

Lessons From Ten Years Studying Philadelphia's Childcare Sector

Jacob L. Rosch and Ira J. Goldstein¹

Over a decade ago, Reinvestment Fund partnered with the William Penn Foundation to explore how the foundation and others could use their resources to improve access to childcare for vulnerable families. With the Foundation's support we convened an expert advisory group comprised of representatives from the United Way of Greater Philadelphia and Southern New Jersey, Public Health Management Corporation, representatives from the US Census Bureau, the City and School District of Philadelphia, and others. In consultation with the advisory group we developed a novel way of measuring the supply, demand, and shortage of childcare, and a public display tool known as Philadelphia's Childcare Map.ⁱ

What distinguished our approach to understanding the local childcare environment from other "childcare desert" studies was our perspective as potential childcare investors. We developed a complete mapping of the universe of childcare, including that which was not licensed or certified, to reflect all of the choices available in the market. Our measures were adapted to address the fact that many families want childcare near where they live, but other families prefer care near where they work. And we developed multiple measures of *childcare shortages*, which proved useful in designing financing and programmatic intervention strategies.

The results of our first analysis were completed in 2013 and shared on a new public website, www.childcaremap.org, where public officials, families, providers, and educators could learn about the childcare needs in their community. The findings and conversations sparked by the first report helped lead to the creation of the Fund for Quality (FFQ), an initiative that provides business planning and facility financing supports. Along with the William Penn Foundation and later the Vanguard Strong Start for Kids program, FFQ has invested over \$15 million dollars to create more than 3,000 high quality childcare seats in underserved communities.

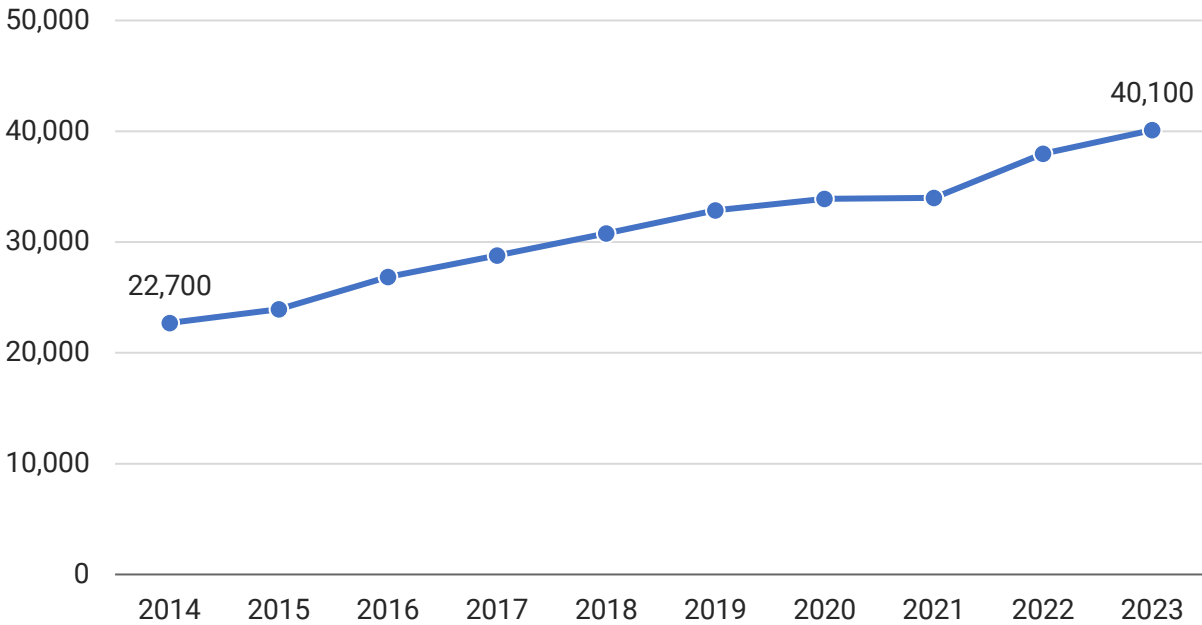
With the generous support of our foundation partners, Reinvestment Fund has been updating the childcare analysis and refreshing Childcare Map annually since 2013. In the ten years that we have been tracking supply, demand, and shortages of care, the landscape of early learning in Philadelphia has shifted significantly. This report highlights six of the largest changes we have observed in our decade-long experience studying childcare access in Philadelphia.

