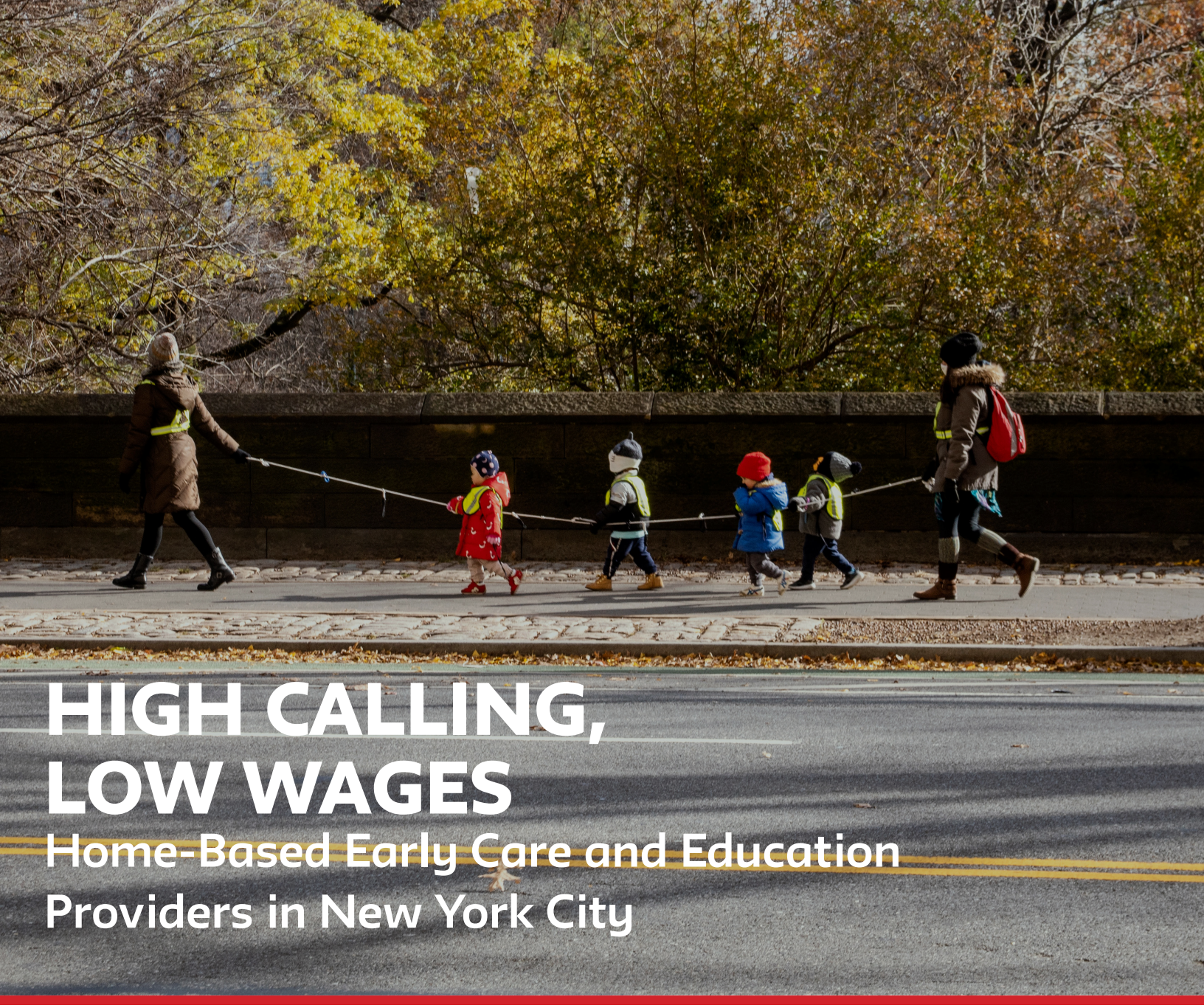

HIGH CALLING, LOW WAGES

Home-Based Early Care and Education Providers in New York City

Lauren Melodia

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THE NEW SCHOOL

Center for New York City Affairs

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EXECUTIVE SUMMARY

Home-based early care and education (ECE) providers are a unique and critical component of New York City's regulated ECE infrastructure. They offer personalized care and learning for a small, mixed-age group in an intimate, residential setting. They are well known for their ability to foster strong provider-child and provider-family relationships, which are particularly important for children five years old and younger. In New York City, home-based providers are overwhelmingly immigrant women and women of color who represent the city's rich cultural diversity, speaking 24 languages and providing parents and children with the opportunity to speak their native language and participate in culturally relevant programming. They are also more likely than other ECE programs to offer extended hours and services during non-traditional work hours.

In the universe of regulated home-based care there are three subcategories of providers. There are Family Child Care (FCC) providers, who are self-employed, can care for up to eight children, and are not required to have employees unless they care for more than two infants. There are Group Family Child Care (GFCC) providers, which are currently the most prevalent type, who employ assistants and are, therefore, able to care for up to 16 children. There are also enrolled legally exempt family providers, who can also care for up to eight children but are exempt from some of the regulations required of FCCs and GFCCs, because they largely care for children they are related to; in fact, legally exempt providers are only eligible to care for up to two children that are not related to the provider. In addition to these regulated home-based provider types, there are an unknown number of unregulated providers caring for children out of their own homes who, like regulated home-based providers, are often best described as family, friend, and neighbor care.

More than half a million children under the age of five live in New York City.[1] In 2022, the entire regulated ECE sector had the capacity to care for 46 percent of them: an estimated 229,570 children. Some 17 percent (approximately 86,243 children) can be served by regulated home-based programs. In 2022, there was capacity to serve 6,741 children at FCCs, 76,976 children in GFCCs, and an estimated 2,526 unrelated children that could be served by enrolled legally exempt family providers.

Compared to other ECE program types, regulated home-based programs, which are small businesses owned by providers themselves, have experienced a rapid rate of closures in the past 10 years, which was further accelerated by the Covid-19 pandemic. The extremely low business income of home-based providers (as estimated in this report) suggests there are problems with existing ECE policy regulating home-based providers, which contribute to this trend. These closures have undermined the entire ECE system in New York City, by shrinking the capacity of home-based programs and the unique qualities and services they deliver within the ECE system.

1 "Population of Children under 5," Citizens' Committee for Children of New York, accessed May 1, 2023, https://data.cccnewyork.org/data/mao/1313/population-of-children-under-5#1313/a/3/1532/99/a/a.

This report provides a foundational understanding of the unique experiences of New York City's home-based providers.

It seeks to illuminate underlying issues related to the closure of regulated home-based ECE programs and identify policy and other recommendations that can strengthen and stabilize these programs. It finds:

Home-based providers are:

1. **Overwhelmingly immigrant women and women of color, even compared to other ECE program types.** Ninety-seven percent of home-based providers identify as female, a much higher proportion than found among center-based and public school ECE workers (who are 85 percent and 74 percent female, respectively). Over half (59 percent) of home-based providers identify as Hispanic, a much higher percentage than found in other ECE program types and in New York City's workforce as a whole. Only eight percent of home-based providers identify as white – far lower than in other ECE programs and the city's workforce, where a third or more of workers are white. Home-based providers are less likely than other ECE workers to identify as Black, though home-based providers have a slightly higher composition of Black workers (24 percent) than the city's overall workforce (21 percent). Asian workers are slightly under-represented among home-based providers (nine percent) and in other ECE programs, compared to their presence in the city's workforce (16 percent). Home-based providers are overwhelmingly (72 percent) immigrants, over half of whom do not yet have U.S. citizenship.
2. **The lowest-paid workers in the ECE industry, making less than the minimum hourly wage.** In 2021, the median home-based provider, who reports low business income after expenses and works longer hours than other ECE workers, made an estimated $10.61 per hour in New York City. The statewide median income for home-based providers was $10.49 per hour. in (adjusted to account for increased tax liability due to self-employment). These hourly income estimates are lower than the minimum wage was in 2021 in every county in New York State. Furthermore, at $10.61 per hour, the median home-based provider earned less than half (40 percent) what the median center-based Pre-K teacher earned per hour and 20 percent less than the median center-based ECE worker earned per hour.
3. **More likely to rely on public assistance than others in the city workforce.** With half of home-based providers living at or below 200 percent of the federal poverty level, they are twice as likely to receive food stamps as others in the city's workforce. Forty-six percent of home-based providers utilize Medicaid for their health insurance coverage.
4. **Severely rent-burdened and housing insecure.** Home-based providers, by definition, need housing stability to run their businesses. However, they are overwhelmingly housing insecure. Seventy-nine percent of the city's home-based providers (and 62 percent of the state's home-based providers) are renters. Their low take-home pay makes them severely rent-burdened, meaning that they spend more than 50 percent of their income on housing rent or mortgages. For the median home-based provider in New York City, rental or mortgage obligations amounted to 122 percent of their net income.
5. **Comprise a large share of ECE capacity in the outer boroughs and Spanish-**

speaking neighborhoods. Fifty-six percent of New York City's home-based providers speak Spanish. Consequently, home-based providers predominate in Spanish-speaking areas, like the Bronx, where approximately 47 percent of people speak Spanish at home. Home-based care is also more prevalent in the outer boroughs, where parents' commute times may be longer. Home-based providers are more likely to offer extended hours, which may be important for such parents.

6. **Most likely to provide ECE for low-income families eligible for State Child Care Assistance Program (CCAP) vouchers.** Only 18 percent of New York State's total seat capacity for private and public pay clients is located in FCC and GFCC programs yet 52 percent of the state's CCAP vouchers are used by parents at regulated home-based programs.

Three major factors contribute to the poverty wages of home-based providers:

1. **Using a flawed market to determine price.** With the exception of high-income households, most New Yorkers cannot afford the true cost of care. So home-based providers charge parents what they can afford to pay, not what it costs to provide ECE. This results in home-based providers not earning a living wage. This flawed system for determining price is then both codified and exacerbated by New York State's CCAP voucher reimbursement policy. New York State's Office of Children and Family Services (OCFS) determines standard reimbursement rates for State-subsidized care on the market rate for FCC and GFCC programs in each of five geographic regions This calculation is based on a figure already insufficient to provide a living wage. The State reimburses FCCs and GFCCs up to the 80th percentile of this insufficient market rate (and to the 65th percentile for enrolled legally exempt providers), and also erects administrative barriers for accessing the full value of that rate. This puts further downward pressure on earnings.
2. **Extreme sensitivity to operating at full capacity.** Regulated home-based providers operate at a small scale compared to other ECE program types. As a result, their revenue, business viability, and take-home pay are extremely dependent on consistent enrollment. In 2018, FCC and GFCC providers were far below their potential seat capacity, especially in New York City. In that year, the average FCC provider was operating at 66 percent of potential seat capacity and the average GFCC provider was operating at 75 percent potential seat capacity. One major reason for operating at less than full capacity is an inadvertent result of expanded pre-K programs. Prior to the launch of Pre-K-For-All (PKA) in 2014 and the expansion of School Age Child Care (SACC) programs over the past decade, home-based providers relied heavily on serving a mix of pre-school aged children and school-aged children after school and on holidays. Since then, there has been decreased utilization of home-based care for pre-school aged children. While this has opened up more home-based program capacity for infants and toddlers, such care also entails higher overhead costs, including hiring additional staff.
3. **While these issues also can affect center-based ECE programs, their workers' wages are protected by employment and/or union contracts.** As self-employed small business owners, home-based providers' personal take-home pay is their net income. A reduction in revenue for any reason jeopardizes their livelihood. Policy solutions must be designed with these differences in business models in mind.

Recommendations:

1. **Implement an alternative cost-based methodology for CCAP reimbursement.** ECE programs are not able to charge their clients enough to cover operating costs and this results in regulated home-based providers earning unlivable wages. Because most parents cannot afford the true cost of care, home-based providers cannot raise the rates they charge clients. However, the CCAP program, which uses public funding to pay the cost of early care and education for income-eligible families, can be redesigned to mitigate rather than exacerbate this problem. The New York State Legislature should enact an alternative cost-based methodology for CCAP reimbursement guaranteeing that vouchers cover the cost of care—including a salary for the home-based provider—rather than reinforce market rates that do not sustain high-quality programming.
2. **Enact a wage subsidy to sustain home-based providers until an alternative methodology is enacted.** Due to federal regulation, it will take several years to implement an alternative methodology for CCAP reimbursement. In the meantime, the Legislature should enact a temporary wage supplement sufficient to boost the pay of all ECE workers, including regulated home-based providers, so that they are able to cover their costs of living (including health insurance if a temporary wage supplement results in ineligibility for Medicaid), and are incentivized to continue working in the ECE industry.
3. **Remove administrative barriers to home-based providers getting paid the full value for CCAP vouchers in their region.** The Legislature should also pass a bill that automatically passes the 80th percentile market rate on to all FCC and GFCC providers without requiring them to complete paperwork to prove it is at or below their own business's market rate. This will also help to increase take-home pay for home-based providers while a new alternative methodology for CCAP voucher reimbursement is designed and implemented.
4. **Reduce rent burden and increase housing stability for home-based providers.** Home-based programs are dependent on stable residential space. New York City and New York State can help by establishing a refundable income tax credit for providers to offset space costs. "Good cause eviction" legislation should also be passed, which can increase the stability of home-based ECE programs by placing limits on how much a landlord can raise rents each year and making it illegal for landlords to evict tenants unless they have violated their lease agreement.
5. **To increase job quality, establish a State-funded benefits and pension program for home-based providers.** Home-based providers have difficulty affording their own benefits packages. New York City and New York State can establish a public benefits option for home-based providers to purchase health insurance (if they are no longer eligible for Medicaid) and participate in a retirement fund or pension (with public matching or contributions).
6. **Launch a publicity and marketing campaign to help regulated home-based providers communicate their unique added value to the ECE system and recruit more clients.** A centralized directory and a citywide marketing campaign that highlights the unique qualities of home-based care can help educate parents about mixed-age ECE in residential settings and improve all regulated home-based providers' ability to recruit new clients. Integrating a quality rating and improvement system (QRIS), such as Quality Stars NY, into a centralized directory and providing

funding and supports for home-based providers to participate in a QRIS can also improve home-based providers' ability to market themselves.

7. **Develop a substitute provider pool.** Home-based providers work long hours and are unable to easily get coverage to reduce their total working hours and/or participate in professional development and other opportunities. They also face challenges in taking sick time, family leave time, and vacation time. The State and City should finance a substitute provider pool.

INTRODUCTION

In many ways, our society values early care and education (ECE) work more than any other work. That's one reason why many parents, primarily mothers, are willing forego earning potential and career advancement in their prime working years to care for their own children without being compensated for that work.

Implicit in this belief (and backed by decades of empirical research) is that the highest-quality care, especially for children under the age of five, is personalized and provided by caregivers with whom children develop a long-term relationship. Quality early care and education, then, is dependent on highly valuing the ECE workforce—providing living wages and benefits, job security and respect, and opportunities for meaningful career advancement. Good job quality incentivizes people to remain at their jobs.

The reality, however, is that the diversified and complex ECE system in the United States is in crisis. Center- and home-based programs have struggled to retain and recruit staff due to the low wages they're able to pay. Resulting high turnover compromises the long-term relationships foundational to high-quality care. This national crisis is acute in New York City, where centers have had to reduce their capacity due to staffing shortages, and home-based providers have closed at a rapid rate over the past few years, a trend accelerated by the pandemic.[2] Between 2019 (before the pandemic onset) and the end of 2022, New York State lost over 7,000 full-day, full-year seats for children under the age of five, and over 1,200 facilities.[3]

This capacity crisis is also dumbfounding to many. It flies in the face of New York City's overwhelming commitment to universal Pre-K and 3K in recent years. It has arisen despite stabilization grants made available specifically to child care programs throughout the pandemic. And it has persisted despite the historic investments made by State and City governments in 2022 and 2023 to expand eligibility for subsidized care to more families and increase the State's reimbursement rate to providers.

This report provides a comprehensive analysis of one group of workers in New York City's complex ECE system: the people who own and work in home-based ECE programs. They comprise 61 percent of the over 9,600 programs regulated to provide full-day, year-round early care and education in New York City.

Home-based ECE programs play a unique and critical role. They offer personalized care and learning in small, mixed-age groups and intimate, residential settings. They

2 Kendra Hurley, "Why Child Care Centers in New York City Are Shutting Their Doors," Bloomberg.Com, December 28, 2022, https://www.bloomberg.com/news/articles/2022-12-28/why-new-york-s-affordable-child-care-centers-are-closing.

3 CNYCA analysis of "Child Care Facts & Figures 2019" (New York State Office Of Children and Family Services, January 2020), https://ocfs.ny.gov/programs/childcare/assets/docs/factsheets/2019-DCCS-Fact-Sheet.pdf.; "Child Care Facts and Figures 2022" (New York State Office Of Children and Family Services, January 2023), https://ocfs.ny.gov/programs/childcare/assets/docs/factsheets/2022-DCCS-Fact-Sheet.pdf.

are well known for their ability to foster strong provider-child and provider-family relationships, which are particularly important for children ages 0 to 5.[4] In New York City, home-based providers are extremely ethnically diverse, speaking 24 languages and providing parents and children with the opportunity to speak their native language and participate in culturally relevant programming. They are also more likely than other ECE programs to offer extended care during non-traditional work hours, which is particularly important for low-income families. As a result, 52 percent of all State Child Care Assistance Program (CCAP) vouchers—provided to income-eligible families to subsidize their ECE costs—are utilized at home-based programs in New York State.

Compared to other ECE program types, regulated home-based programs have experienced a rapid rate of closures in the past 10 years, a trend accelerated by the pandemic. From January 2020 to July 2022, 3,524 ECE programs in New York State closed; 79 percent of those were Family Child Care (FCC) or Group Family Child Care (GFCC) programs.[5]

By focusing research on this under-studied ECE workforce, the Center for New York City Affairs (CNYCA) aims to identify underlying issues that may be undermining the government's efforts to improve and expand the provision of quality early care and education.

