare in the city. In addition to individuals coming into and out of the city, there is also movement of parents within the city that requires both positive and negative adjustments to demand for childcare in different neighborhoods across the city.

For the first time, our commuting adjustments also took into consideration the option an increasing number of parents have for teleworking. Although parents who work from home multiple times per week are likely to still need childcare, they are less likely to look for care near their employer. Data from the Census PULSE survey suggests that 34% of working parents in the Philadelphia metro teleworked three or more days per week. To understand how telework could impact the geographic distribution of childcare demand, we applied this discount to the estimated number of working parents in industries that are most conducive to telework, namely: Finance and Insurance; Real Estate and Rental Leasing; Professional, Scientific and Technical Services; Public Administration; Information; and Management of Companies and Enterprises. This approach effectively discounts the positive and negative adjustments made based on commuting patterns to reflect a greater proportion of parents in selected industries seeking care near their home, rather than near their place of work.

Our estimates show that, like supply, demand for care has declined overtime. Combining the baseline demand, commuting adjustments, and our telework discount yields a *maximum potential demand* of nearly 99,300 for childcare in Philadelphia a 4% decline since 2022.

Most of this decline is attributable to the declining population of young children in Philadelphia, but changing employment patterns also plays a role. Our estimates suggest that fewer parents are commuting into the city with children and a greater proportion are looking for care near their homes. Whether this is a temporary decline or longer-term trend is difficult to determine at this point. This is the fourth year in a row where our estimated maximum potential demand has declined, although overall levels of demand are still higher than in 2014.

Identifying High Need Areas

The geographic distribution of shortages in the supply of childcare can guide programmatic and capital investment activity to address areas of concern. In this report, two shortage measures are calculated: *absolute* and *relative shortage*. The *absolute shortage* is the raw difference between supply and maximum potential demand within a given block group. The *relative shortage* is an adjusted figure that accounts for supply and demand in neighboring block groups and the level of supply the market provides on average across the city to identify block groups where observed shortages between supply and demand are: *a)* greater than average; *b)*

less than average, or c) on average.⁴ As observed in previous reports, the geographic distributions of *absolute* and *relative shortages* are different for the three different types of supply – total, certified, and high-quality.

Absolute Shortage in Total and High-Quality Supply

Absolute shortages in both total and high-quality supply have declined over time, but the supply of high-quality care remains low relative to demand. With a maximum potential demand of roughly 99,300 and a total supply of just over 90,300, the city had enough seats to meet 91% of maximum potential demand in 2023 (i.e., a citywide absolute shortage of just under 9,000 seats) compared to 84% of demand in 2014.

The *absolute shortage* is much greater for high-quality seats, where the shortage is nearly 59,200. High-quality seats met 40% of demand in 2023, compared to 37% in 2022, and only 21% in 2014. The shortage of high-quality seats has grown smaller every year since 2014.

Table 5. Commuter Adjusted Demand Met by Observed Supply

	2023	2022	2014
Absolute Shortage in Total Childcare Seats	8,980	8,410	17,548
Absolute Shortage in High-Quality Seats	59,197	65,303	85,076
Percentage of Maximum Potential Demand Met by All Seats (Supply)	91%	92%	84%
Percentage of Maximum Potential Demand Unmet by All Seats (Shortage)	9%	8%	16%
Percentage of Maximum Potential Demand Met by High-Quality Seats (Supply)	40%	37%	21%
Percentage of Maximum Potential Demand Unmet by High-Quality Seats (Shortage)	60%	63%	79%

Relative Shortage in Total Childcare Supply

Areas with the most severe *relative shortages* in *total* childcare seats in 2023 were concentrated along the eastern edge of the city in the Far Northeast, Wissinoming, and Kensington. (see Figure A2).

Relative Shortage in Certified Supply

In several cases areas with the most severe *relative shortages* in *certified* seats in 2023 were quite different than those with total shortages. Relative shortages of certified seats were concentrated in West and Southwest Philadelphia, Nicetown, Olney and Chestnut Hill. (see Figure A3).

Relative Shortage in High-Quality Supply

Areas with the most severe *relative shortages* in *high-quality seats* in 2023 were more dispersed across the city, with concentrations of shortage in Greys Ferry, East and West Passyunk, Queen Village, Bridesburg, and Oxford Circle. (see Figure A4).

⁴ Please see initial methodology report at https://www.reinvestment.com/child_caremap/pdfs/full.pdf for more detailed information on sources for the difference between the two types of gap measures.