Today, Parents Have More High Quality Options Than in the Past

Philadelphia's families have more high quality childcare options today than at any point over the last ten years. When we first began studying childcare in 2013, just 30% of providers in Philadelphia participated in the state's STARS quality rating system. Today nearly 70% have a STARS rating and the proportion of programs with the highest STARS designation has grown. Over the last ten years, the city has added over 17,300 new high quality seats.ⁱⁱ

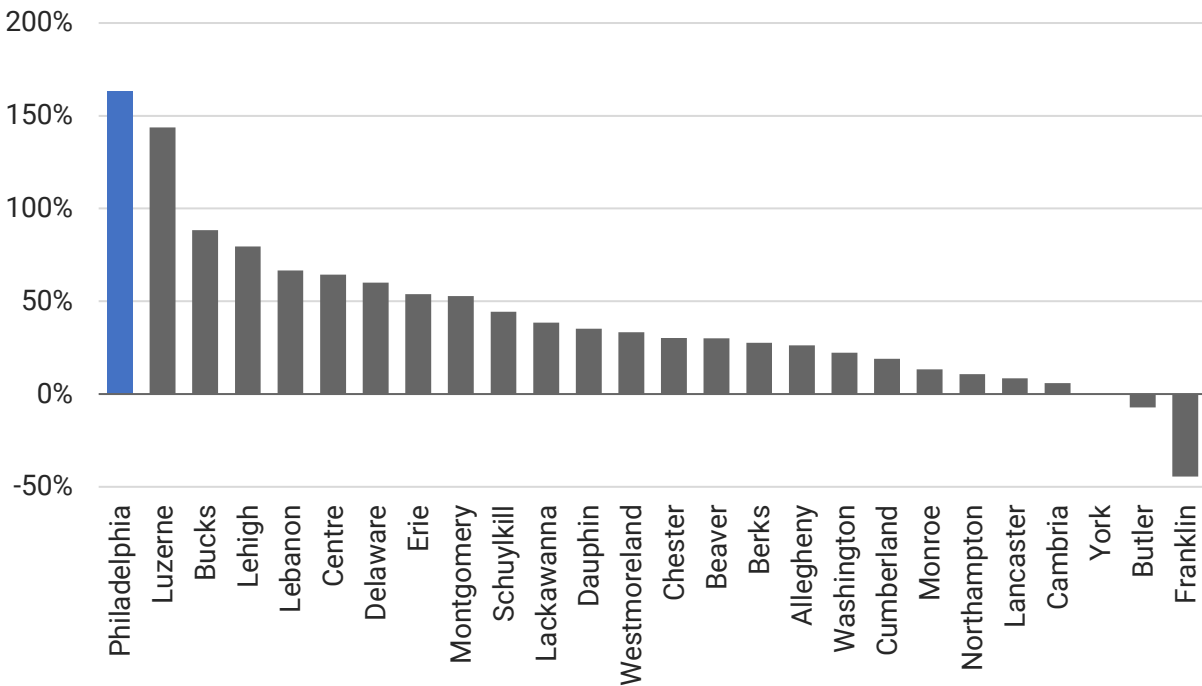
¹ This work was supported by a grant from the William Penn Foundation. The opinions expressed in this report are those of the authors and do not necessarily reflect the views of The William Penn Foundation.