While this report is specific to New York City home-based providers, CNYCA offers statewide analysis of these providers whenever possible, since State policies have great influence in this realm. Section 1 explains what home-based ECE is and how it fits into the larger system. Section 2 provides demographic details about the people who own these businesses and work in this sector. Section 3 provides an estimate of the take-home pay of home-based providers and compares their income to ECE workers and other workers in New York City. Section 4 evaluates home-based providers' specific operating costs and revenue challenges. Section 5 discusses specific job quality and professional development issues faced by home-based providers.

The report concludes with recommendations for how State and City policymakers can resolve some of the acute challenges faced by regulated home-based providers in particular. The goal of these recommendations is to shift the home-based ECE sector from one in crisis and decline to one of quality assurance and stability. Many of these recommendations will also directly benefit other ECE program types. If implemented, these recommendations can, in turn, bolster New York City's entire ECE system.

4 Juliet Bromer et al., "Quality in Home-Based Child Care: A Review of Selected Literature" (Erikson Institute and Mathematica, September 2021), https://www.erikson.edu/wp-content/uploads/2021/10/HBCCSQ_LiteratureReview_2021-Remediated.pdf.
5 Pete Nabozny, Shannon Mullin, and Agabek Kabdullin, "Rebuilding Our Future: Child Care Closures in New York During the Pandemic" (The Children's Agenda, August 2022), https://thechildrensagenda.org/publications/rebuilding-our-future-child-care-closures-in-new-york-during-the-pandemic/.

Glossary

New York City's child care system is incredibly complex, with care provided in different **program types** and settings, by people with different **occupations** (job titles), and interacting with many **government agencies and policies**. The language choices in this report are intentional.

Early care and education (ECE): This term is used to describe the universe of work that is often called child care, which includes both child care and education services for infants to five-year-olds before kindergarten, as well as for school-aged children, typically up to the age of 12, outside of normal school hours.

Program types

1. **Center-based:** This describes ECE programs licensed to operate in commercial spaces. They may be operated by non-profit organizations or for-profit firms and must comply with State rules and regulations.
2. **Family Child Care (FCC)**: FCCs are small businesses owned and operated by providers in their own homes. In New York City, FCCs are registered by the City Department of Health and regulated by the State. They may have a maximum capacity of eight children in care.
3. **Group Family Child Care (GFCC)**: GFCCs are small businesses owned and operated by providers out of their homes, are licensed by the City Department of Health and regulated by the State. They're distinguished from FCCs because they can care for up to 16 children, with sufficient staffing.
4. **Home-based:** This term is used to describe all ECE program types in residential settings: registered FCCs, licensed GFCCs, enrolled legally exempt family providers, and unregulated home-based care, provided by caregivers in their homes without any compliance or interaction with City and State rules and regulations. We use the term "regulated home-based" when describing FCCs, GFCCs, and enrolled legally exempt family providers combined. While the purpose of this report is to highlight the role of regulated home-based providers, the U.S. Census data we rely on for analysis of this workforce does not distinguish among these different types of providers. Therefore, home-based (unless modified by the term "regulated" or "unregulated") is inclusive of all home-based providers.
5. **Legally exempt family provider:** This term is used to describe providers enrolled to provide ECE in their home for to up to eight children, so long as only two of the children are unrelated to the provider. Required to comply with certain health, safety, and education standards and trainings, they are legally exempt from other guidelines, because of the familial connection these providers have to the children and parents they serve. Here the term "legally exempt family provider" is used to include "legally exempt in-home providers" and "legally exempt family child care providers," both those that do and do not have "relative-only" status. Combined, all of these separate distinctions describe people providing ECE in a home (theirs or the child's). Enrolled legally exempt family providers are eligible to receive CCAP vouchers from income-eligible families.
6. **Legally exempt group provider:** This term refers to all center-based programs exempt from State center-based regulations – generally because they're either

regulated by other entities (such as those on tribal land, military or federal land, etc.) or are providing ECE in programs located at public, private, or religious elementary school properties.[6]

7. **Pre-K-For-All (PKA):** For the purposes of this report, this term is used to describe both Pre-K-For-All and 3K-For-All programs administered by the New York City Department of Education (DOE). PKA is a school day, school year program with no cost to parents, offered in both public schools and a variety of other center-, school-, and home-based settings. Please see https://insideschools.org/pre-kindergarten for a full description of PKA and its various setting options.
8. **Public:** When describing an ECE program, this term means that the program is not only funded by the government, but run by a government agency, such as a 3-K-For-All program offered on site at a New York City public school.
9. **School-Aged Child Care (SACC):** This term is used to describe ECE programs that only serve children enrolled in kindergarten or a higher grade. Located in a center or sited at a DOE property, they typically provide before- and after-school care as well as care during school breaks and must comply with State rules and regulations.

Occupations

1. **Assistant:** This term is used to describe people who assist lead educators and providers in early care and education. They provide support to individual children; help them go to the bathroom, eat their meals; transition from one activity to the next; and support all the tasks making ECE function.
2. **Director:** This term describes the person at center-based and public school ECE programs responsible for administration and management.
3. **Early care and education (ECE) worker:** This describes lead educators and assistants in all child care settings. (We use this term instead of the term "child care worker" used by the Bureau of Labor Statistics and Census Bureau.)
4. **Lead educator:** The people responsible for the education of children five years old and younger. (This is distinct from a Pre-K teacher who only works with three- and four-year-olds.) They develop and lead curriculum to fulfill children's educational, developmental, cognitive, emotional and social needs. A lead teacher may also supervise assistants and volunteers.
5. **Pre-K Teacher:** This term is used to describe people working as pre-school teachers with three- and four-year-olds, both within and outside the PKA program in all ECE settings. While some GFCCs hire Pre-K teachers, this occupation is most common in center-based and public school programs.
6. **Provider:** We use this term to identify home-based programs as small business owners required to carry out multiple job functions.

Government agencies and policies

1. **Administration for Children's Services (NYC ACS):** The City agency responsible for determining eligibility for low-income families seeking to qualify for the Child Care Assistance Program (CCAP).
2. **Child Care Assistance Program (CCAP):** Often known as "subsidized care" or

6 N.Y. Comp. Codes R. & Regs. Tit. 18 § 415.1.

"vouchers," CCAP provides income-eligible parents a voucher to use at a regulated ECE program of their choosing. The program is overseen by the State Office of Children and Family Services (OCFS) and administered by local social service districts (NYC ACS for NYC-based ECE programs). CCAP pays ECE programs directly a significant portion of the price to recipient parents for the services their child is enrolled in. Funds for CCAP vouchers are set aside in the New York State budget and are largely financed from two federal funding streams: Child Care and Development Block Grant (CCDBG) and Child Care and Development Fund (CCDF). Many of the CCAP policy designs are related to these federal grant programs.

3. **Department of Education (DOE):** This New York City agency administers the Pre-K for All, 3-K-For-All, and other ECE programs, like EarlyLearn, in the five boroughs. The majority of these programs are not delivered at public schools but at center-based ECE programs which contract with the City.
4. **Department of Health and Mental Hygiene (DOHMH):** The New York City agency responsible for licensing, registering, and regulating FCCs and GFCCs. DOHMH has a contract with OFCS, which has oversight authority of DOHMH.
5. **Office of Children and Family Services (OCFS):** The New York State agency responsible for implementing ECE programs, in compliance with federal and state law. It has oversight authority and establishes policies and regulations that govern the ECE sector. In all counties except the counties of New York City, OCFS is responsible for licensing and registering ECE programs and ensuring that they meet regulatory standards.

Other

1. **American Community Survey (ACS):** An annual survey administered by the U.S. Census Bureau.
2. **Capacity:** Each ECE program type has a total potential seat capacity—the total number of children they can provide services to in the same hour or day—based on a number of factors (program type, age of children, square footage, staffing). Seat capacity can be reduced at any time if a program does not have sufficient staff on-site.
3. **Child Care Resource & Referral Agencies (CCR&Rs):** Non-profit organizations in New York counties that have a contract with OCFS to provide services to parents and ECE programs in their counties. These include helping parents find an ECE program that meets their needs to providing technical assistance and training to ECE programs.
4. **Family Child Care Network (FCCN):** Member organizations of individual FCCs and GFCCs. They offer technical assistance, training, and peer support delivered by paid staff. While FCCs and GFCCs may choose to join an FCCN to receive these supports, FCCs are required to be members if they want to contract with the DOE to provide 3K-for-All.

1. WHAT IS EARLY CARE AND EDUCATION (ECE) IN A RESIDENTIAL SETTING?

New York City's existing ECE system is complex. Despite New Deal-era efforts to build a comprehensive, government-funded child care system in New York City,[7] the provision of child care takes place largely in the private sector and is subsidized by public resources and parents' and providers' unpaid work.

For families that rely on care outside of their homes, regulated ECE is provided in a variety of program types. Each has its own unique set of State and City regulations, policy supports, and funding streams. Regulated home-based programs, where children are cared for and educated by a child care educator in a residential setting, is just one program type. It is provided in three slightly different regulated capacities: registered Family Child Care (FCC); licensed Group Family Child Care (GFCC); and enrolled legally exempt family providers. (See the Glossary on Page TK.) In addition to these regulated home-based provider types, there are an unknown number of unregulated providers caring for children in a residential setting who, like regulated home-based providers, are often best described as family, friend, and neighbor care.

FCCs and GFCCs are largely similar; their main difference is that GFCCs are expected to hire support staff and, therefore, have greater seat capacity than FCCs, which are often run solely by the business owner herself, unless she chooses to hire staff in order to care for more infants. Enrolled legally exempt family providers are expected to primarily provide care to their own family. They are allowed to care for fewer non-related children than FCCs and GFCCs and have fewer regulatory requirements as a result.

Compared to commercial or non-profit child care centers, which often separate children into different classrooms by age, home-based providers offer a mixed-age setting, where infants, toddlers, pre-school aged children, and even school-aged children (before and after school and on school holidays or summer breaks) play, eat, and learn together. One of the most important things about this mixed-aged model is that parents and children using it will establish a long-term relationship with the provider. (That contrasts with center care, where children "graduate" to a new classroom and new ECE educators as they grow older.) Decades of empirical research demonstrate that children under the age of five are best served by caregivers with whom they foster a long-term relationship.[8]

Home-based care is often also called "family child care," because of its residential and intimate setting. Children spend the day in the homes of their child care educators and as part of their families. Many of the qualities that attract parents to home-based care

7 Kendra Hurley, "Why Child Care Centers in New York City Are Shutting Their Doors."
8 Juliet Bromer et al., "Quality in Home-Based Child Care: A Review of Selected Literature."

are related to this. Regulated home-based care, required by OCFS to have limited capacity, involves a smaller cohort of children than centers, offering more opportunities for personalized care. Home-based providers are extremely ethnically diverse, speaking 24 languages in New York City (see Section 2 for more details), providing parents and children with the opportunity to speak their own home language and participate in culturally relevant ECE programming. Such familiarity also translates into more flexibility for parents. Home-based providers are more likely than centers to offer extended hours and non-traditional hours for parents working outside of the standard 9-to-5 workday. These may be some of the reasons that home-based providers have a higher utilization of CCAP vouchers than centers. Figure 1 presents these regulated home-based program types alongside all other regulated ECE program types, as a point of comparison.

Figure 1:

Early care and education (ECE) program types

Program Type	Property setting	Ages of children	Children (# of)	Caregivers (# of)
Family Child Care (FCC)	Residential home	6 weeks – 12 years	up to 8 children	1, if no more than 2 infants present
Group Family Child Care (GFCC)	Residential home	6 weeks – 12 years	up to 16 children	2, if no more than 4 infants present
Legally Exempt family provider	Residential home	6 weeks – 12 years	up to 8 children, so long as no more than 2 children are unrelated	1
Center-based	Commercial property	6 weeks – 12 years	Based on square footage	Ratio of caregiver to children depends on age of children*
School Age Child Care (SACC)	School property	5 – 12 years	Based on square footage	1:10 for children under 9 years old; 1:15 for children 10-12 years old
Legally exempt group provider	School, tribal or federal property	3 – 12 years	Based on square footage	Ratio of caregiver to children depends on age of children**
Pre-K-For-All (PKA)	Center-based, NYC Public Schools (DOE), charter school, private school, FCC, GFCC	3- and 4-year-olds	Maximum 18 students per class; total size based on square footage	2 for every classroom

*The adult-to-children ratio depends on the ages of children in the child care setting. Minimum ratios include 1 child care worker to 2 children under the age of 2 years old to 1 child care worker for every 10 school-age children. ** The adult-to-children ratio depends on the ages of children in the child care setting and the activities they are involved in. Minimum ratios include 1 child care worker to 10 children who are 3 years old and "not engaged in a seated activity" to 1 ECE worker for every 25 children ages 5-12 years old.

Source: N.Y. Comp. Codes R. & Regs. Tit. 18 § 413.2; "3-K for All and Pre-K for All Handbook for District Schools and Pre-K Centers" (New York City Department of Education), accessed April 1, 2022, https://infohub.nyced.org/docs/default-source/default-document-library/3-k-and-pre-k-for-all-handbook-for-district-schools-and-pre-k-centers.pdf.

1-A: The home-based ECE business model

Each type of ECE program is managed differently. Home-based providers are small businesses—often sole proprietors—owned and operated by the business owner (provider) out of her own home. Centers, SACCs, many PKAs, and many legally exempt group programs are non-profit organizations (or the programs of larger non-profits) or for-profit firms. They typically employ people in three different occupations (director, lead educator, and assistant) working together to provide ECE. They also include administrative and other staff, such as cooks and janitors. PKA programs in public schools are managed and staffed by the New York City Department of Education (DOE), so many of the administrative functions are provided by DOE's central offices.

Multiple job functions

In home-based care, the provider typically fulfills all the roles and responsibilities of a center-based director, lead educator, and assistant. They perform all the tasks of a center-based director and operations staff: meet licensing requirements; manage enrollment and accounting systems; conduct marketing; and carry out (or hire out) facilities maintenance and operations, including preparation of children's meals. They also perform all of the tasks of a lead educator: they develop curriculum, activities and schedules; provide instruction; and communicate with parents about their children's educational and developmental progress. Home-based providers also perform the functions of center-based assistants: providing support to individual children; helping children go to the bathroom, eat their meals and transition from one activity to the next; and more.

To help them meet these daunting tasks, OCFS mandates that home-based providers care for a small number of children at a time. For FCCs and GFCCs, the ratio of adult to child can be up to 1:8, depending on age. (For enrolled legally exempt family providers, the ratio can also be up to 1:8, so long as no more than two children are unrelated to the provider.) Nevertheless, home-based providers working alone are often unable to guarantee themselves something as simple as a lunch break. In order to provide personalized, high-quality care during business hours, they typically must work after hours on associated tasks, from accounting and marketing to cooking and cleaning. This results in working incredibly long hours (see Section 3.)

Regulations and government oversight

Like centers, regulated home-based providers are required to comply with OCFS regulations. There are both similarities and differences in these regulations. Any business owner looking to start a center- or home-based program must participate in an orientation process, background check, application process, and regular site visits to verify compliance with OCFS regulations.[9] They and all of their employees must attend

9 All members of a home-based providers' household are required to participate in a background check, including finger-printing, even if the household member will not have contact with children.

an OCFS health and safety course before they are allowed to operate or work in a regulated program. Center directors, FCC and GFCC providers, and all of their staff are also required to complete regular educational trainings—30 hours of training every two years. (Additional education requirements are detailed in Section 2.)

Lastly, both regulated home- and center-based programs interact with the same agencies to participate in publicly subsidized ECE, but with some differences. For example, centers and GFCCs are eligible to bid on DOE contracts to provide Pre-K-For-All (PKA) to three- and four-year-olds and through a request for proposals (RFP) process. For the 3-K-For-All program, FCCs are only able to secure a DOE contract (at the DOE's set rate for home-based providers) by being a member of a family child care network (FCCN).[10]

Both regulated home- and center-based programs are able to offer services directly to low-income families who receive CCAP vouchers to substantially cover the price for ECE. OCFS determines the price paid to each ECE program based on a regional "market rate" survey process; however, each type of program (center-based, FCCs, GFCCs, legally exempt family providers, etc.) is paid a different rate to serve children of the same age child for the same number of hours. (This is explored in more detail in Section 4.)

Client recruitment and revenue

Because of their small capacity, regulated home-based providers in particular must manage a delicate balance of filling all their eligible seats given their staffing and the needs of client parents. Some families need full-day care, for example, while others only need part-time or after-school care.

Client recruitment and its impact on revenue is similar for FCC and GFCC providers and center-based programs. Both are able to offer their services simultaneously to private clients and public clients. (Private clients pay for care out of their own pockets; public care families receive care paid for by the government, either through CCAP vouchers or DOE contracts). ECE programs can recruit and enroll private and CCAP voucher clients in many ways: through direct marketing to their neighbors; in partnership with service agencies or an FCCN that matches parents to providers; and now through the city's MyCity portal launched in 2023.[11] Meanwhile, those with a DOE contract recruit clients through the DOE's centralized enrollment system.

When home-based providers and center-based programs work with private pay clients, they have the authority to dictate the payment rate for a "seat" and payment processes. Home-based providers typically have weekly, daily, and/or hourly rates and payment policies covering these clients. Some enforce strict policies for parents to pay

10 Kendra Hurley and Angela Butel, "Free Preschool, Coming to An Apartment Near You" (Center for New York City Affairs, December 2018), http://www.centernyc.org/free-preschool-coming-to-an-apartment-near-you.

11 Annie McDonough, "MyCity Portal Launches with Focus on Child Care Benefits," City & State New York, March 29, 2023, https://www.cityandstateny.com/policy/2023/03/mycity-portal-launches-focus-child-care-benefits/384594/.

for days when their children are absent or to pay extra for early drop-off and late pick-up. Others do not enforce such policies, because of concern that it imposes additional hardship on families.