Summary

The 2023 analysis highlights the shifting currents childcare operators are navigating in Philadelphia and around the country. Coming out of the COVID-19 pandemic, childcare operators were supported by philanthropic and federal investments designed to stabilize the sector. While these supports appear to have helped avoid the total collapse of the sector that [many experts predicted](#), a prolonged staffing crisis and falling demand has left many providers still struggling to reach their facility's full capacity or keep their doors open. Without the ability to fill all of their classrooms, providers will struggle to cover their costs and operate sustainably.

On the demand side, Philadelphia has seen multiple years of population decline among childcare aged children. Between 2018 and 2023, the city saw an 8% decline in the population of children under five. Although the city's economy continues to grow, the number of jobs in Philadelphia declined five percent over the last five years. At the same time, more workplaces are experimenting with telework and hybrid arrangements, which might reduce the appeal for childcare programs located in the city's job centers, like Center City and University City. The Census PULSE survey found that 34% of parents with young children were teleworking 3 or more days a week in the Philadelphia Metro area.

Perhaps because of these trends, this year's childcare analysis finds that across the city total childcare capacity is down by nearly 4,500 seats, to its lowest level since 2015. Yet, the city's high-quality programs continue to grow and expand. Since 2018, the city has added nearly 10,000 new high-quality childcare seats, a 30% increase. While the city still lacks enough high-quality seats to serve every child, the shortage of high-quality seats has been cut nearly in half. The largest growth in high-quality seats was in Philadelphia's predominantly black neighborhoods where the number of new high-quality seats added in the last year outpaced the rest of the city.

The divergence in the growth of the city's high-quality sector and rest of the childcare market could reflect changes to the rating system itself, growing recognition by providers of the value of pursuing higher ratings or a perceived need to keep up with competing programs, an increasing preference for quality-rated centers by parents, or resources like FFQ that support high-quality programs. It could also simply reflect stronger business practices and the higher reimbursement rates that high-quality programs are entitled to. Even though turnover is high in the ECE sector, high-quality programs have been less likely to close than others. Of the high-quality programs operating in 2018, 77% are still active today; compared with just 53% of all other programs.

These trends underline the importance of continued efforts to support the city's childcare sector through programs that help providers become high-quality operators and investments to help existing high-quality providers grow and expand. With federal support for childcare programs set to expire at the end of September, and many providers still struggling to hire and retain staff, this remains a precarious moment for Philadelphia's childcare sector.

Appendix A: Additional Maps and Tables

Figure A1: Certified and Uncertified Childcare Sites (2023)