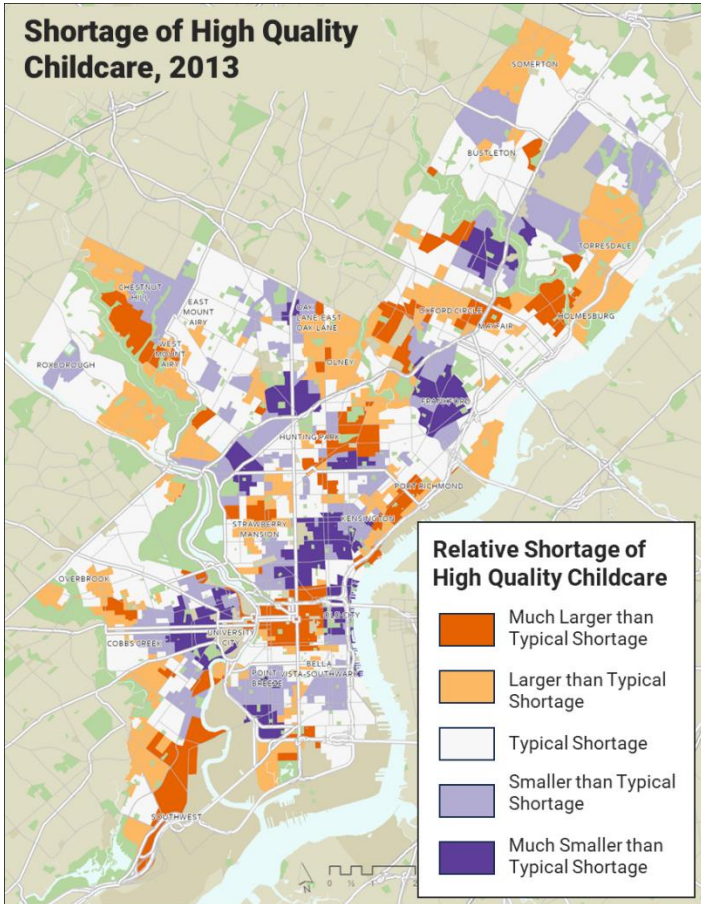
Seats in High Quality Programs in Philadelphia, 2013 to 2023



The number of high quality programs across the commonwealth has grown, in part as a result of changes in the state’s STARS rating criteria that occurred in 2017.ⁱⁱⁱ But the growth of high quality early learning in Philadelphia stands out among counties in Pennsylvania. Among large counties (those with over 50 licensed programs) Philadelphia saw the largest gains in highly rated programs.

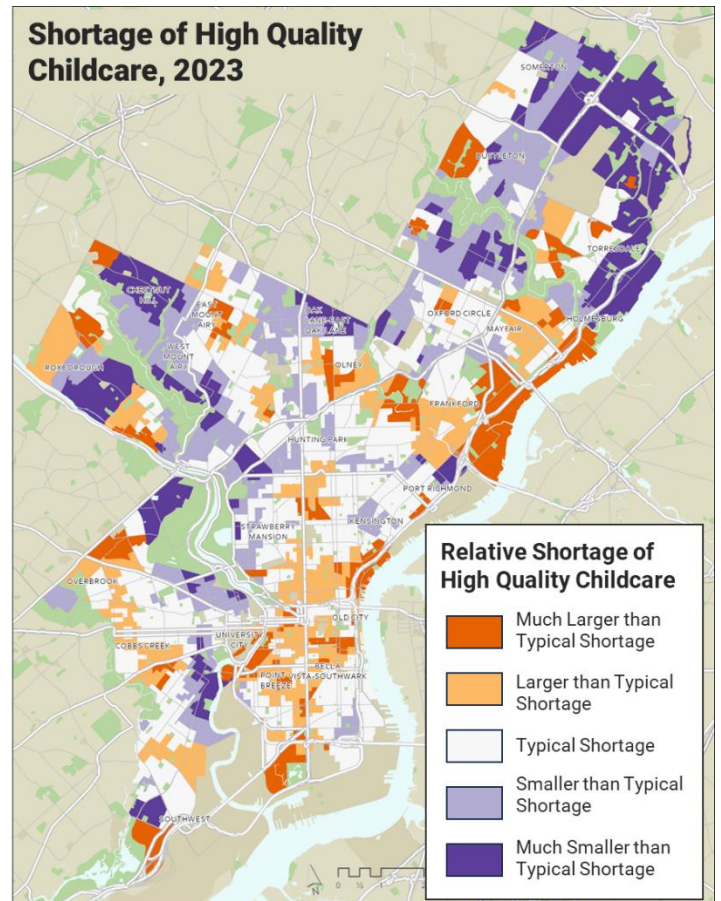
Percentage Change in Number of STAR 3 and STAR 4 Programs, 2013 to 2023