When regulated home-based providers become members of a network, contract with DOE, or take on clients who receive CCAP vouchers, they must accept government-set payment rates and terms. As result, there are different payment rates for the same "seat," depending on the client recruitment channel. Furthermore, providers are often required to take on additional training, certifications, and other costs to contract with the DOE's different programs, resulting in different operating costs for different client recruitment channels and the seats allocated to them. (Section 4 further explores implications of these client recruitment channels for providers' income.)

1-B: How big is the home-based ECE sector?

More than half a million children under the age of five live in New York City.[12] In 2022, the entire regulated ECE sector had the capacity to care for 46 percent of them: an estimated 229,570 children. Some 17 percent (approximately 86,243 children) can be served by regulated home-based programs. In 2022, there was capacity to serve 6,741 children at FCCs, 76,976 children in GFCCs, and an estimated 2,526 unrelated children that could be served by enrolled legally exempt family providers.

There are currently over 17,000 licensed or registered ECE programs in New York State—over 9,600 of which (56 percent of the total) are in New York City. Additionally, New York State tracks the number of legally exempt providers (both family and group) enrolled to care for children eligible for the CCAP. There are approximately 6,500 such providers, only 1,300 of which (20 percent of the total) are in New York City.

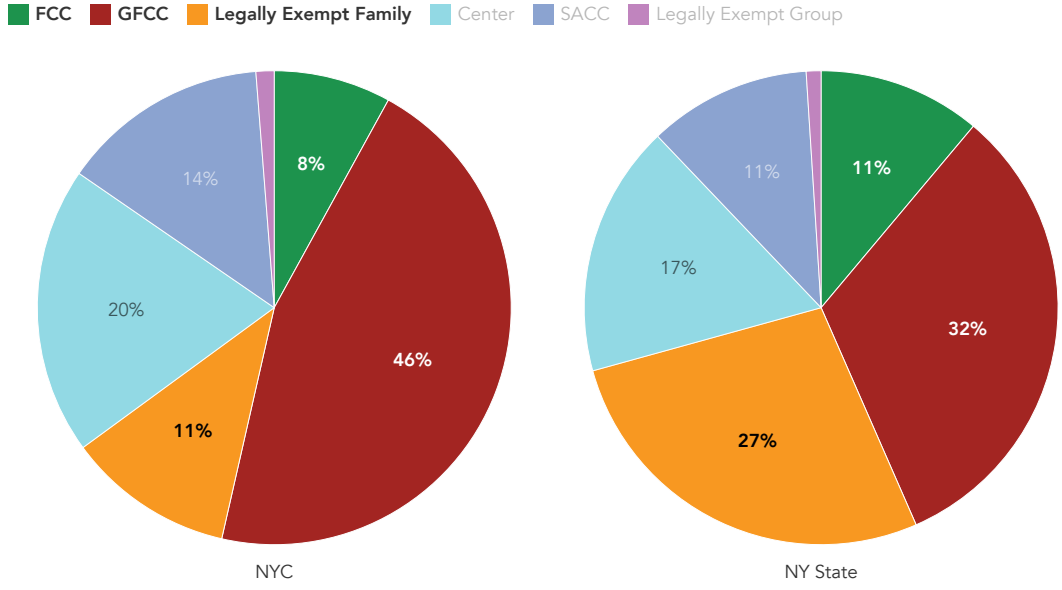
There are two ways to quantify the size of the home-based ECE sector: the number of providers, and their total seat capacity.

There are more home-based care providers in New York State and New York City than any other program type (See Figure 2, below).

Figure 2:

The majority of ECE programs are home-based

Percent of facilities by ECE program type in 2022



Source: CNYCA Analysis of "Child Care Facts and Figures 2022."

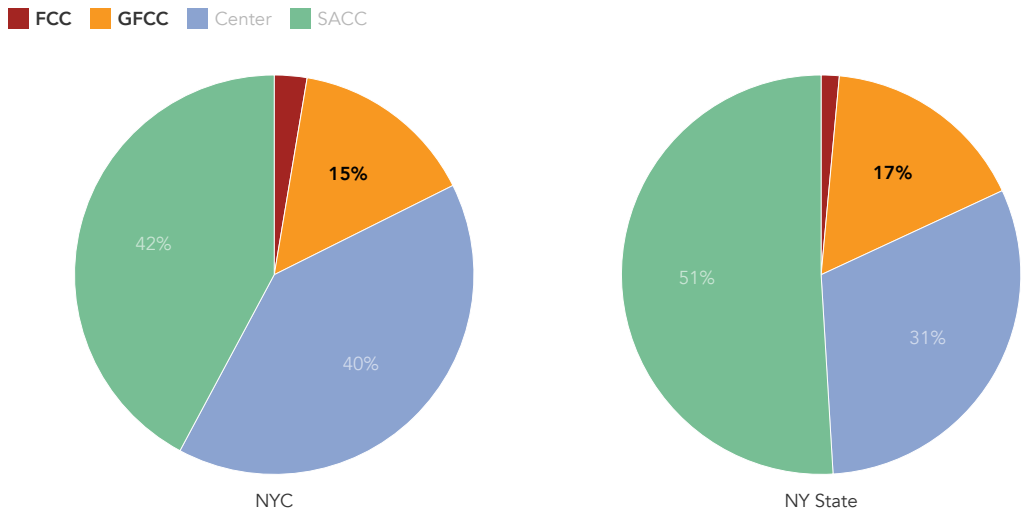
12 "Population of Children under 5," Citizens' Committee for Children of New York, accessed May 1, 2023, https://data.cccnewyork.org/data/map/1313/population-of-children-under-5#1313/a/3/1532/99/a/a

More than half of regulated ECE programs in the city are FCC or GFCC programs.[13] When adding enrolled legally exempt providers to the total, 65 percent of ECE programs in New York City and 70 percent in the state are in regulated providers' homes.
While home-based providers predominate, greater seat capacity exists in other program types because of the small capacity of home-based programs compared to other program types. (See Figure 3, below.)

Figure 3:

Less than a quarter of ECE seat capacity is located in home-based care

Percent of ECE seats by program type in 2022



Source: CNYCA Analysis of "Child Care Facts and Figures 2022."

Centers and programs for school-aged children, many located in commercial properties, can scale up if space and staffing allows. Home-based programs are designed to be small intimate, familial settings. This design, the realities of residential space, and State regulation limit the home-based providers' ability to scale up.

One striking feature of Figure 3 is the large seat capacity of the school-aged child care (SACC) sector. These programs provide before- and after-school care and care for children in kindergarten or a higher grade (typically ages 6 to 12) during school holidays. Their large capacity is mainly due to their ability to have a higher adult to child ratio than programs providing care to children ages 0 to 5. FCCs and GFCCs are also eligible to care for school-aged children, but at an extremely limited capacity. (The impact of the growth of SACC capacity is further explored in Section 4.)

Utilization of seat capacity by the CCAP, which provides publicly funded vouchers for income-eligible families, offers a different perspective on capacity. OCFS reports the

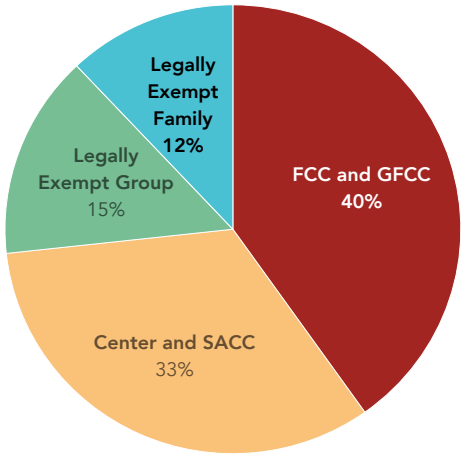
13 "Child Care Facts and Figures 2022."

number of children whose care is subsidized through the CCAP by program type. (See Figure 4, below.) While only 18 percent of New York State's total seat capacity for private and public pay clients is located in home-based programs, 52 percent of CCAP vouchers are used by parents at regulated home-based programs. There are a wide variety of reasons parents may choose home-based care over center-based care (preference, availability, affordability, flexibility, and/or willingness to accept vouchers).

Figure 4:

Over half of NY State families utilizing CCAP vouchers receive home-based care

Percent of ECE seats paid for with CCAP vouchers in NY State by program type in 2022



Source: CNYCA Analysis of "Child Care Facts and Figures 2022."

The size of the regulated home-based sector has also changed over time. Over the past 10 years there has been a sharp decline in the number of regulated home-based providers, most pronounced in FCC and enrolled legally exempt family care, reducing total home-based seat capacity. (See Figure 5, below.)

This change is an unintended consequence of the launch of Pre-K-for-All In New York City in 2014. While the number of center-based programs has remained relatively steady, the number of GFCC and FCC providers has been on a steady decline. Additionally, FCCs have closed at a much more rapid rate than GFCCs. From 2014-2022, the total number of ECE facilities of all program types in New York City declined by 16 percent; however, the total number of city FCC providers declined 61 percent.[14]

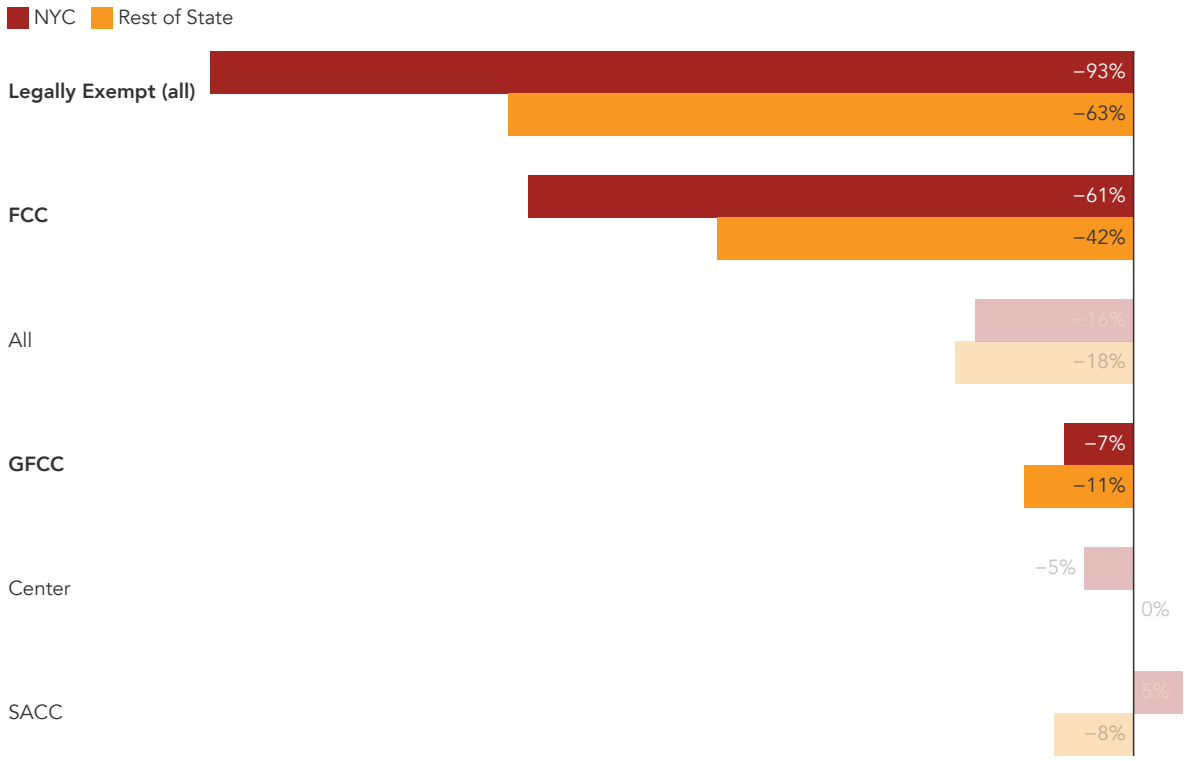
There also has been a severe loss in the number of enrolled legally exempt family providers. In 2014, there were over 34,000 of them in New York State, the vast majority of which were home-based. By 2022, there were only 6,600. Two factors related to the Covid-19 pandemic likely contributed to this. First, legally exempt providers were ineligible for the "stabilization grants" that were a lifeline to FCCs and GFCCs during the pandemic. And second, the pandemic-related suspension of work requirements for recipients of Temporary Assistance to Needy Families (TANF) increased the number of parents with small children staying home, and sharply decreased demand for the services of these providers.

14 "CNYCA analysis of "Child Care Facts & Figures 2014" (New York State Office Of Children and Family Services, January 2015), https://www.earlychildhoodny.org/pdfs/research/Child%20care%20data%202015.pdf.; "Child Care Facts and Figures 2022."

Figure 5:

The number of home-based providers of all types have declined in the past 10 years

Percent change in the number of facilities from 2014 to 2022



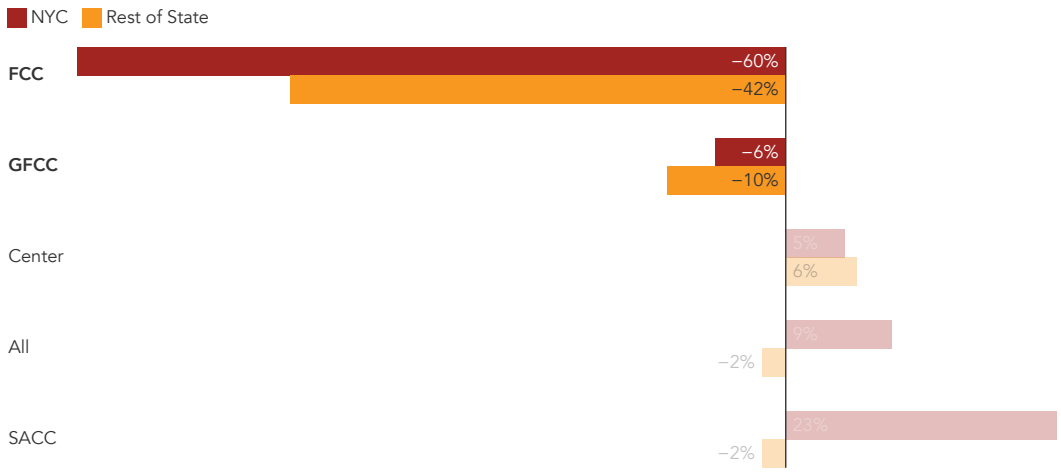
Source: CNYCA Analysis of "Child Care Facts & Figures 2014" and "Child Care Facts and Figures 2022."

Figure 6, below, illustrates the change in seat capacity by program type, from 2014-22. (It excludes legally exempt providers, since there is no data on their total seat capacity.) FCC and GFCC seat capacity has declined proportionally with the decline in the number of providers in these sectors. Meanwhile, center-based and SACC programs scaled up. While the number of center-based programs in New York City declined by five percent, center-based seat capacity grew by five percent.

Figure 6:

While home-based ECE seat capacity has declined, centers and SACCs have scaled up

Percent change in the number of ECE seats from 2014 to 2022



Source: CNYCA Analysis of "Child Care Facts & Figures 2014" and "Child Care Facts and Figures 2022."

In sum, New York State's home-based provider sector is composed of many small businesses that provide 18 percent of the city's total licensed seat capacity and 52 percent of the state's CCAP voucher usage. However, the size of the sector today is much smaller than it was a decade ago.

1-C: Where are home-based programs located?

At the neighborhood level, there is great variability in overall ECE capacity and program types.

With the exception of Midtown Manhattan, none of New York City's 59 community districts has enough existing seat capacity to provide ECE to all children ages five years old or younger within its boundaries.

Some have higher seat capacity and higher utilization of capacity than others. (Appendix A includes several maps and tables providing further details.) And some have more FCC and GFCC care while others have more seat capacity in centers.

A wide variety of economic, cultural, and environmental factors contribute to these differences. Such factors may include, for example: the stock of commercial and residential properties conducive to starting an FCC, GFCC, or center; or the distribution of local religious or non-profit organizations by neighborhood.