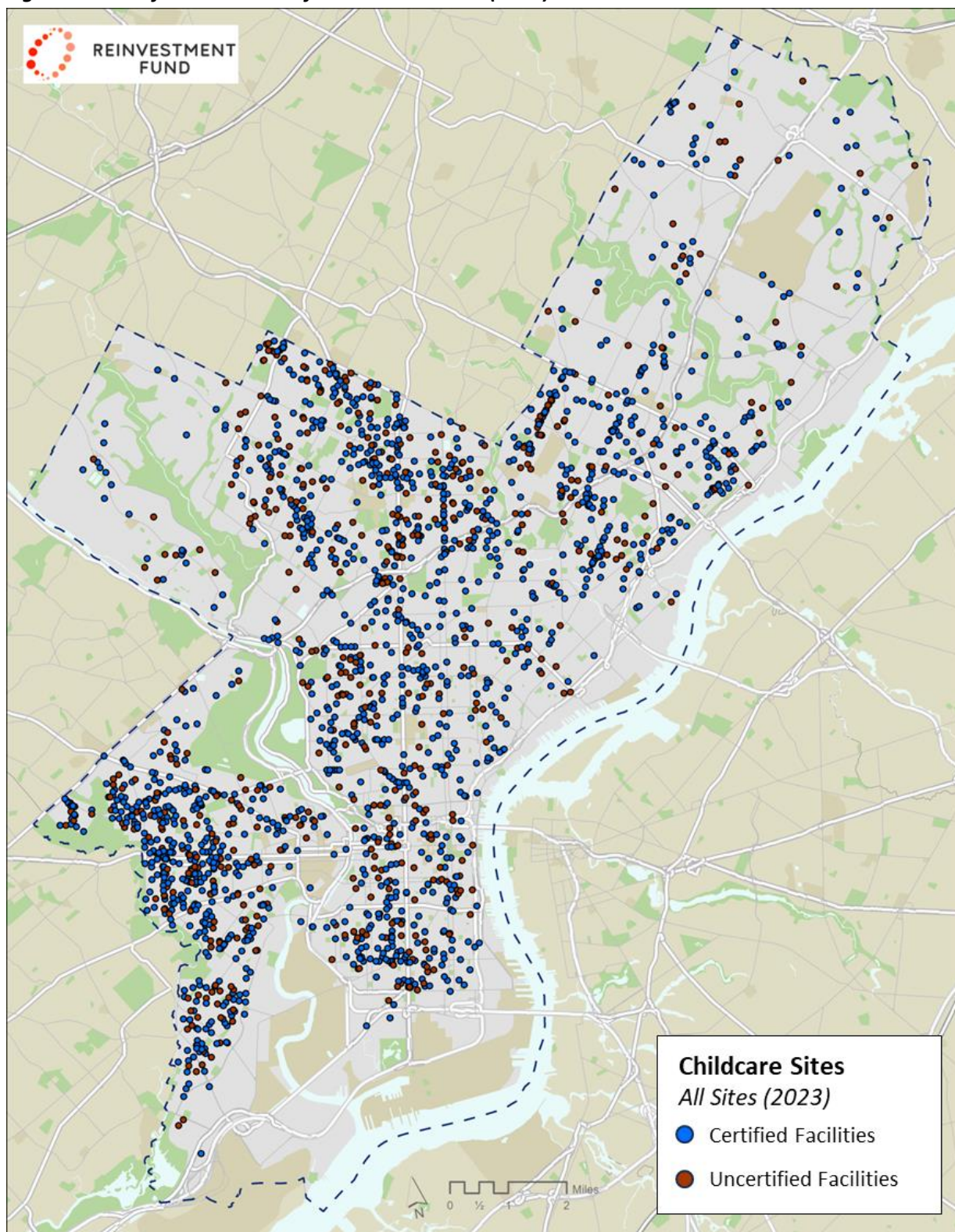


Figure A2: Relative Gap – Total Childcare Supply (2023)