These maps show the “relative shortage” of high quality childcare across the city in 2013 and 2023.

Areas classified as having Larger or Much Larger than Typical Shortages (orange shades) have the least access to high quality care.



Philadelphia's investments in childcare stand out not only across the commonwealth, but across the nation as well. A 2021 report by the National Childrens' Facilities Network, for example, showed that Philadelphia ranked near the top of every measure of childcare investment, outpacing other counties across the country in terms of SBA loans flowing to childcare businesses, CDFI investments in early learning facilities, and grantmaking from funders.^{iv} This achievement is the result of enormous collective efforts by funders, advocates, City government, the School District, non-profits, and of course providers themselves. The progress we've seen in the city provides a strong foundation for the next decade of collective effort in the city's childcare sector.

When We Support High Quality Programs, We Help Build Stronger Early Learning Systems and Markets

FFQ was designed to help programs with a track record of offering high quality care expand in high need areas. In the early years of FFQ, one concern was that providing resources to a single program could put others in its immediate vicinity at a disadvantage and drive them out of business, creating a net loss of access, instead of the gain we sought to produce. To the contrary, we found that investments that expand local high quality programs had the opposite impact: creating a larger, higher quality environment in the entire neighborhood.

In 2020, we conducted an analysis to understand how FFQ investments were impacting the neighborhoods around funded expansion sites. We analyzed the change in childcare quality and access around each of the 50+ FFQ investment sites and compared them to other parts of the city with similar childcare access and neighborhood characteristics. We found that FFQ investments not only increased access to high quality childcare in underserved areas, but they also *encouraged* other providers to invest in their programs and improve their quality ratings.^v As a result, investments in individual programs helped lead to improvements across the entire market in underserved areas and a larger impact than we originally anticipated.

These results would not have been possible without data to help guide investments and prioritize resources to underserved areas that could support greater capacity. Results from Childcare Map helped FFQ administrators make smart investments in areas where expansion projects would be successful and add value to the existing community, rather than create a surplus of seats that risked being underutilized.

It is also important to recognize that childcare providers make business decisions based on what's happening in their community. After an FFQ investment, other childcare programs in the same neighborhood improved their own quality ratings and new programs moved into the community. Some providers may have made investments to improve their ratings to compete with the new FFQ funded site. Others may have simply seen that there were benefits, like higher reimbursement rates, that were available with a higher rating and made changes to improve their programs. Whatever

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the cause, the result was that investing in a single program led to gains across the entire neighborhood.

Remote and Hybrid Work is Changing Where Families Look for Childcare

When we completed the first analysis in 2013, we learned that while most parents prefer a childcare provider near their home, many parents actually use childcare near their jobs. One of the innovations of our original analysis was the ability to account for parental commuting to work and adjust our demand calculation appropriately. This commuter adjustment to measuring demand has been a key component in every replication of the analysis that we have undertaken: [Metro Atlanta](#), the [District of Columbia](#), Rhode Island, [Patterson and Passaic Counties](#), and other communities across the country.^{vi}

However, since the COVID-19 pandemic the nature of how and where people work has changed substantially. The share of Philadelphians working completely remotely increased from 3% to 14% since 2018. Similarly, across the region the number of parents working in a hybrid environment has grown substantially. In 2023, a third of families (34%) had at least one parent who worked from home three or more days a week.^{vii}