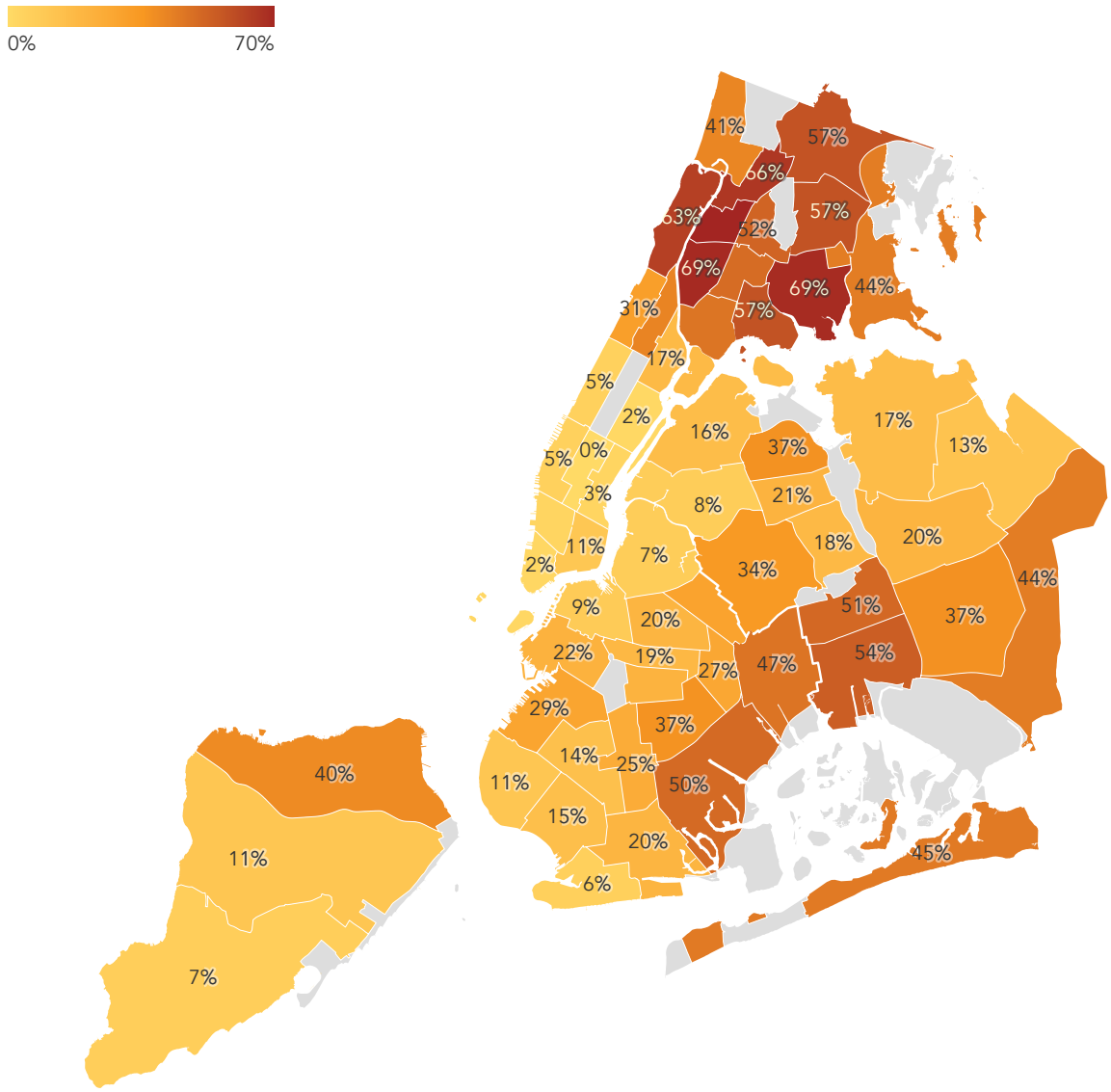
Because most parents prefer enrolling in ECE programs in their home neighborhoods and because of the unique value FCCs and GFCCs add to the ECE system as it is currently designed, it is critical to understand the role they play in each neighborhood.

Figure 7 illustrates the prevalence of FCC and GFCC seats (as a percentage of total ECE seats) for children ages 0 to 5 by community district.

Figure 7:

Some neighborhoods are more reliant on home-based providers

Percent of child care seats in FCC and GFCC programs by community district, May 2023



Source: CNYCA analysis of "Child Care Regulated Programs API." Data.ny.gov, accessed May 1, 2023, https://data.ny.gov/Human-Services/Child-Care-Regulated-Programs-API/fymg-3wv3; "DOHMH Childcare Center Inspections," NYC Open Data, accessed May 1, 2023, https://data.cityofnewyork.us/Health/DOHMH-Childcare-Center-Inspections/dsg6-ifza.

Figure 7 illustrates how prevalent FCC and GFCC programs are in some neighborhoods – such as much of the Bronx, Northern Manhattan, Southwest Queens, and Southeast Brooklyn. Meanwhile, these home-based programs are a largely nonexistent feature in other neighborhoods – such as much of central and lower Manhattan, Staten Island, and Northeast Queens.

FCCs and GFCCs predominate in Spanish-speaking areas, like the Bronx, where approximately 47 percent of people speak Spanish at home.[15] This is consistent with national research that finds Hispanic children under the age of five are more likely to experience home-based than center-based ECE.[16] A study by Paredes et al. of parents and licensed FCC providers in Los Angeles identified a few reasons. Hispanic families often prefer to keep siblings together, which requires a mixed-aged setting, with a trusted caregiver. Also, structural factors may limit Hispanic families' access to center-based care.[17]

FCCs and GFCCs also predominate in the outer boroughs, where parents' commute times may be longer. FCCs and GFCCs are more likely to offer extended hours, which may be important for such parents. They're also heavily concentrated in many low-income neighborhoods, where there are likely more parents eligible for CCAP. Home-based programs are also more likely to offer non-traditional hours, which are needed most by low-income families.

As a result, policy choices that make home-based providers more vulnerable or viable have a larger impact on Hispanic and low-income families. For example, in the Highbridge/Concourse area of the Bronx (Bronx Community District 4) there are 415 licensed FCCs or GFCCs. These business owners, largely women, are anchors in their community. Increases in their take-home pay have a significant impact on the neighborhood economy; so do policies that threaten the viability of these providers.

15 "Top Languages Spoken at Home" (New York City Department of City Planning, February 2017), https://www.nyc.gov/assets/planning/download/pdf/data-maps/nyc-population/acs/top_lang_2015pums5yr_nyc.pdf.
16 Danielle Crosby et al., "Hispanic Children's Participation in Early Care and Education: Type of Care by Household Nativity Status, Race/Ethnicity, and Child Age" (National Research Center on Hispanic Children & Families, November 2016), https://www.hispanicresearchcenter.org/wp-content/uploads/2019/08/NSECE-Series-Type-of-Care-V21.pdf.
17 Elena Paredes et al., "Putting the 'Family' in Family Child Care: The Alignment between Familismo (Familism) and Family Child Care Providers' Descriptions of Their Work," Early Childhood Research Quarterly, Early Care and Education among Latino Families; Access, Utilization, and Impacts, 52 (July 1, 2020): 74–85, https://doi.org/10.1016/j.ecresq.2018.04.007.

2. WHO ARE NEW YORK CITY'S HOME-BASED PROVIDERS?

This section provides demographic details about all home-based providers —FCCs, GFCCs, enrolled legally exempt family providers, and unregulated providers—and how they compare to ECE workers in other program types as well as the average New York City (or New York State) worker. The demographic information in this section comes from the Census Bureau's American Community Survey (ACS).[18]

By analyzing 2015-2019 data from this survey, CNYCA was able to obtain relevant descriptive statistics. We were not, however, able to distinguish data about FCC, GFCC, or enrolled legally exempt family providers from each other or from unregulated home-based providers. Therefore, unless referencing data from a smaller survey of a specific group, "home-based provider" describes regulated (FCC, GFCC, and enrolled legally exempt family providers) and unregulated providers combined. We also were unable to parse out data about lead educators and assistants, so these two occupations (common in centers and public ECE programs) are combined as "ECE worker" in this analysis and are distinct from Pre-K teachers, who are defined in the ACS as teachers of 3-to-5-year-olds only. (More details about this methodology can be found in Appendix B.)

In New York City, most home-based providers are immigrant women of color that represent the city's rich cultural diversity. They speak 24 languages from across the globe.

18 In order to obtain statistically relevant details about this specific group of workers, CNYCA analyzed American Community Survey data from 2015-2019. While 2020 data is currently available, social scientists across many disciplines have warned against using data from the first year of the pandemic, when so many providers were disrupted. Meanwhile, the recently available 2021 ACS data was not able to provide a similar degree of specificity on demographic composition.

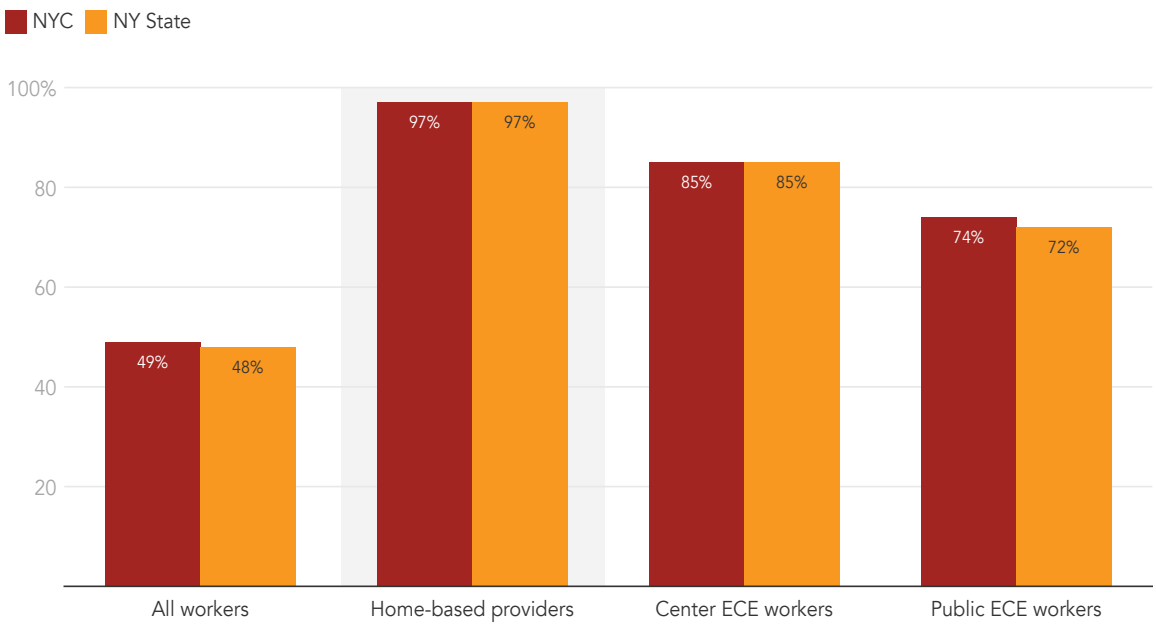
2-A: Gender

Home-based providers overwhelmingly identify as female. While 49 percent of all employed people in New York City identify as female, 97 percent of home-based providers do. There is also a higher percentage of female workers in home-based than in center-based or public programs. (See Figure 8, below.)

Figure 8:

More home-based providers are female compared to other ECE program types and the general workforce

Percent of the workforce identifying as female



Source: CNYCA analysis of American Community Survey 2019 5-Year Data. U.S. Census Bureau

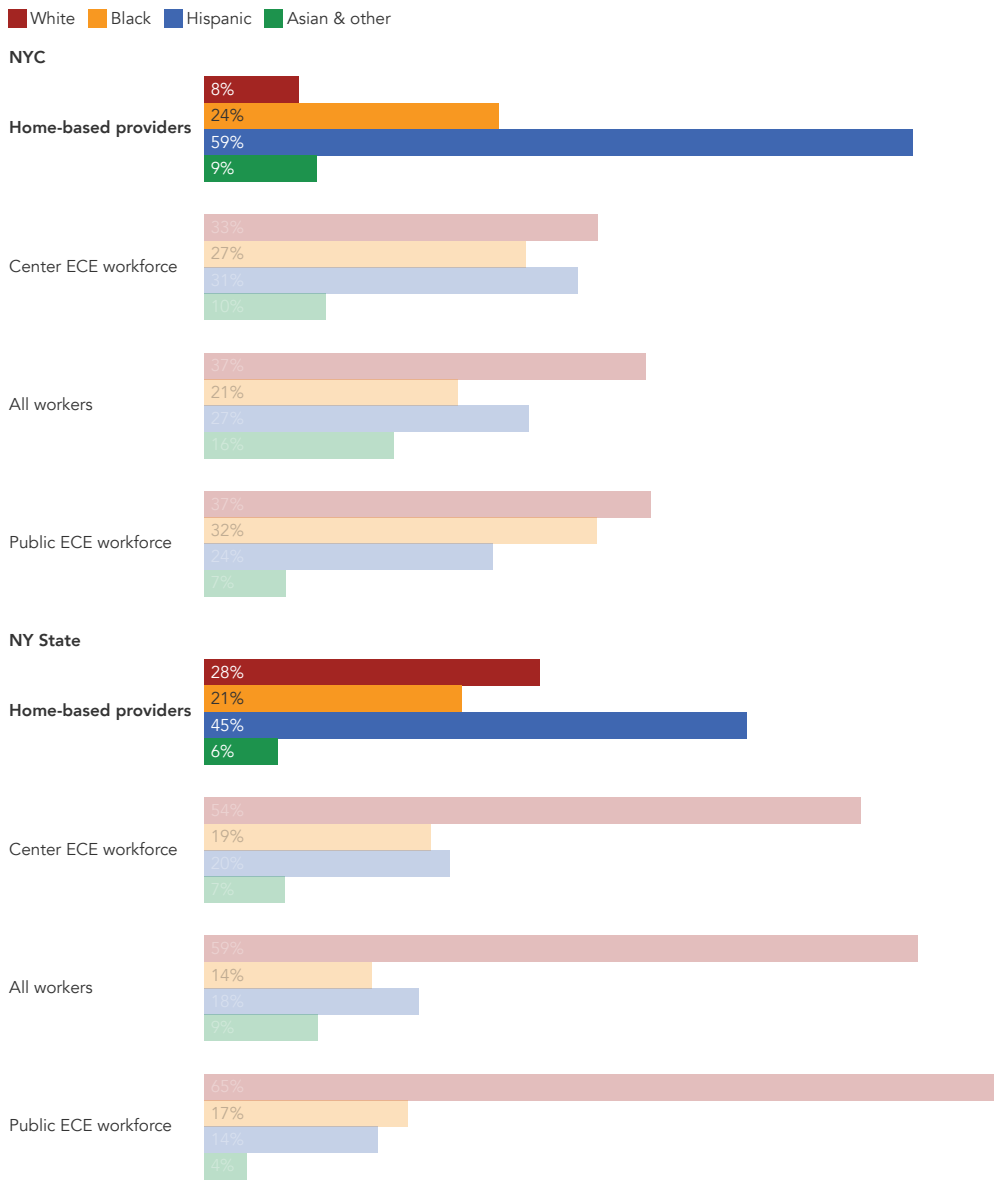
2-B: Race, ethnicity, language, and immigration status

Home-based providers are also more likely to be women of color than other workers in New York City. Whereas 63 percent of all employed people in New York City identify as Black, Hispanic, or Asian, 92 percent of home-based providers do. Statewide, the majority of home-based providers are also women of color. While the total statewide workforce is 59 percent white, 72 percent of the statewide home-based providers are non-white (See Figure 9, below.)

Figure 9:

Over half of NYC's home-based providers are Hispanic

Percent of the workforce by race and ethnicity



Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

Languages spoken

While New York City's home-based providers collectively speak over 24 languages in their homes, 89 percent speak either Spanish (56 percent) or English (33 percent). Across the state, home-based providers represent an even greater diversity of cultures, collectively speaking over 33 languages in their homes. (See Figure 10, below.)

Figure 10:

Top 10 languages of home-based providers

Percent of providers who a speak language by region

NYC		NY State	
Spanish	56.2%	English	50.3%
English	33.3%	Spanish	41.1%
Chinese	2.3%	Chinese	1.4%
French or Haitian Creole	1.3%	Hindi and related	1.1%
Hindi and related	1.0%	French or Haitian Creole	1.0%
Russian	0.9%	Arabic	0.6%
Dravidian	0.8%	Russian	0.5%
Serbo-Croatian	0.6%	Dravidian	0.4%
Tibetan	0.5%	Polish	0.4%
Sub-Saharan African languages	0.5%	Sub-Saharan African languages	0.4%

Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

The breadth of language diversity amongst home-based providers is impressive, and is reflective of New York City's demography. Approximately 25 percent of New York City residents are not English- proficient.[19] The fact that families can likely find home-based care where providers share their language and culture is a result of an ECE system that has supported the creation of home-based programs.

The prevalence of Spanish-language home-based providers is also noteworthy. Across the five boroughs, approximately one-quarter of people speak Spanish in their homes.[20] As mentioned above, nationally Hispanic children under the age of five are more likely to have experienced home-based than center-based programs. This likely explains the over-representation of Spanish-language and under-representation of other languages (such as English and Chinese, the other two most common languages in the city) among home-based providers compared to the general population.

Immigration status

New York is a city of immigrants; only 55 percent of the city's workforce was born in the United States.

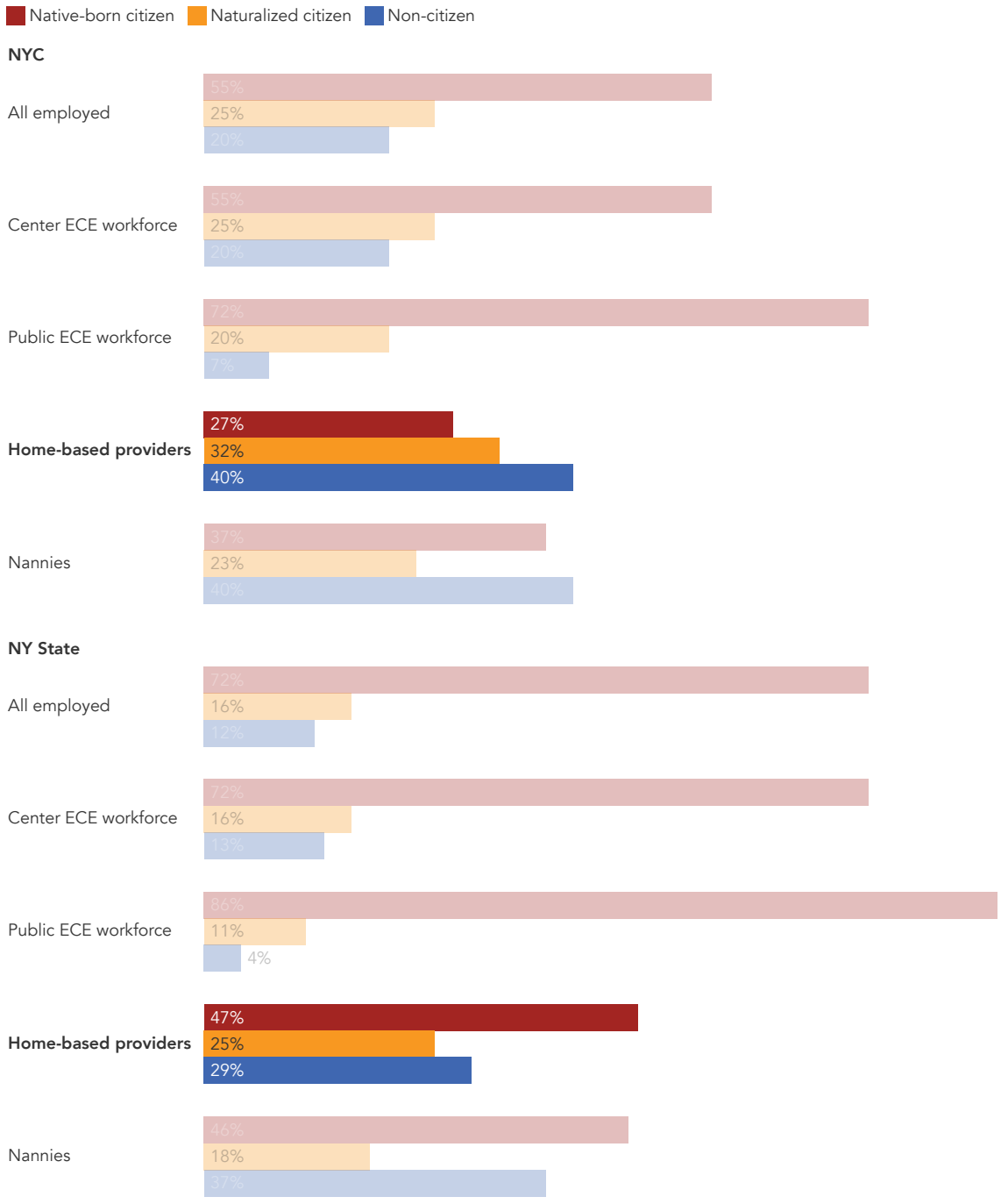
19 "Language Access," New York City Department of City Planning, accessed January 12, 2023, https://www.nyc.gov/site/planning/about/language-access.page.
20 "Top Languages Spoken at Home."