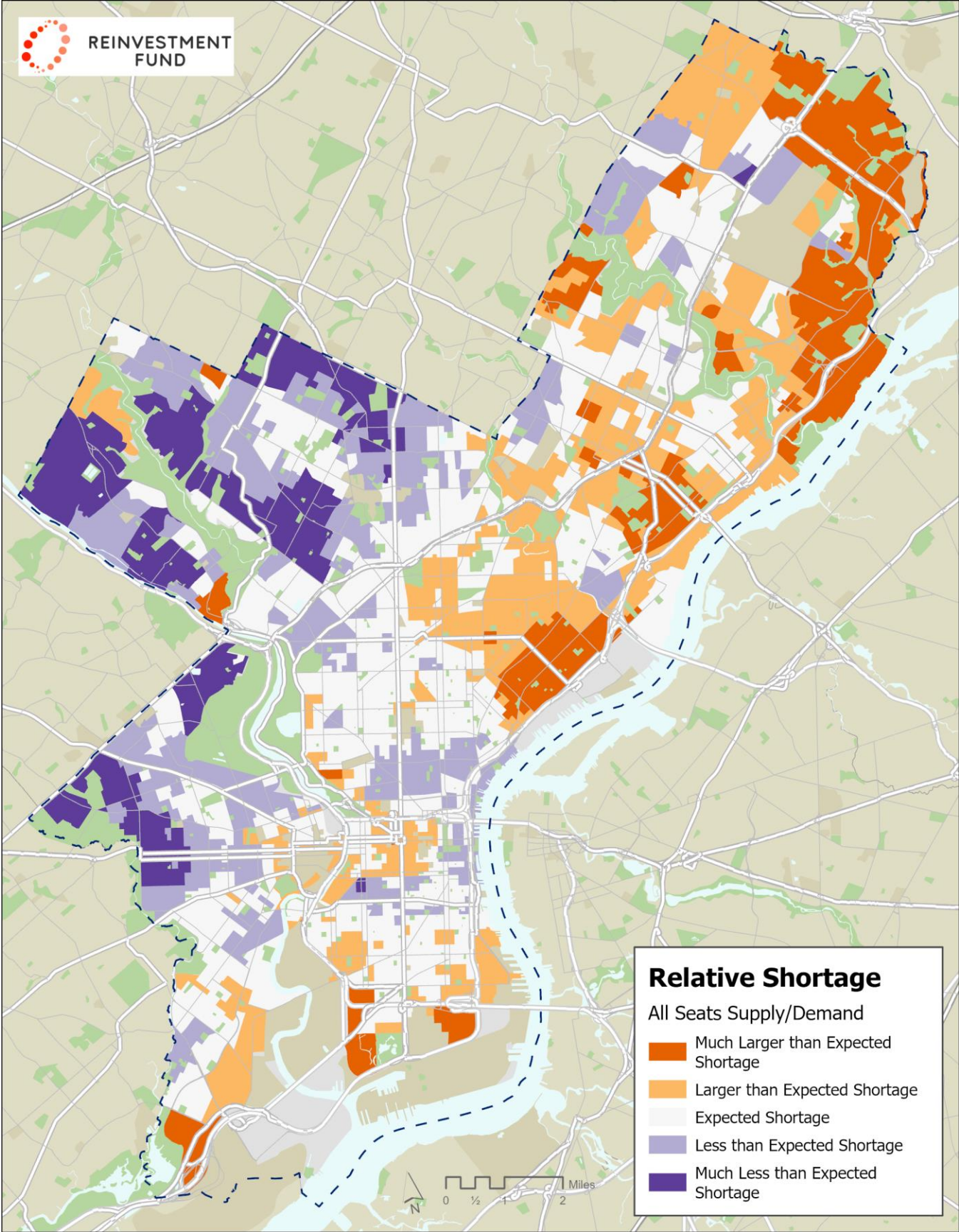


Figure A3: Relative Gap – Certified Childcare Supply (2023)