14%

Share of Philadelphians that Work Fully Remote



34%

Share of Parents Work From Home 3+ Days

While these changes in work settings don't necessarily change if families need childcare, they do influence where families look for care and in what form. In focus groups with providers, we learned that parents who only use their office one or two times a week were less likely to look for a program near their office than those that work on site 5 days a week. In the aggregate, this shift likely means more demand for care in the city's residential neighborhoods, particularly for middle and upper class parents that work in office settings conducive to remote work. Based on the neighborhood and type of real estate available, this may mean more opportunities for providers located in neighborhoods where families live. More flexible work scheduling might also mean more families looking for providers that offer nonstandard hours and schedules.

The Makeup of the Providers in Philadelphia's Childcare Sector Has Changed.

The childcare sector in Philadelphia has grown over the last ten years, and with that growth the types of providers operating in the city have changed. Overall, providers today are larger than they were in the past and there are fewer small, home-based programs operating in the city. The average capacity of a childcare program in Philadelphia grew from 32 children in 2013 to 42 children in 2023. The number of licensed home-based providers in the city has fallen by half. In 2013, there were 958 home-based programs in Philadelphia. Today there are just 497.

The loss of home-based programs is not just a Philadelphia story. Home-based programs across the country are disappearing as regulatory environments change, rising rents make it difficult to find suitable spaces, and owners retire without a clear succession plan.^{viii}

Home-based providers, though small, play an important role in childcare markets. They're more likely to accept infants and toddlers, and they're located in residential communities near where families live. Nationally, home-based programs are more likely to offer the kinds of flexible hours

that some working families need.^{ix} As more parents settle into remote and hybrid work environments, there could be a renewed opportunity for home-based programs, as long as the sector can find ways to address the challenges these providers face.

High Quality Care Supports Communities in Different Ways

Childcare programs are part of the social and economic infrastructure that supports residents and makes neighborhoods vital places where people want to live, work, and build community. While we often focus on the direct benefits that high quality early learning creates for children or the way that early learning unlocks parents' ability to participate in the labor force, childcare also contributes to other community assets.

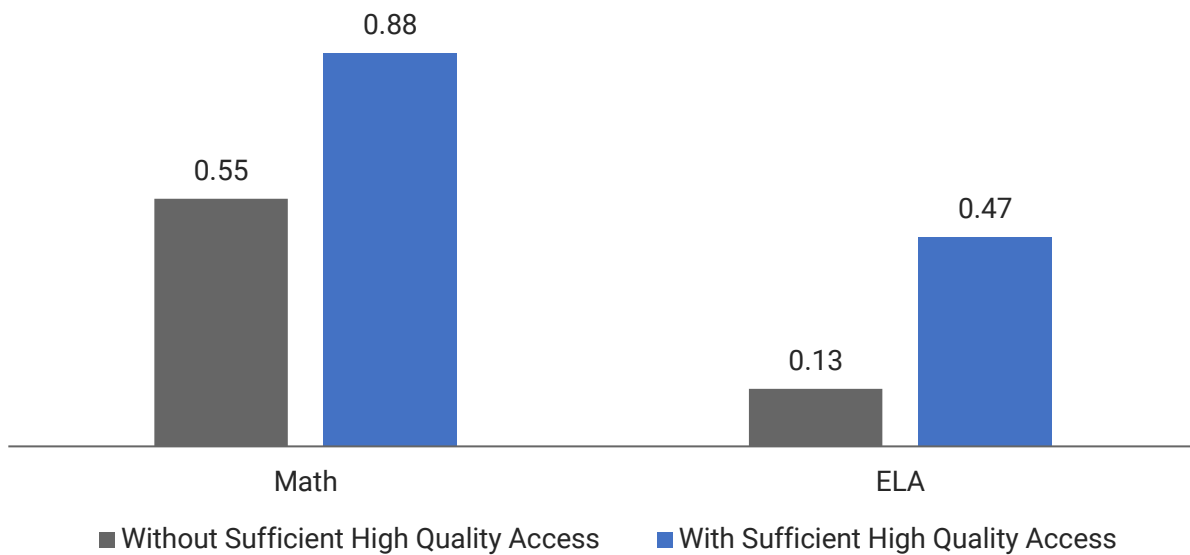
One example of how high quality early learning can support neighborhoods is through their impact on neighborhood schools and student performance. Public schools are one of the most important and well-studied neighborhood assets. High quality and high performing public schools can have a sizable impact on a community's vitality and families are willing to pay a substantial premium to live near high performing schools. One study found that in Pennsylvania, a one percentage point increase in students scoring "Proficient" or "Advanced" on state tests increased housing values by \$500 to \$620 across an entire school district.^x