While native-born citizens are overrepresented (74 percent) in New York City 's public ECE sector, home-based providers are overwhelmingly (72 percent) immigrants, over half of whom do not yet have U.S. citizenship. (Interestingly, home-based providers are more likely to have been born outside the U.S. than nannies, who work in their client's homes.) These dynamics are similar at the state level. (See Figure 11, below.)

Figure 11:

Home-based providers are more likely to be immigrants than workers in other ECE program types

Percent of workforce by citizenship status



Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

2-C: Age and educational attainment

Age and educational attainment are paired together in this report. Both provide insight into a person's work qualifications. For example, obtaining a Child Development Associate (CDA) certificate or a Masters of Arts in Education provides knowledge valuable to an ECE job, while a Bachelor's degree in a non-related field may be less relevant. On the other hand, on-the-job training is often best expressed through years of experience in a particular field. No available sources provide data on the years of experience a person has in a particular occupation, industry, or in the workforce. Therefore, age is sometimes used as a proxy for general work experience, though in general it is not reliable to equate age and experience one-for-one.

Age

Most workers in New York City and across the country are in their prime working years (25-54). In New York City, 71 percent of all workers are in this age range. Center-based ECE employees exhibit similar patterns, with the largest percentage in the 25-to-34 age range. (The largest percentage of public ECE employees are in the 35-to-44 age range.)

Home-based providers, however, tend to be older than the median worker across the ECE sector and in the city's workforce as a whole. In fact, 73 percent of home-based providers are in the 35-to-64 age range. Their median age is 47 years old, while the median age of all workers and center-based ECE employees is 40. The median age of public ECE employees is 43. These trends are similar at the state level. (See Figure 12, below.)

Figure 12:

Home-based providers are typically older than the ECE workforce in other program types

Median age of worker in group

NYC ▲	Median Age
All employed	40
Center ECE workforce	40
Home-based provider	**47**
Public ECE workforce	43

Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

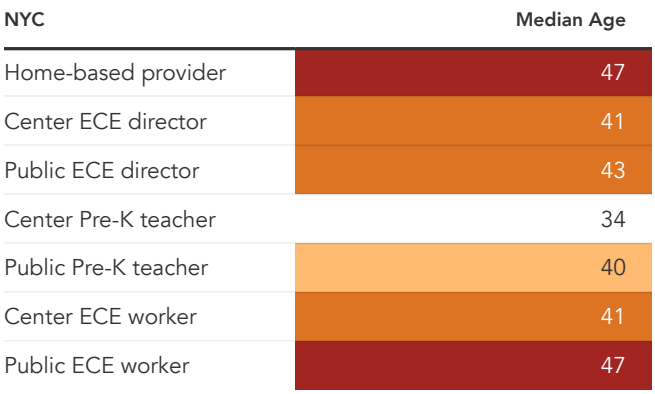
Home-based providers perform multiple jobs functions that are typically divided into three separate occupations at a center-based or public school PKA program. It is important, then, to also evaluate how the median age of the home-based provider compares to the median age of workers in these discrete occupations. Figure 13 shows the median age of workers by program type and occupation. Using age as a proxy for child care experience, home-based providers and public

ECE workers have the most years of experience. ECE workers (lead educators and assistants) have the same years of experience (or more) as directors and more experience than teachers in their program type, but are the lowest-paid workers in their program type (See Section 3). These trends are similar at the state level.

Figure 13:

Home-based providers and public ECE workers are older than their co-workers but the lowest paid in the industry

Median age of worker in group



Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

Education

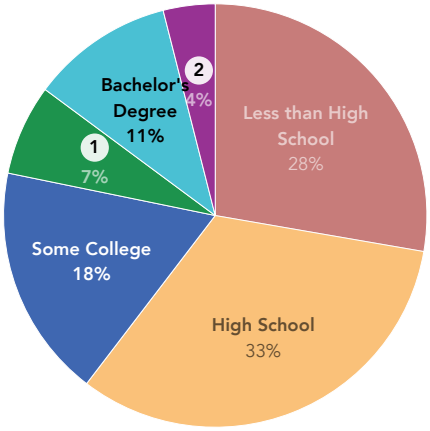
In New York State, all ECE providers and staff are required to complete industry-specific trainings—some more than others. For example, everyone is required to complete a pre-employment health and safety training. All center-based, FCC, and GFCC providers and staff are also required to complete 30 hours of training every two years. Enrolled legally exempt family providers are required to complete five hours of training every year, or 10 hours to receive an enhanced CCAP vvoucher reimbursement rate.

Concerning formal educational requirements: center-based directors are, for example, required to have a bachelor's degree or be in the process of obtaining one. Meanwhile, FCC, GFCC, and enrolled legally exempt family providers have no formal education requirements, aside from CPR certification. Instead, they must be at least 18 years old with two years of ECE work experience (unpaid work for one's own family counts as experience). Nevertheless, most home-based providers have significantly more education than that. (See Figure 14, below.)

Figure 14:

22% of home-based providers have a college degree and another 18% have some college.

Percent of home-based providers by educational attainment



1 Associate's Degree 2 Postgraduate degree

Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

State regulation has incorporated the Child Development Administration (CDA) certificate into formal education requirements for many center-based occupations.

Receiving a CDA certificate requires completing work in four ECE-related courses. They can be accepted as 12 credits towards an associate's or bachelor's degree at seven CUNY and SUNY schools.[21] Having a CDA is not currently a requirement for home-based providers; however, if such a provider wants to provide contracted services for a DOE program, such as EarlyLearn or 3K-For-All, she must have a CDA or be working tpwards a CDA, with the expectation of completing it in 18 months.[22]

2-D: Family Dynamics

By definition, home-based providers use their own living space for their businesses and thereby invite their clients into a space they share with their own family, which is why home-based programs are often also known as "family child care." Therefore, it's important to understand how their businesses fit in the context of their families and households.

In both the city and state, over half (53 percent) of home-based providers identify as the "head of the household," While 20 percent identify their spouse or partner as "head of household." Often, home-based providers—as the head of household—are the primary or sole income earner for their family, principally responsible for meeting household costs like rent and utilities and caring for others.

Home-based providers are also more likely to be parents (but less likely to currently be the parent of a child under the age of five) than ECE workers in other occupations and program types. Fifty-seven percent of New York City's home-based providers have a child under the age of 18, compared to 41 percent of center-based ECE workers. How-

21 "PDI | Career Development | Credentials," accessed June 29, 2023, https://www.earlychildhoodnyc.org/cdsc/cda.php.

22 "EarlyLearn Transition from ACS to DOE: Family Child Care" (New York City Department of Education), accessed February 3, 2023, https://infohub.nyced.org/docs/default-source/default-document-library/transition-one-pager-for-fcc-english.pdf.

ever, only eight percent have a child under the age of five, compared to 14 percent of public ECE workers.[23]

While many home-based providers may have started their business when their children were young—allowing them to simultaneously care for their own children and earn income—fewer parents of young children are becoming home-based providers today. In Reid et al.'s 2019 survey of a small sample of FCC and GFCC providers who contract with the DOE to provide the EarlyLearn program, 36 percent reported caring for their own children along with their clients' children.[24] It is important to note that, according to OCFS regulations, if an FCC or GFCC provider has one of their own children ages 0 to 5 in their care, that "seat" is removed from their total seat capacity—making it no longer available to a paying client.[25] That's not the case with school-aged children.

Lastly, home-based providers, especially licensed FCC providers and enrolled legally exempt family providers who rarely hire support staff, often rely on family members to support their business activities. At a bare minimum, State regulations require that all household members ages 18 and older must participate in a background check. Home-based providers also often rely on family members' uncompensated time to support their business activities. In Reid et al.'s study, 43 percent of providers claimed to receive regular help from family members (a spouse, older child, or other relative) in running their business.[26]

23 CNYCA analysis of American Community Survey 2019 5-Year Data.
24 Jeanne Reid et al., "Promoting Quality in Programs for Infants and Toddlers: Comparing the Family Child Care and Center-Based Teaching Workforce," Children and Youth Services Review 122 (December 1, 2020): 105890, https://doi.org/10.1016/j.childyouth.2020.105890.
25 N.Y. Comp. Codes R. & Regs. Tit. 18 § 413.2.
26 Reid et al., "Promoting Quality in Programs for Infants and Toddlers."

3. THE ECONOMIC PRECARITY OF HOME-BASED PROVIDERS

As small business owners with few or no staff, home-based providers primarily run their businesses as sole proprietors or self-employed individuals. As a result, they tend to not pay themselves a set hourly wage or annual salary. Instead, their net business income is their "take-home pay," available for personal or household use or to reinvest in their business.

Estimating self-employed small business owners' personal earnings is challenging without extensive knowledge of their revenue and operating costs. For home-based providers this task is even more challenging, since many of their operating costs—like rent and utilities—are also their subsistence costs. In Section 3-A, we estimate home-based providers' take-home pay and working hours. Section 3-B compares the income of home-based providers to ECE workers in other program types and in the New York City labor market. Sections 3-C and 3-D analyze major sources of economic insecurity for home-based providers, such as rent burden and reliance on public assistance. Section 4 evaluates existing literature and available data on operating costs and revenue trends.[27]

3-A: Income and working-hours

Take-home pay

Self-employed people, including home-based providers, self-report their pre-tax income from a business, after subtracting business expenses from gross receipts, as part of the American Community Survey (ACS).[28] CNYCA analyzed home-based providers' responses to this question in the years 2015-2019 and 2021.[29] ACS and OCFS data for 2021 shows that home-based providers continued to face pandemic-related challenges. They were not operating at a capacity consistent with 2015-2019 years, making

27 OCFS is required by federal law to conduct a survey every three years to determine the "market rate" it pays providers for CCAP vouchers. CNYCA obtained microdata for the 2018 and 2021 OCFS surveys, which includes self-reported information about the rates ECE programs charge their private clients.
28 "INCBUS00 Definition," IPUMS USA, accessed February 13, 2023, https://usa.ipums.org/usa-action/variables/INCBUS00#description_section.
29 ACS and OCFS data shows that home-based providers continued to face pandemic-related challenges well into 2021 as society re-opened and families made choices about care work. Home-based providers were not operating at a capacity consistent with 2015-2019 years, so their self-employment income was extremely low in 2021—about half of what their self-employment income was in 2019. This is, of course, a cause of great concern and may have contributed to the continued closure of FCCs and GFCCs well beyond the more acute periods of the pandemic.

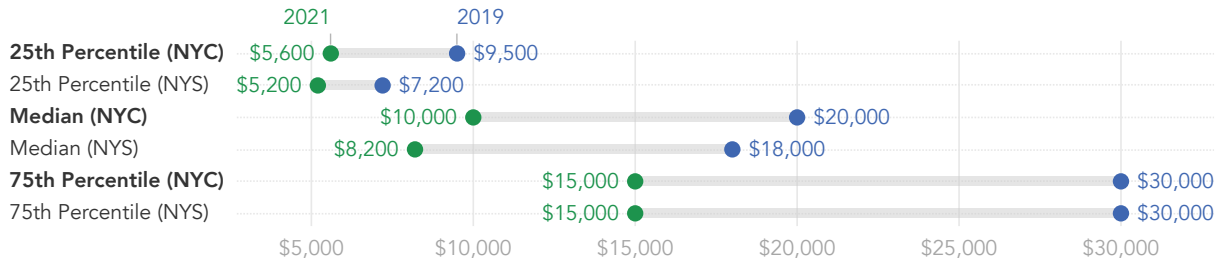
self-employment income extremely low in 2021—about half what it was in 2019.[30] This is, of course, a cause of great concern and may have contributed to the continued closure of FCCs and GFCCs well beyond the more acute periods of the pandemic. However, because of the low demand for child care in 2020-21, CNYCA relied instead on what was likely more representative 2015-2019 ACS data for this analysis and estimate of current economic realities.

Figure 15 shows the difference in pre-tax self-employment income for home-based providers at the city and state level in 2019 and 2021. Because the ACS data includes all home-based providers, including unregulated providers, there is an extremely broad range of incomes for this group.[31] We estimate that the 25th percentile earner in Figure 15 represents the average unregulated home-based provider and low end of enrolled legally exempt family providers. The median earner represents the low end of FCC providers, and the 75th percentile earner represents an average FCC or GFCC provider.

Figure 15:

Home-based providers include a wide range of low-income earners

Annual pre-tax business income after expenses by group and year



CNYCA estimates that the 25th percentile earner represents the average legally exempt family provider, the median earner represents the low-end of FCC and GFCC providers' income and the 75th percentile earner represents an average for FCC and GFCC providers' income.

Source: CYNCA analysis of American Community Survey 2019 and 2021, 1-year microdata. U.S. Census Bureau.

The findings from this range are similar to a direct survey of FCC providers in California conducted by Montoya et al. at the Center for the Study of Child Care Education, University of California-Berkeley. Their study estimated take-home pay of FCC providers based on a direct survey including more detailed questions than the ACS survey. Using 2019 data, they estimated a median annual income for small FCC's ranging from $16,200 to $30,000 per year and for large FCCs (known as GFCCs in New York) ranging from $40,000 to $56,400 per year.[32] The findings from the ACS survey are also similar to Reid et al.'s survey of home-based providers, typically GFCC providers, who have

30 CNYCA analysis of American Community Survey 2019 and 2021, 1-year microdata. U.S. Census Bureau.
31 CNYCA attempted to narrow this analysis by certain features, like median weekly hours worked, to obtain a closer FCC or GFCC provider estimate, but was unable to obtain a statistically significant sample.
32 Elena Montoya et al., "Early Educator Compensation: Findings From the 2020 California Early Care and Education Workforce Study" (Center for the Study of Child Care Employment, University of California, Berkeley, 2022), https://cscce.berkeley.edu/publications/ report/early-educator-compensation/.

DOE EarlyLearn contracts.[33] The study found these providers, likely on the higher end of the salary range for home-based providers in New York City, reported an average take-home pay of $31,352 in 2019.

Working hours

In the city and state, the average employed person works an estimated 37.5 hours per week. In ECE, there is a wide range of reported hours worked by occupation. On average, center-based and public school PKA directors both report working slightly more than full-time.[34] On the other hand, many center-based and public school PKA ECE workers work less than the average employed person, since many only work part-time or during the school-year.

Meanwhile, FCC and GFCC providers in New York City work much longer hours than the typical worker or other ECE workers—somewhere between 50.4 and 55 hours per week. For FCC and GFCC providers to offer full-day care to clients, they must be open a minimum of 10 hours per day, to allow parents working full-time to get to and from work. This adds up to 50 hours per week of intensive, personalized early care and education alone. Reid et al.'s survey of FCC and GFCC providers with DOE EarlyLearn contracts found they work an average of 50.4 hours per week, 11.9 hours more than center-based directors and teachers surveyed.[35] Some 40 percent of FCC and GFCC providers reported working more than 55 hours per week, which no center-based directors or teachers reported. Many of these FCC and GFCC providers reported long hours being caused by a willingness to accommodate parents needing early drop-off or late pick-up. A recent memo by the firm Prenatal to Five Fiscal Strategies, which developed a New York-specific cost of child care model that drew on interviews with providers, included a salary estimate for FCC and GFCC providers that assumed these providers typically work 55 hours per week.[36]

Census Bureau data does not line up neatly with these findings. It combines all home-based providers in one group. This group reports working an average 36 hours per week in the state and 34 hours per week in the city. Because this analysis includes unregulated home-based providers and enrolled legally exempt providers, this may not be typical of FCC or GFCC providers' work hours.

33 The study's respondents have an average of 9.2 children enrolled, which is beyond the maximum enrollment allowed at FCC programs.
34 CNYCA analysis of American Community Survey 2019 5-Year Data.
35 Reid et al., "Promoting Quality in Programs for Infants and Toddlers."
36 Simon Workman and Jeanna Capito, "Re: Understanding the True Cost of Child Care in New York State," January 19, 2023, https://newyork.edtrust.org/wp-content/uploads/2023/02/New-York-CC-Cost-Model-results-memo_Jan2023.pdf.