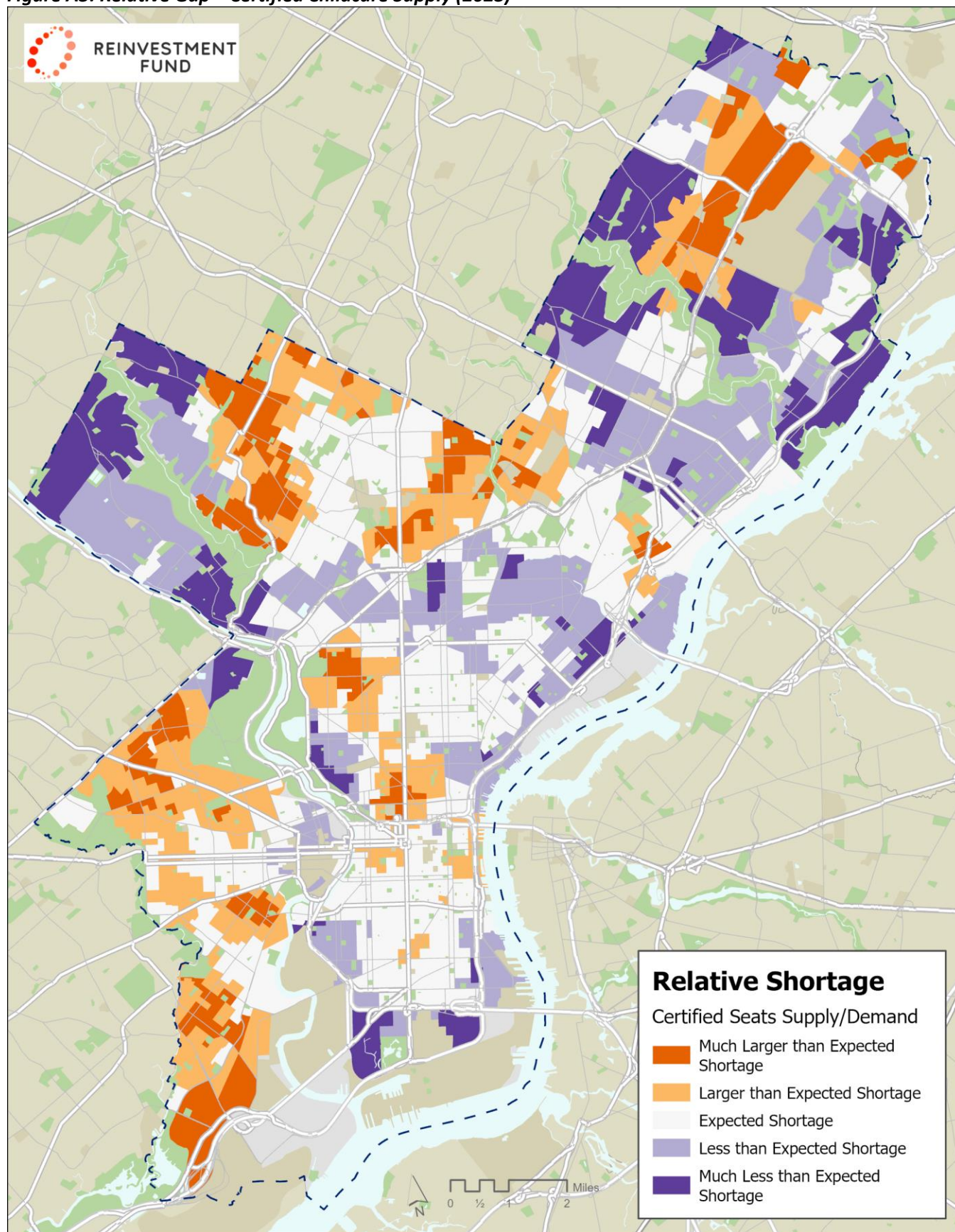
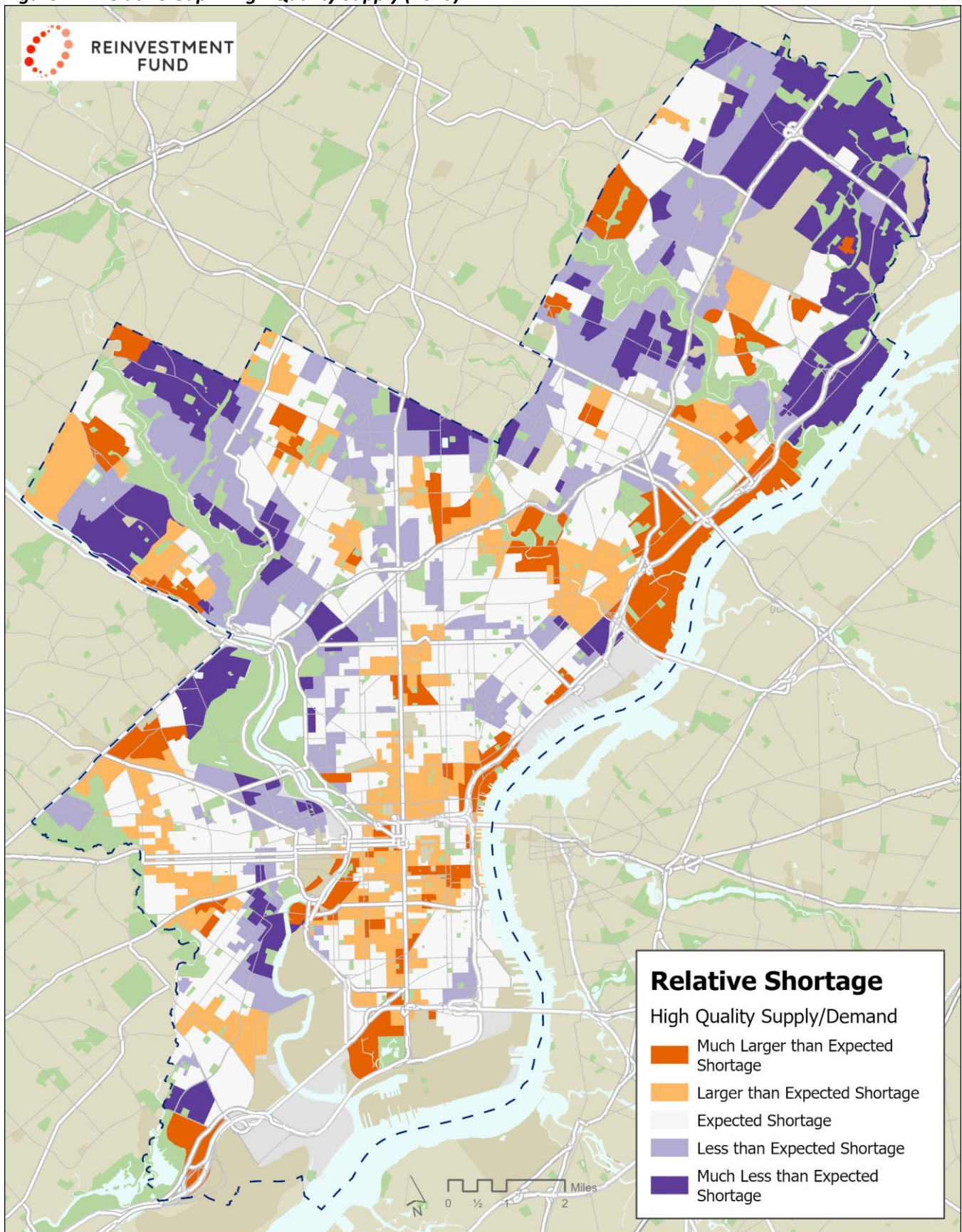


Figure A4: Relative Gap – High-Quality Supply (2023)



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