In Philadelphia, neighborhoods with sufficient access to high quality childcare have demonstrated higher levels of student academic growth than neighborhoods that lacked access to high quality childcare. Over the last ten years, 44 of the city's elementary school catchments have consistently had high quality childcare capacity for over 30% of the children living in their catchments. Over the same period, 60 elementary school catchments have consistently not had enough high quality childcare capacity for children in their catchments. Despite having similar demographics and levels of need, the performance of 4th graders in catchments that consistently had access to high quality childcare was greater than the performance of students in catchments that did not have access to high quality childcare.

Pennsylvania's PVAAS system measures the amount of academic progress children made over the course of a school year. Fourth graders in elementary schools whose catchments had enough high quality care for at least 30% of residents in 2013 and 2023, had growth scores 1.5x higher in math and 3.6x higher in English than elementary schools without sufficient access to high quality childcare.

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Average 4th Grade PVAAS Growth Scores in Philadelphia Elementary School Catchments by Access to High Quality Childcare, 2022 – 2023 School Year



There are other measures of academic achievement and progress, but these results suggest that access to high quality early learning can play an important role in supporting local schools, neighborhoods, and the children and families who directly benefit.

The City Has Ample Childcare Capacity, But Not Always Where It Is Needed Most

Today, the largest barriers to access are based on quality and geography, rather than overall capacity. For the first five years of our analysis, the city’s childcare sector grew steadily, adding more seats and providers every year. The COVID-19 pandemic disrupted the annual increase in capacity, but the city still has more seats today than it did in 2013. Over the same period, the number of childcare-aged children in Philadelphia has declined. The city’s birthrate fell by 18% over the previous decade, meaning that while the city has been adding childcare supply, the number of potential customers for care has been falling.

In 2013, when we began this work, the city had enough seats for just over 80% of children under five. Today, there are enough seats for over 90% of children. With more seats and fewer children to serve, the market for childcare is more competitive for providers than it has been in the past.

However, a greater share of demand met overall doesn’t mean that childcare capacity is accessible or where parents and families can (or choose to) get to it. One of the core tenets of our analysis has been looking at how supply and shortages vary across different neighborhoods. This geographic perspective is critical because not every family can afford or would prefer to travel across the city for available and desirable care. Open childcare seats in Frankford aren’t necessarily helpful for families living or working in Kingsessing. Our annual analysis has highlighted how, despite overall improvements in the childcare landscape, specific neighborhoods like Frankford, Olney, Juniata, and Kingsessing remain underserved.

These geographic disparities are important, but other factors make it clear that licensed capacity and available capacity are not the same. The sector struggles with a staffing shortage that means many programs are unable to enroll at their facility's full capacity, limiting access for families, creating waitlists, and imperiling their program's financial sustainability.^{xi}

Despite overall improvements in the childcare landscape, specific neighborhoods like Frankford, Olney, Juniata, and Kingsessing remain underserved.

The supply of seats for younger children is another barrier. Classrooms for infants and toddlers are more expensive to operate and, according to our latest estimates, just 80% of providers offer infant and toddler care. Across Philadelphia the proportion of seats available for the youngest children has declined by over 20% since 2019.^{xii}

Finally, program quality and features limit options for families. Despite substantial growth in the city's high quality sector, 56% of seats are in programs that have not achieved a STAR 3 or STAR 4 rating and the availability of services like free nutritious meals for children, bilingual staff, and non-traditional or expanded hours remain limited.