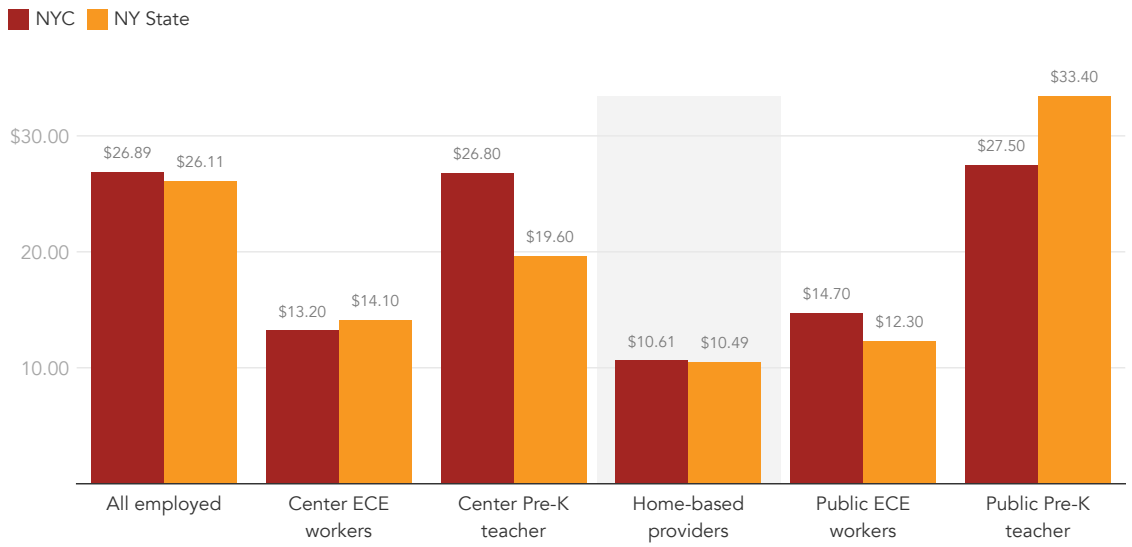
3-B: Comparing home-based providers' income to other occupations

Figure 16 provides estimates of the hourly wages of home-based providers, other ECE workers by occupation and program type, and the median worker – in both New York City and New York State. As described above, the number of hours worked per week and per year vary greatly within the ECE workforce. Comparing hourly wages, then, provides a better comparison of compensation than annual income. Figure 16 highlights the bleak earnings of home-based providers.

Figure 16:

Home-based providers are the lowest paid ECE workers

Hourly earnings of median worker in group, 2021



Home-based providers hourly earnings are based on pre-tax business income after expenses and adjusted to account for increased tax liability due to self-employment.

Source: CNYCA analysis of American Community Survey, 2021 1-year microdata. U.S. Census Bureau.

Home-based providers earn the least per hour in the ECE workforce and also tend to work more hours. In 2021, the median home-based provider made an estimated $10.61 per hour in New York City and $10.49 per hour in the State (adjusted to account for increased tax liability due to self-employment).[37] These hourly income estimates are lower than the minimum wage was in every county in New York State in 2021.[38]

37 This hourly estimate is based on the median annual business income and median annual hours worked of all home-based providers, including legally exempt family providers. CNYCA was unable to obtain a statistically significant estimate of the income of home-based providers working 50-55 hours per week, like the typical FCC or GFCC provider.

38 New York State. "New York State's Minimum Wage," accessed February 10, 2023, https://www.ny.gov/new-york-states-minimum-wage/new-york-states-minimum-wage.

Figure 16 also illustrates the positive impact of successful organizing and union bargaining, with the support of the mayor and the City Council, that resulted in a critical budget agreement to bring center-based Pre-K teachers' salaries to parity with starting salaries for public Pre-K teachers.[39] While the exact levels of hourly wages illustrated in Figure 16 should be read with caution due to a small sample size, the difference between center-based Pre-K teachers in the city and state and the closing of the pay gap with public Pre-K teachers in the city demonstrate the impact of this 2019 agreement, which went into effect in 2021, and the importance of similar negotiations moving forward. If future contract negotiations between the City and unions can include higher wage standards for ECE workers and regulated home-based providers, as well as comprehensive pay parity beyond public Pre-K teachers' starting salaries, the ECE workforce will experience substantial wage growth in a short period of time.

These efforts are critical, because beyond the wages of public and center-based Pre-K teachers in New York City, ECE workers in general are not earning wages on par with the city workforce. As Figure 16 illustrates, in 2021 the median hourly wage in New York City was $26.89 per hour.[40] However, the median hourly wage for a New York City center-based ECE worker was $13.20 and the median hourly wage for a public ECE worker was $14.70—both less than the City's minimum wage at that time.[41]

The ECE industry has always grappled with high staff turnover due to low wages. Many ECE workers have reported leaving the industry for higher wages in fast food and other far less-demanding industries.[42] People working in ECE can find better paying jobs without having to do additional training. In 2021, the median wage of people with a high school diploma was $18.50 per hour in the New York City metropolitan area, which was $5 more per hour than for center-based ECE workers, 80 percent of whom have a high school diploma or more.[43]

39 James Parrott, "The Road to and from Salary Parity in New York City in Early Childhood Education" (Center for New York City Affairs, January 2020), http://www.centernyc.org/salary-parity-in-nyc.
40 CNYCA analysis of American Community Survey, 2019 1-year microdata. U.S. Census Bureau.
41 CNYCA analysis of American Community Survey, 2019 1-year microdata.
42 In New York City, fast food workers and those working at businesses employing more than ten people received minimum wage increases a year earlier than people working at small businesses with ten employees or less. Outside of New York City, fast food workers received their increase to a $15 minimum wage after July 1, 2021, while suburban workers in other industries did not obtain the increase to $15 per hour until after December 31, 2021. The remainder of the state has a minimum wage of $14.20 per hour for workers not employed in fast food.
43 CNYCA analysis of American Community Survey 2019 5-Year Data.

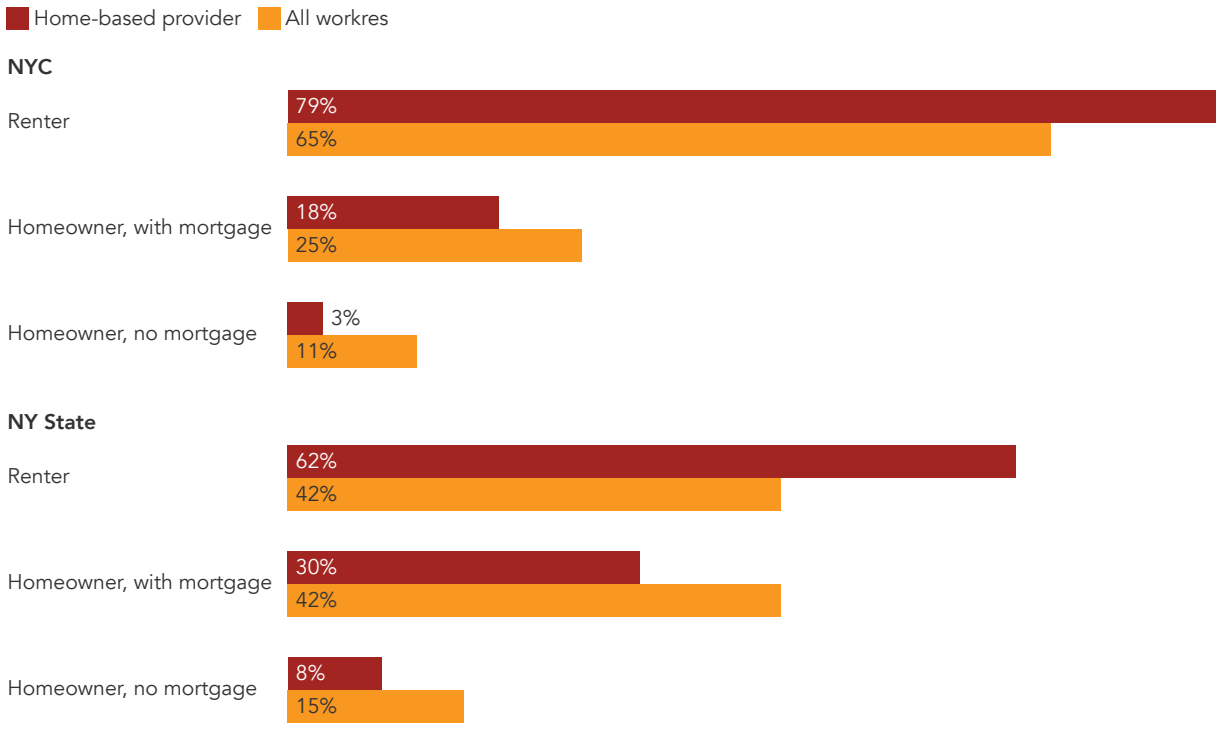
3-C: Severe rent burden

Running a business out of one's home implies a certain level of housing stability. And yet, home-based providers are overwhelmingly housing insecure. Only three percent of New York City's (eight percent of New York State's) home-based providers own their homes outright. The majority of home-based providers are renters. Figure 17 compares the housing of home-based providers to all other workers in New York City and New York State.

Figure 17:

Home-based providers are more likely to be renters than other workers

Percent of group by housing type



Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

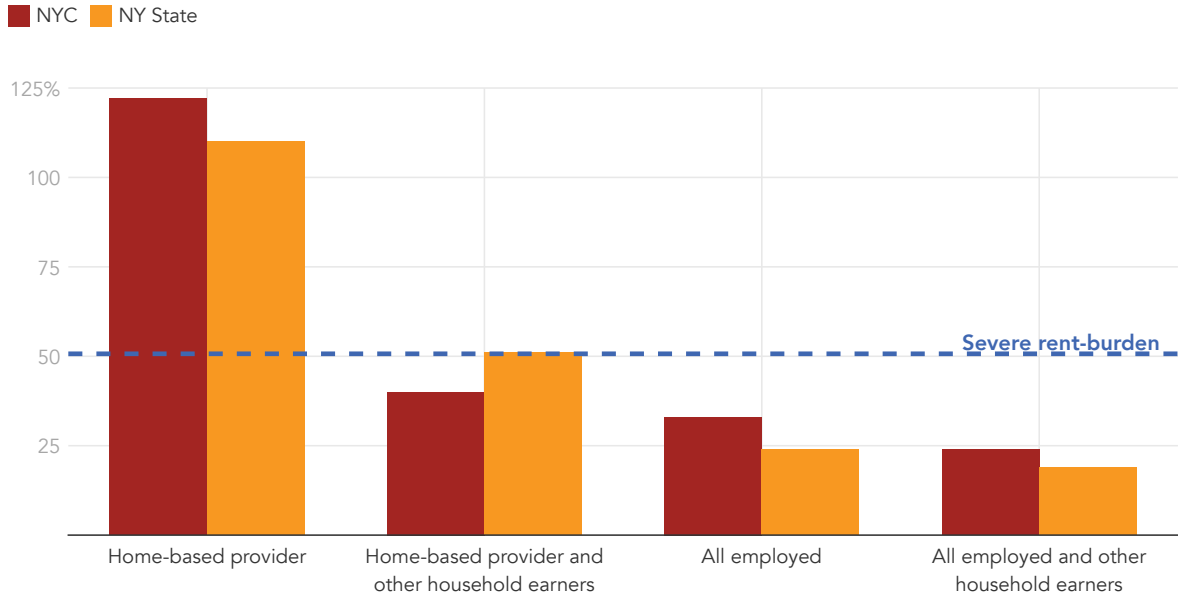
Home-based providers' low take-home pay makes them severely rent burdened, meaning they spend more than 50 percent of their income on housing rent or mortgages. In fact, most cannot afford their rent or mortgage with their existing reported business income, and likely rely on other household earners to cover the rent. Figure 18 shows the percentage of income the median home-based provider and worker needs to afford their median rent in the city and state. Using reported business income and reported rent or mortgage costs, the rent paid by the median home-based provider amounts to 122 percent of income, meaning that they do not make enough money to pay their rent. This compares to a median rent burden of 33 percent for all workers in the city, which is below the threshold for severe rent burden.

Additional income earned by other household members lessens but does not eliminate this severe rent burden. Home-based providers outside New York City are also severely rent burdened, but to a lesser extent, because they live in households where other household members earn close to the median wages in their region. In New York City, the median home-based provider lives with other workers earning half as much as the median worker in their community.

Figure 18:

Home-based providers are severely rent-burdened

Percent of median income needed to pay median rent for each group. "Severe rent burden" is defined as a person spending more than 50 percent of their income on housing rent or mortgages.



Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

Furthermore, because of the business they conduct in their homes, home-based providers' utility bills are higher than for the typical New Yorker. (Typically, such lower-income households, spend less on utilities.)[44] Furthermore, existing federal programs, such as the Low Income Home Energy Assistance Program (LIHEAP) are available to low-income household. However, their business operations—which require more water, electricity, cooking gas and other utilities to serve their clients—result in higher utility costs. For example, home-based providers with a mortgage are paying 20 percent more in the city (11 percent more in the state) in monthly utility costs on average than all other workers who pay a mortgage.[45] In New York City, these higher utility costs average over $1,000 annually and exacerbate the economic precarity FCC providers face.

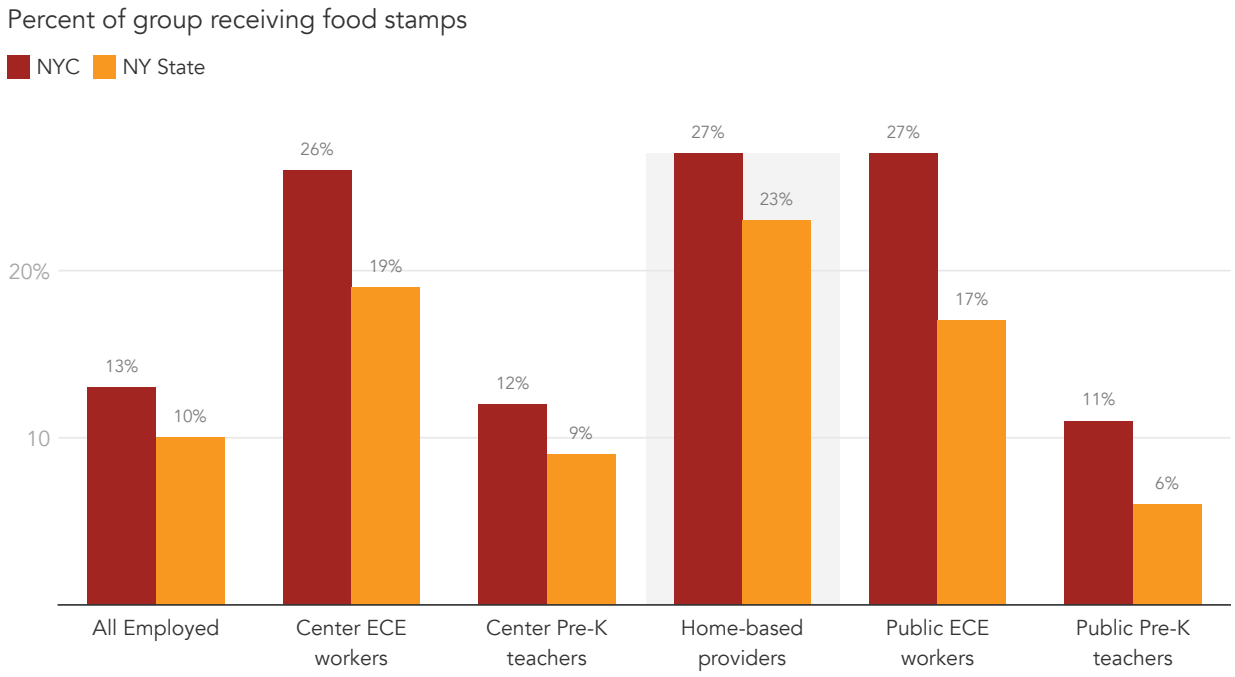
44 Lauren Melodia and Kristina Karlsson, "Energy Price Stability: The Peril of Fossil Fuels and the Promise of Renewables" (Roosevelt Institute, May 2022), https://rooseveltinstitute.org/wp-content/uploads/2022/05/RI_EnergyPriceStability_IssueBrief_202205.pdf.
45 CNYCA analysis of American Community Survey 2019 5-Year Data.

3-D: Health insurance and public assistance

Half of home-based providers earn such low take-home pay that they live at or below 200 percent of the federal poverty level.[46] As a result, they regularly rely on public assistance programs. Home-based providers are twice as likely to receive food stamps as other workers; 27 percent are food stamp recipients, compared to 13 percent of all New York City workers.[47] (See Figure 19, below.)

Figure 19:

Home-based providers are twice as likely to be food stamp recipients than the NYC workforce



Source: CNYCA analysis of American Community Survey 2019 5-year microdata, U.S. Census Bureau.

Home-based providers are self-employed and are, therefore, responsible for securing their own health insurance. Over half are on a public insurance plan, either because they qualify for Medicaid or, in some cases, receive Medicare or veterans' benefits. Only 12 percent purchase their own health insurance on the market. (See Figure 20, below.) This analysis is fairly consistent with Reid et al.'s survey of FCC and GFCC providers, 50 percent of whom were on Medicaid, 25 percent of whom received health insurance from a spouse, and only 14 percent of whom purchased health insurance in the marketplace with their own income.[48]

46 CNYCA analysis of American Community Survey 2019 5-Year Data.
47 CNYCA analysis of American Community Survey 2019 5-Year Data.
48 Reid et al., "Promoting Quality in Programs for Infants and Toddlers."

Figure 20:

Home-based providers largely rely on public health insurance programs

Percent of providers by health insurance type

Health Insurance Type ▲	NYC	NY State
Medicaid	46%	41%
Medicare / VA	7%	7%
Purchased directly	12%	12%
Spouse's employer/union	17%	15%
Uninsured	18%	25%

Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

Figure 20 shows that the percentage of uninsured home-based providers is also high. However, this figure has likely declined in recent years, as the City and State made significant efforts to increase enrollment in the Affordable Care Act (ACA) marketplace and the State's Essential Plan.