Where Do We Go From Here?

In many ways, families with young children today are in a better position than their peers a decade ago. The number of high quality childcare seats in the city has grown by 76%, outpacing every other large county in the state. The city's PHL-PreK program has expanded, offering free, high quality pre-kindergarten to families around the city, and the assistance available for providers has matured and evolved to offer new support systems and resources. These victories are the result of years of work and effort from childcare providers, policymakers, advocates, and funders.

Yet, as much as quality and access for families have improved, the sector still faces critical challenges. Salaries for providers and their teachers are still far below their public school counterparts and benefits are almost non-existent.^{xiii} The temporary resources that flowed into the sector during the pandemic have ended and Congress remains divided about if or how they will be renewed. Operating costs such as rent, utilities, insurance, and supplies have all risen with inflation, putting pressure on providers' bottom lines. These higher costs are squeezing already tight budgets, potentially destabilizing programs or forcing them to raise prices on a set of families that are themselves financial strapped.

Creating and sustaining high quality learning environments remains a challenge for Philadelphia's childcare providers. Expanding dedicated business and facility support that help providers grow and sustain their business is critical. However, as we enter this second decade of childcare investments, we should think about how to go beyond one-off projects that support individual programs and begin to address the systems that make it challenging to offer high quality care in every Philadelphia neighborhood and the barriers that prevent families from accessing care.

This will mean finding new ways to direct resources to children and families by supporting the infrastructure that neighborhoods need to be welcoming places where children can thrive. It means finding ways to address housing instability, which threatens families' connections to

their providers and communities, and equalizing access to care for children of all ages, not just pre-k. And it means both learning about the type of childcare services that families want, and including them in the process of designing real solutions.

We should also think about ways to improve the environment for childcare businesses. Programs like PHMC's Early Childhood Education [Fiscal Hub](#)^{xiv} and Reinvestment Fund's [Coaching to Success](#)^{xv} program have helped providers improve their business practices and financial systems, but more work is needed at the system level to make the regulatory environment more supportive of childcare businesses. This means streamlining or simplifying the zoning and licensing regulations that make it difficult for operators to run their businesses and creating new services that work for small business owners in the early learning sector.^{xvi}

Finally, we as stakeholders need to finally address the persistent shortage of resources in the sector. Sufficient funding to address critical facility repairs and construction costs remain out of reach for many providers. And too many providers are unable to provide family sustaining wages and benefits for their staff or themselves. In short, although we have made great strides as a city, there is more to accomplish in this next decade.

Reinvestment Fund is a mission-driven financial institution committed to making communities work for all people. We bring financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities: affordable places to live, access to nutritious food and health care, schools where their children can flourish, and strong, local businesses that support jobs.

We use data to understand markets, communities, and impediments to opportunity—and how investment and policy decisions can have the most powerful impact. Since our inception in 1985, Reinvestment Fund has provided over \$3 billion in financing to strengthen neighborhoods, scale social enterprises, and build resilient communities.

End Notes

- ⁱ The full advisory committee was comprised of representatives from: William Penn Foundation, United Way of Greater Philadelphia and Southern New Jersey, Children First (formerly Public Citizens for Children and Youth), Delaware Valley Association for the Education of Young Children, Public Health Management Corporation, Child Care Information Services of Philadelphia, Various offices and agencies from the City of Philadelphia, United States Census Bureau, School District of Philadelphia, Brightside Academy, Nonprofit Finance Fund.
- ⁱⁱ In addition to increasing participation in the STARS rating system, the city has also seen a substantial decline in the share of programs that are uncertified. Uncertified programs comprised 19% of total capacity in 2013, but only 9% of total capacity in 2023.
- ⁱⁱⁱ Jacob L. Rosch. "Understanding How Changes to Keystone STARS Ratings will Affect Gaps in the Supply of High-Quality Child Care" (February, 2022). Reinvestment Fund. Available: <https://www.reinvestment.com/insights/understanding-how-changes-to-keystone-stars-ratings-will-affect-gaps-in-the-supply-of-high-quality-child-care/>
- ^{iv} Jacob L. Rosch, Marci Monaco-Vavrik, Ira Goldstein, & Kevin Reeves. "Capitalizing Child Care: The National Landscape of Grants, Loans, and Community Development Capital in Early Childhood Education" (January, 2022). Reinvestment Fund for National Childrens Facilities Network. Available: <https://static1.squarespace.com/static/5e221ab388621f5c0aeb37e5/t/6202bec376aa493d0fb51380/1644347086805/Capitalizing+Child+Care+Final+Report.pdf>
- ^v Jacob L. Rosch, Michael N. Norton, Kevin Reeves. "Data-Driven Investments in Early Childhood Education are Making a Difference for Philadelphia Families, Small Businesses and Neighborhoods" (March, 2021). Reinvestment Fund. Available: https://www.reinvestment.com/wp-content/uploads/2022/02/ReinvestmentFund_Report-PHL-Impact-of-Targeted-Investments.pdf
- ^{vi} For more information, see: <https://www.reinvestment.com/research/early-childhood-education-analytics/>
- ^{vii} Reinvestment Fund Analysis of U.S. Census Bureau, American Community Survey, Five Year Estimates, 2018-2022 and 2013-2017; U.S. Census Bureau, 2023 Household Pulse Survey, Week 63 (Oct, 2023)
- ^{viii} "Addressing the Decreasing Number of Family Child Care Providers in the United States." (March, 2020). National Center on Early Childhood Quality Assurance. Available: https://childcareta.acf.hhs.gov/sites/default/files/addressing_decreasing_fcc_providers_revised_final.pdf
- ^{ix} Michelle Schmitt, Emily Dowdall, Alana Kim, & Marci Monaco-Vavrik. "Understanding Infant and Toddler Care in Philadelphia: Capacity, Shortage, and Barriers" (April, 2022). Reinvestment Fund. Available: <https://www.reinvestment.com/insights/understanding-infant-and-toddler-care-in-philadelphia-capacity-shortages-and-barriers/>
- ^x Michael H. Norton & Jacob L. Rosch. "Assessing the Relationship Between School Quality and Home Prices Across the Keystone State." (August, 2017). Reinvestment Fund. Available: https://www.reinvestment.com/wp-content/uploads/2017/08/ReinvestmentFund_PA_District_Perf_Report.pdf
- ^{xi} Jodi Askins & Kate Phillips. "Historic Staffing Shortage Eliminates At Least 30,000 Early Care and Education Slots" (March, 2023). Strong Start PA and Pre-K for PA. Available: <https://www.uwp.org/wp-content/uploads/PreK-for-PA-and-Stay-Strong-for-PA-Press-Release-March-1st-2023.pdf>
- ^{xii} Michelle Schmitt, Emily Dowdall, Alana Kim, & Marci Monaco-Vavrik. "Understanding Infant and Toddler Care in Philadelphia: Capacity, Shortage, and Barriers" (April, 2022). Reinvestment Fund. Available: <https://www.reinvestment.com/insights/understanding-infant-and-toddler-care-in-philadelphia-capacity-shortages-and-barriers/>
- ^{xiii} Mai Miksic, Jacob Rosch & Jessica Guarneros. "The High Cost of Working in Early Childhood Education" (January, 2023). Children First PA. Available: https://www.childrenfirstpa.org/wp-content/uploads/2023/03/PA_Child_Care_Wages_1-23.pdf
- ^{xiv} See: <https://ecebizopssupports.phmc.org/our-programs/early-childhood-education-fiscal-hub>
- ^{xv} See: <https://www.reinvestment.com/grants/coaching-to-success/>
- ^{xvi} The redesign of the City's Department of Licenses and Inspections holds promise that this part of the governmental infrastructure will more efficiently and transparently meet the needs of providers and families.