The vast majority of home-based providers confront a familiar dilemma of the working poor: they either earn so little that they qualify for public health benefits, or earn just enough to disqualify them for such benefits but not enough to enable them to pay for health insurance themselves. Furthermore, the variability in their revenue—as children enter and exit their care each year because of their age, their parents' employment, or access to CCAP—results in a high level of health insurance precarity not experienced by wage workers at other ECE programs. As a result, home-based providers may choose to operate at a seat capacity below their maximum potential capacity just to maintain Medicaid benefits.

4. OPERATING COSTS AND REVENUE TRENDS

Home-based providers' take-home pay depends on earning sufficient revenue above their operating expenses. Their extremely low business income from 2015 to 2019 suggests there are problems with the external policy landscape, or the constraints of the home-based ECE business model, which may help explain the sharp decline in home-based providers in the past 10 years (see Figure 5). Understanding what is driving home-based providers' persistent low pay is critical for reversing these trends. Section 4-A describes home-based providers' operating expenses. Section 4-B discusses four factors influencing home-based providers' revenue in recent years.

4-A: Operating costs

There is no published research or dataset of regulated home-based providers annual operating costs in New York City, but there are several models that have been developed, such as the Provider Cost of Quality Calculator, to help the public understand such costs for FCC and GFCC providers.[49] These include fixed costs like rent, utilities, insurance, and educational and other supplies, as well as variable costs like food and assistants' wages. Some of these operating costs are larger and more imperative than others.

In the survey administered by OCFS to determine the CAPP subsidy rate, providers may rank reasons they may increase or decrease their rates. Of the FCC and GFCC providers who reply to this question, many identify such operating costs as primary reasons for increasing their rates. In the 2015, 2018, and 2021 surveys, FCC and GFCC providers listed food, rent, salaries, and supplies as the top reasons for raising rates.[50] GFCC providers also listed insurance costs. (These operating costs were never identified as a reason for *decreasing* their prices.) Operating costs continue to increase over time. Providers regularly must decide if they should pass them on to clients, at the possible cost of losing business. Not passing costs on means taking a loss in their take-home pay.

CNYCA utilized the 2019 New York State cost of quality child care study to estimate annual operating costs for FCC and GFCC providers.[51] (See Figure 21 below, which

49 "Provider Cost of Quality Calculator," Administration for Children & Families, U.S. Department of Health & Human Services, accessed April 19, 2023, https://pcqc.acf.hhs.gov/.
50 CNYCA's analysis of 2015, 2018 and 2021 New York State Child Care Market Rate survey data, Office of Children and Family Services, obtained through request.
51 For this analysis, CNYCA utilized Workman's 2019 study instead of Workman's 2023 study, because the 2023 study does not provide sufficient details on methodology and costs to estimate total operating costs per home-based provider. Both studies utilize the Provider Cost of Quality Calculator.

presents an estimate of operating costs for in the five regions where OCFS evaluates market rates.)[52]

The study's model assumes that all FCC providers have six children in their care and one part-time assistant and all GFCC providers have 10 children in their care with one full-time and one part-time assistant.[53] These staffing assumptions are close to what the OFCS market rate survey shows.[54] This model also included worker's comp, unemployment, disability, and health insurance for all full-time employees (including the provider). Given that most home-based providers are currently securing health insurance from public assistance programs (see Section 4), these estimates likely over-estimate *current* operating costs. However, they are a good approximation of the actual cost of quality care, where increased wages and benefits are necessary for sustaining the home-based ECE sector.

This estimate includes an FCC or GFCC provider salary range of $37,810-$58,500 (set to reflect salary parity with center-based lead educators in a given region, and a $15 per hour wage for assistants. While this model provides a boost in wages compared to 2019 ACS analysis, it is not sufficient to overcome the labor market challenges—where workers can earn more in other industries given their current educational attainment – that have led to a capacity crisis in the ECE industry in recent years. Therefore, the operating costs in Figure 21 underestimate the revenue needed for providers' and staff wages. However, it provides a baseline from which to analyze previous years' revenue data.

52 "New York State Child Care Market Rate Survey Report 2022" (New York State Office Of Children and Family Services, 2022), https://ocfs.ny.gov/main/reports/2022-Child-Care-Market-Rate-Survey.pdf.
53 Simon Workman and Steven Jessen-Howard, "New York State Cost of Quality Child Care Study" (Center for American Progress, November 2019), https://raisingnewyork.org/wp-content/uploads/sites/2/2019/12/NY-Cost-of-Quality-Report-Raising-NY.pdf.
54 In 2018, the only year OCFS asked New York State's programs about the number of employees (including themselves) working at their facilities, FCC providers on average had 0.4 part-time employees in addition to themselves as a full-time employee. GFCC providers on average had 2.1 full-time employees (including themselves) and 0.9 part-time employees.

Figure 21:

Estimated FCC and GFCC operating costs

by Office of Children and Family Services (OCFS) region

	FCC revenue needed (including wages and benefits)		GFCC revenue needed (including wages and benefits)		FCC operating costs (excluding wages and benefits)		GFCC operating costs (excluding wages and benefits)	
	Total	*Per child*	*Total*	*Per child*	*Total*	*Per child*	*Total*	*Per child*
New York City	**$140,760**	***$23,460***	**$267,200**	***$26,720***	**$55,379**	***$9,230***	**$135,578**	***$13,558***
Downstate suburbs	$117,720	*$19,620*	$229,900	*$22,990*	$49,784	*$8,297*	$116,353	*$11,635*
West & Central New York	$99,420	*$16,570*	$189,600	*$18,960*	$40,369	*$6,728*	$95,588	*$9,559*
Rural Upstate	$100,020	*$16,670*	$190,700	*$19,070*	$39,799	*$6,633*	$95,378	*$9,538*
Albany area	$104,400	*$17,400*	$198,300	*$19,830*	$43,094	*$7,182*	$101,503	*$10,150*

Source: CNYCA analysis of Simon Workman and Steven Jessen-Howard, "New York State Cost of Quality Child Care Study."

4-B: Revenue trends

There are four major factors that have impacted FCC and GFCC providers' total revenue in recent years: the market rate, private and public client mix, seat capacity utilization, and age and needs mix.

The market rate

In the ECE industry, the "market rate" is defined as the price providers and programs charge parents per unit of care (week, day, hour), depending on the age of the child. In market-based economies, goods and services are ideally exchanged in markets where buyers and sellers come to an agreed price based on the sellers' available supply and costs and the buyers' needs and preferences. As a result, it may seem reasonable that home-based providers negotiate a price with their private clients.

However, the ECE market rate is the result of a flawed market, or what Secretary of the Treasury Janet Yellen calls a "textbook example of a broken market."[55] Relying on this flawed market to determine the price of early care and education is the most significant reason for insufficient revenue resulting in home-based providers' persistent low pay. For example, based on self-reported "market rates," an FCC provider caring for six full-time children would earn $66,768 per year.[56] Using the operating cost estimates from

55 "Remarks by Secretary of the Treasury Janet L. Yellen on Shortages in the Child Care System," U.S. Department of the Treasury, June 27, 2023, https://home.treasury.gov/news/press-releases/jy0355

Figure 21, this FCC provider would only have $11,389 of take-home pay to cover her labor time and health insurance.

There are three dynamics that exemplify the failure of a market approach to the production and provision of ECE: the historic undervaluation of care work; the inability of most New Yorkers to afford the true cost of care; and the reality that market rates only work in communities where most families seeking ECE are high income. To take these in turn:

First, broadly accepted as "women's work" to be provided in private households, care work in the United States has historically been provided by enslaved Black women and unpaid household members, predominately women.[57] The legacies of slavery and sexism and the expectation that this work be provided in the domestic or private sphere resulted in domestic work being excluded from the 1938 Fair Labor Standards Act, which established the first federal minimum wage.[58] These institutions and policies continue to impact how care work is undervalued in the U.S. economy, resulting in it being predominately provided by women of color who are paid extremely low wages. The continued expectation that women will provide unpaid care in their homes puts downward pressure on people working in ECE occupations. It also leads home-based providers to set their rates to clients lower than the true cost of care.

Second, the majority of New York's households cannot afford the true cost of care and are disincentivized from seeking employment in the economy unless care is affordable for them. This also results in providers' settling on a price to their clients that is less than what the client would earn by working for wages in the economy. Parents have the choice to take care of their own children for no wages or to earn wages so that they can pay for ECE. In New York, ECE is subsidized only for families that earn below a certain income level.[59] In 2022, a family of three earning $75,000 per year was above that threshold and, therefore, responsible for the entire cost of ECE.[60]

Take, for example, the experience of a household with a median worker earning $45,000 per year in 2022 providing for one child, with one parent staying home to care for that child. Once the second parent earns $30,001 in wages (which is less than min-

56 According to OCFS market rate survey data, the average New York City FCC provider charged $235 per week for a full-time infant and $214 per week for a full-time toddler or pre-school aged child in their care. An FCC provider with six full-time toddlers or pre-school aged children in their care, then, would earn $66,768 in revenue per year.

57 Evelyn nakano Glenn, "Racial Ethnic Women's Labor: The Intersection of Race, Gender and Class Oppression," Review of Radical Political Economics 17, no. 3 (September 1, 1985): 86–108, https://doi.org/10.1177/048661348501700306.

58 Ellen Mutari, Marilyn Power, and Deborah M. Figart, "Neither Mothers nor Breadwinners: African-American Women's Exclusion from Us Minimum Wage Policies, 1912-38," Feminist Economics 8, no. 2 (July 2002): 37, https://doi.org/10.1080/13545700210160988.

59 Prior to 2022, only families earning 200% of the federal poverty line or less were eligible for CCAP. In 2022, New York State legislature increased CCAP eligibility to families earning 300% of the poverty line or less. In 2023, New York State legislature changed CCAP eligibility to families earning 85 percent of the state median income.

60 "Poverty Guidelines," Office of the Assistant Secretary for Planning and Evaluation, accessed April 19, 2023, https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines.

imum wage for a full-time worker), this family will not be eligible for a CCAP voucher and will need to fully cover the cost of ECE and will only receive an annual tax credit of $1,200 to offset child care expenses. According to Figure 21, an FCC provider must charge $23,460 per seat annually to cover operating costs, including her own salary and staff wages. A family earning $75,000 per year, fully responsible for the price of ECE, would only earn $51,540 (plus the tax credit) after the cost of that seat, bumping them back into the range for subsidy eligibility, disincentivizing the second adult to work for wages in the economy. In this scenario, only a household earning $98,500 or more per year can cover the cost for a second parent to outsource ECE to a provider while they work for wages in the economy. This scenario does not even take into consideration other non-financial preferences that may factor into the decision for parents to choose work for wages over caring for their children themselves. FCC and GFCC providers in communities serving families that are above the threshold for subsidized care but do not earn enough to pay for the true cost of care face downward pressure in setting their market rate.

Third, setting a market rate only works in communities where the majority of families seeking ECE outside of the home are higher income. In high-income communities, home-based providers can set their rates higher to more adequately cover their costs, knowing that most families will be able to afford those rates. They can then offer discounts to families who may not be able to afford the full price. In mixed-income neighborhoods, home-based providers must set their rates lower to capture the majority of households in their neighborhood. In this setting, it's unrealistic that a provider could then suggest a higher-income family pay *more* than the provider's set rate, whereas its commonplace for any business owner to offer discounts if they so choose.

This flawed market system is exemplified in comparing the experience of home-based providers and clients in New York City to New York's downstate suburbs.[61] These suburbs have higher median worker and household incomes than New York City. Figure 22 presents estimates of the median worker and household income for the two regions.

61 OCFS includes the following counties in Group 1: Nassau, Putnam, Rockland, Suffolk and Westchester; CNYCA includes the following counties in our definition of downstate suburbs: Nassau, Orange, Rockland, Suffolk, and Westchester counties.

Figure 22:

Downstate suburban workers and households earn more than other regions

Region	Median Individual Annual Wages	Median Household Annual Earnings
NYC	$40,725	$63,565
Downstate sub.	$49,000	$110,088
Upstate NY	$37,000	$69,071

Source: CNYCA analysis of American Community Survey 2019 5-Year Data.

The median downstate suburban household earns 73 percent more than the median New York City household. Downstate suburbs are home to more higher earners than New York City. As a result, home-based providers, as well as other ECE sectors, can have a higher market rate in their communities.

Comparing market rates of FCC and GFCC providers in the downstate suburbs to New York City in the 2018 OCFS market rate survey, providers in downstate suburbs have published rates 51 percent higher for full-time infant, toddler, and pre-school care.[62] This is not because their costs are higher; in fact, estimates from Figure 21 demonstrate that the cost of providing care is higher in New York City. It's simply because the majority of households in these suburbs can afford it. This results in higher take-home pay. Downstate suburban home-based providers reported pre-tax self-employment income that is 15 percent higher than their counterparts in New York City.[63]

When it comes to revenue, home-based providers are constrained not just by an individual clients' economic situation, but by the history of undervalued care work and their community's economic realities. Using markets as a mechanism to establish a rate puts downward pressure on home-based providers' ability to cover their costs, especially in mixed- and low-income communities. This dynamic is further exacerbated by the market rate dictating the value providers receive from State-funded vouchers, which is discussed next.

Private and public client mix

As described in Section 1, there are two main types of clients and three types of payments for FCCs and GFCCs. First, FCC and GFCC providers can work directly with a family, who either pay for care themselves or uses a State CCAP voucher. Second, FCC and GFCC providers can contract directly with DOE to offer services to families placed in their care through DOE programs. In order to contract with DOE for the 3-K-For-All and EarlyLearn programs, FCC providers must be members of a FCCN, which secures contracts directly with DOE on behalf of its members. GFCC providers who are not FCCN members are able to negotiate their rates directly with the DOE. In the 2021-2022 school year, 1,300 FCC or GFCC providers were contracted to serve DOE pro-

62 CNYCA's analysis of 2018 New York State Child Care Market Rate survey data, Office of Children and Family Services, obtained through request.
63 CNYCA analysis of American Community Survey 2019 5-Year Data.

grams.[64]

There is an important and documented pay differential between families paying for care themselves and with CCAP vouchers. While all ECE programs are able to set payment rates directly with clients paying for care themselves, a voucher from an income-eligible client has both a standard value and legal and administrative barriers to that standard value. Furthermore, because a significant portion of 3K-For-All seats are paid for with federal Child Care Development Block Grant (CCDBG) funding, DOE rates for FCC and GFCC providers are influenced by the same methodology OCFS uses to determine CCAP voucher standard values. Therefore, while CNYCA was unable to obtain data for this report on the current rates paid by DOE to FCCN member providers, DOE contracts with FCCNs on behalf of their FCC and GFCC members are currently set at a value related to OCFS's standard value for CCAP vouchers.

OCFS uses a regional market rate methodology to determine standard pay rate for providers. OCFS separates the state into five regions, with New York City being one. Every two to three years, providers in the regions are surveyed about the rate they charge clients based on the age of the child. OCFS then determines what the 80th percentile provider in each region charges, and establishes this as its standard rate for the region. (Prior to 2022, the standard rate was set at the 69th percentile; now it's at the 80th percentile. Legally exempt family providers are paid 65 percent OCFS's standard rate for FCC providers in their region.) Counties who administer the payments for vouchers must pay all FCC and GFCC providers in the region that standard rate so long as they can demonstrate that their rate to private clients is at the 80th percentile or higher.

However, there are numerous legal and administrative barriers to providers accessing this rate. For example, they must appeal to the agencies administering payments that they charge at or more than OCFS's standard rate or that their costs have increased and, therefore, that they need the standard rate. Prior to 2022, providers were required to submit significant paperwork and receipts to prove their need for OCFS's standard rate every time it was increased. This onerous process meant that many FCC and GFCC providers would not receive the most recent OCFS standard rate, simply because they did not have the time or ability to complete this paperwork.

In 2022, OCFS amended and simplified this process. While data about this simplified process has not yet been made available, there is hope that it has resulted in more FCC and GFCC providers receiving the newly established 80th percentile OCFS standard regional rate. However, this simplified process still requires providers to appeal to the government for the newly established rate every two years, arguably an unnecessary administrative barrier. Until they've completed this process, vouchers they redeem with their local social service district are valued at the rate for which they last submitted paperwork. For some providers, this may be the rate they received when they first became licensed, even if their rate to private clients has increased since then.

64 "The Youngest New Yorkers: Building a Path Toward a Universal Early Care & Education System in New York City" (Citizens Committee for Children of New York, May 2023), https://s3.amazonaws.com/media.cccnewyork.org/2023/04/CCC-2023-The-Youngest-New-Yorkers-Full-Publication.pdf.

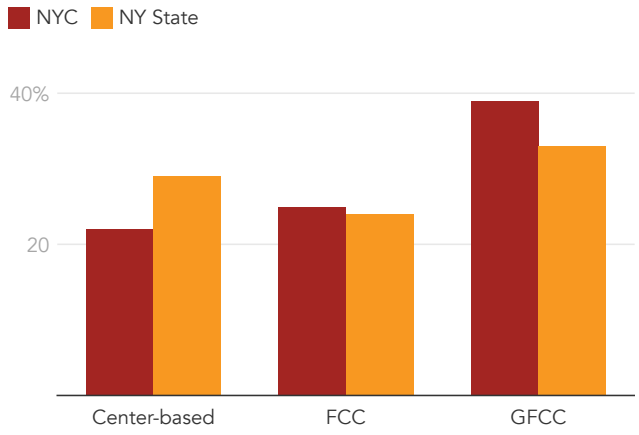
Furthermore, the State has certain legislated limitations to CCAP voucher reimbursement. For example, CCAP only reimburses providers for a child's attendance (with a set number of allowable absences) rather than a child's enrollment.[65] Due to the specific characteristics of this industry, it is best practice for FCC, GFCC, and legally exempt family providers to charge clients for a seat even if they are absent, because providers have little ability to recruit a new client on short notice. The State's policies thus diminish total revenue ECE providers receive from clients paying with CCAP vouchers. The additional paperwork required to track attendance days and allowable absences increases home-based providers total work hours as well, further eroding their hourly pay.

Because of these complexities, CNYCA is unable to estimate the rate differential between private clients and those using CCAP vouchers. However, approximately one-third of GFCC and center-based providers and one-quarter of FCC providers in New York State report that their rate to private clients is higher than the rate they receive through CCAP vouchers.[66] In New York City, 39 percent of GFCC providers—more than any other ECE provider type—report a public and private rate differential. Figure 23 illustrates the prevalence of pay differentials at the city and state level by ECE type.

Figure 23:

GFCC providers are more likely to report lower pay from CCAP vouchers than other program types

Percent of ECE program type reporting a pay differential between private clients and CCAP vouchers



Source: CNYCA's analysis of 2021 New York State Child Care Market Rate survey data, Office of Children and Family Services, obtained through request.

Since the value of CCAP vouchers is so varied, the experience of different types of providers illustrated in Figure 23 could be a reflection of any number of interactions between business decisions and policy constraints. For example, it may demonstrate that GFCC providers, compared to FCCs, are better at setting private rates in line with their costs, which increases the likelihood for a difference between private and public rates. It could also reflect the reality that, despite communicating their true costs to private clients, GFCCs have faced challenges obtaining rate increases from their local social service districts. The low level of pay differentials among FCC providers throughout the state may reflect their inability to increase their market rate to private clients, despite higher costs, because they reside in mixed- or low-income communities. On the other hand, the low prevalence of pay

65 In 2022, the number of reimbursable allowances was increased significantly from 24 days to 80 days of absences per year. This increase mitigates much of the potential revenue lost caused by this policy, but reimbursing based on enrollment would eliminate this administrative burden and potential revenue loss.
66 CNYCA's analysis of 2021 New York State Child Care Market Rate survey data, Office of Children and Family Services, obtained through request.

differentials amongst center-based programs in New York City may reflect centers' success at obtaining rate increases from county agencies or broader revenue sources—like DOE contracts and grant funding—allowing them to keep private rates lower than elsewhere in the state. None of these explanations can be confirmed through CNYCA's data sources at this time; however, they illustrate the many possible policy, community, and business model issues that can influence these rate differentials.

Overall, the policy design for establishing OCFS's standard rates and the administrative burdens for accessing the full value of those rates necessarily reduce ECE providers' revenue. For FCC and GFCC providers who charge their private clients more than the 80th percentile provider in the region, accepting a client with a CCAP voucher results in less revenue for that seat, which may be enough to disincentivize accepting clients with CCAP vouchers altogether. Providers who charge private clients less than the 80th percentile are also locked into lower rates—likely also lower than what they charge their private clients—until they are able to demonstrate their eligibility for the newly established standard rate. Additionally, because vouchers come with terms set by the State, accepting a client with CCAP vouchers opens providers up to risk of lower revenue if a child has too many absences, or if parents encounter problems securing their vouchers.

Despite all of these challenges, home-based providers are more likely than other providers to have clients who utilize CCAP vouchers (see Figure 3). While accepting one CCAP voucher instead of a private client may reduce revenue for one seat, it may also open up opportunities for home-based providers to fill more of their potential seat capacity. However, accepting too many clients with CCAP vouchers can result in lower total revenue. As New York State expands income eligibility for CCAP vouchers, regulated home-based providers will encounter more such clients in their community. The reduced revenue that results from accepting CCAP vouchers is of critical concern for the future of ECE and policies that support families to access it.

Seat capacity utilization

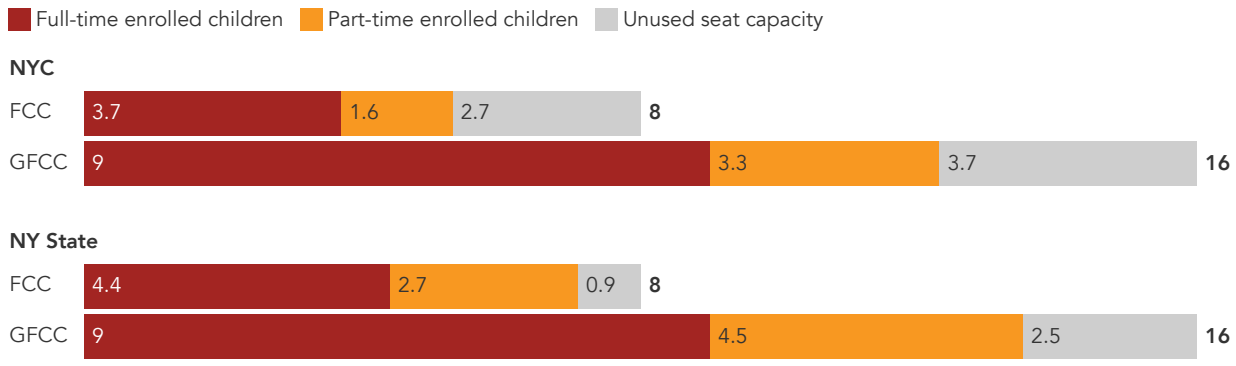
In the estimate above, an FCC provider caring for six full-time children would only have $11,389 of take-home pay to cover her labor time and health insurance using the operating cost estimates in Figure 21. This simple exercise exemplifies the problem with the current market rates. However, it also assumes that providers are operating at full seat capacity. But many home-based providers are not, further straining providers' revenue.

In 2018, FCC and GFCC providers were far below their potential seat capacity, especially in New York City. (See Figure 24, below.) In New York City, where enrollment is lower than in the state as a whole, the average FCC provider is operating at 66 percent of potential seat capacity, even counting part-time children as taking up the equivalent of a full-time seat. She has existing potential seat capacity to serve at least two additional full-time children or more than three additional children, if she incorporates multiple part-time children at different times. The average GFCC provider is operating at 75 percent of her potential seat capacity when counting part-time children as taking up the equivalent of a full-time seat. She has existing potential seat capacity to serve at least three additional full-time children or more than five additional children, if she incorporates multiple part-time children at different times.

Figure 24:

Home-based providers are operating below their licensed, potential capacity especially in NYC

Average number of enrolled children, 2021



Per OCFS regulation, FCC providers have licensed, potential capacity of 8 children and GFCC providers have a licensed, potential capacity of 16 children.

Source: CNYCA's analysis of 2021 New York State Child Care Market Rate survey data, Office of Children and Family Services, obtained through request.

In 2018 an FCC provider in New York City with an average number of children and average pay rates for those children earned an estimated $41,219 in total revenue, which is approximately 37 percent less than she would have made operating at full capacity. In the same year, a GFCC provider in New York City with an average number of children and average pay rates earned an estimated $117,538 in total revenue, which is approximately 27 percent less than she would have made operating at full capacity. Given the regulated small size of home-based care, a decline in capacity of one or two children can have a dramatic effect on total revenue and, therefore, take-home pay, for providers and their assistants.

Age and needs mix

Home-based providers, as well as other ECE programs, typically charge families different rates for different-aged children. This partly reflects the labor-intensiveness of caring for different-aged children, some of which is reinforced through State regulation. For example, an FCC provider is required to hire staff if she has more than two infants in her care, but is not required to hire support staff for any other age groups or reasons. In 2022, New York State finally acknowledged the extra care that children with special needs require and implemented a 15 percent increase above OCFS's CCAP reimbursement rates for providers and programs caring for such children.[67] CCAP voucher rates take some of these differences into consideration; however, since the State relies on regional market rates to determine voucher rates, providers' and CCAP voucher rates do not reflect the actual labor-intensive differences for providers to care for different age and needs mixes.

Perhaps more critical to the topic of age mix is the ability of home-based providers to recruit children of different ages. Prior to the launch of PKA, home-based providers

67 Janice Molnar, "Dear Provider" (Office of Children and Family Services, June 22, 2022), https://ocfs.ny.gov/programs/childcare/provider-letters/2022/Dear-Provider-2022Jun22-CCAP.pdf.

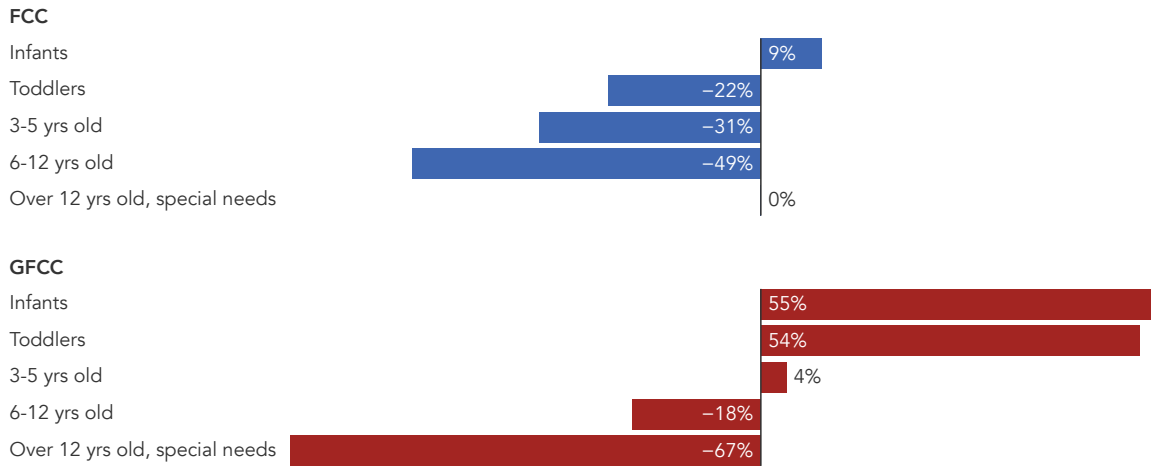
relied heavily on families with pre-school aged children and school-aged children after school and on holidays.[68] While these age groups yield a lower market rate, compared to infants and toddlers, they required no additional staff.

Figure 25 compares self-reported total enrollment data from 2013, before the launch of PKA, to 2018 (before the pandemic) of all FCCs and GFCCs in New York City that participated in the OCFS market rate surveys.

Figure 25

Home-based providers have experienced a shift in age mix since the launch of PKA

Percent change in total enrollment at home-based provider type by age mix, 2013 to 2018



Source: CNYCA's analysis of 2013 and 2018 New York State Child Care Market Rate survey data, Office of Children and Family Services, obtained through request.

Figure 25 illustrates how FCC and GFCC providers experienced significant shifts in their age mixes, but in different ways. FCCs lost significantly more pre-school and school-age enrolled children than they gained in infant and toddler enrollment, which may explain the rapid closure of FCCs during the time period (see Figure 5). Compared to FCCs, GFCCs were better able to retain their three-to-five-year-olds and grow infant and toddler enrollment, which may be attributed to their ability to secure DOE contracts for EarlyLearn and PKA. As the SACC sector also expanded dramatically during this time period, both GFCCs and, especially, FCCS lost a significant number of school-aged children.

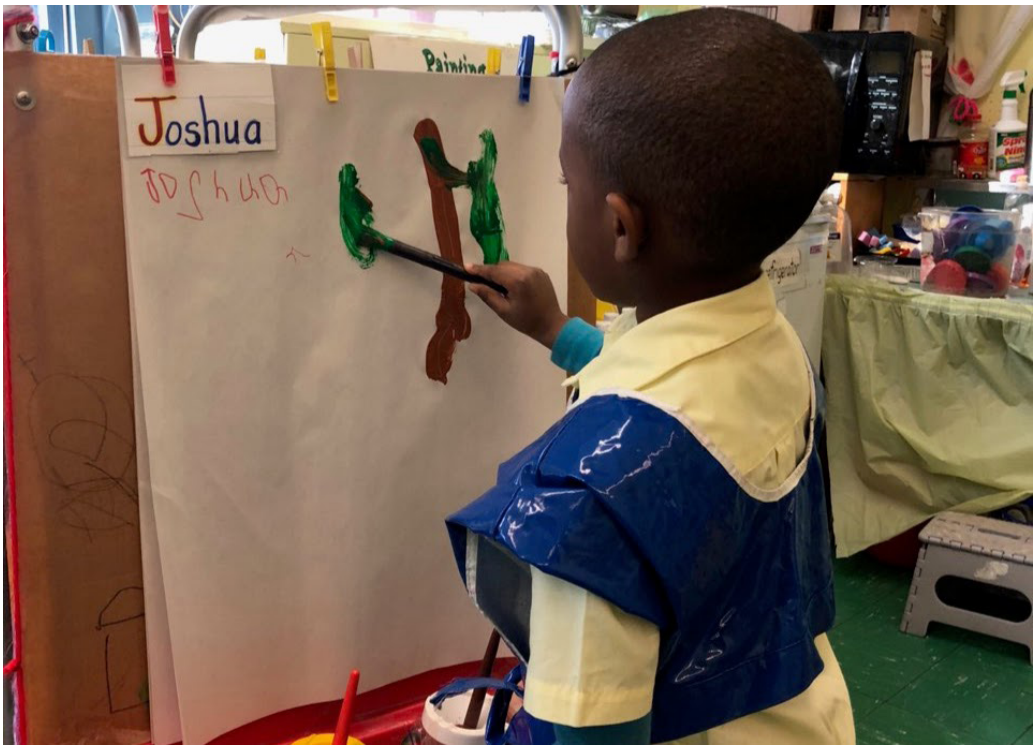
Increased competition for three-to-five- year-olds, as a result of PKA, has opened up more space for infants and toddlers in home-based programs. But providers have faced challenges recruiting these clients. Citizens Committee for Children of New York (CCC) recently surveyed New York City parents about their ECE preferences and choices and found that 80 percent of parents trust a non-relative to care for their children, ages one to three years old, while only six percent of parents trust a non-relative to care for their

68 Kendra Hurley, "Bringing It All Home: Problems and Possibilities Facing New York City's Family Child Care" (Center for New York City Affairs, July 2016), http://www.centernyc.org/bringing-it-all-home.

child under one year old.[69] Instead of low enrollment stemming from parental preference, CCC found that it may be the result of parents simply not knowing about CCAP and the plethora of ECE programs outside of PKA. However, it is more expensive to care for infants, due to the additional staffing requirements. The rise in infant enrollment at GFCCs, therefore, may not be an indicator of economic sustainability. Until a new reimbursement rate is implemented, it may not be effective for home-based providers to actively pursue infant care.

These four factors—the market rate, private and public client mix, seat capacity utilization, and age and needs mix—have tremendous implications for the revenue of ECE programs, and home-based providers in particular. Centers are able to directly negotiate their rates to provide contracted care for DOE's PKA program. Centers and SACCs often have non-profit status and are able to fundraise, through grants and grassroots fundraising, which can supplement revenue that comes directly from clients. Centers and SACCs are also able to scale up in response to market trends and policy changes.

FCC and GFCC providers, on the other hand, are small business owners who are not able to negotiate directly with the DOE, do not fundraise elsewhere, are not able to easily alter their business model to accommodate shifts in demand, and work too many hours in their ECE business to earn money elsewhere. Total revenue for regulated home-based providers, then, is more vulnerable than in other programs to shocks associated with these four factors. And reduction in revenue for any reason results in home-based providers earning insufficient income for their own livelihood.



69 "The Youngest New Yorkers: Building a Path Toward a Universal Early Care & Education System in New York City."

V. JOB QUALITY

There are many factors that make a job "good" or "high" quality instead of "low" quality. The U.S. Departments of Commerce and Labor recently convened researchers and policy experts to develop a shared vision of what constitutes a good job.[70] The group developed a list of eight factors. They include: pay; benefits; job security and working conditions; skill and career advancement; diversity, equity, inclusion, and accessibility; empowerment and representation; organizational culture; and recruitment and hiring practices. There is currently no system in place to measure occupations against these factors. However, these factors highlight that a good-quality job is not just one that is well-compensated.

Home-based providers are not well-compensated and are less likely to receive workplace health benefits than their peers at center-based and public programs. Currently available data provides little insight into how home-based providers satisfy all the other components of a good job defined here. However, there are several ways home-based providers face unique challenges. They are briefly addressed in this section.

Paid leave

Over the past decade, paid sick and family leave have become benefits provided by New York State to employees working in all industries. Starting in 2013, the New York City Council passed the Earned Sick Time Act, making paid sick leave a legal right for all employees in the city.[71] In 2020, the New York State Legislature passed a similar law extending this right to all workers in the state.[72] In 2018, New York State began its paid family leave program, providing all workers 12 weeks of job-protected paid leave to bond with a new child.[73]

Self-employed small business owners, including home-based providers, are eligible to receive paid leave in New York, but they must purchase an insurance policy in order to access it.[74] However, home-based providers face challenges taking paid or unpaid sick, family, and vacation time compared to other small business owners. Home-based providers primarily provide ECE to their clients so that their clients can go to work. This

70 "The Good Jobs Initiative," U.S. Department of Labor, accessed December 7, 2022, https://www.dol.gov/general/good-jobs/principles.
71 "NYC's Paid Sick Leave Law: First Year Milestones" (New York City Department of Consumer Affairs, June 2015), https://www.nyc.gov/assets/dca/downloads/pdf/about/PaidSickLeaveLaw-FirstYearMilestones.pdf.
72 "New York Paid Sick Leave," New York State, accessed April 19, 2023, https://www.ny.gov/programs/new-york-paid-sick-leave.
73 "Paid Family Leave," New York State Insurance Fund, accessed April 19, 2023, https://ww3.nysif.com/Home/Employer/DBpolicyholder/AboutYourPolicy/PaidFamilyLeave.
74 "Paid Family Leave: Information for Self-Employed Individuals," accessed July 12, 2023, https://www.wcb.ny.gov/content/main/forms/PFLDocs/PFL-Self-Employed-Fact-Sheet.pdf.

creates extraordinary pressure on home-based providers. Closing for just one day to care for themselves or a loved one who is sick prevents their clients from being able to go to work as well. GFCC providers have slightly more flexibility, because they have employees who can take on more hours and responsibilities when a provider needs to take time off. The lack of support staff that could otherwise make leave possible also translates to FCC providers (and GFCC providers to a lesser extent) being unable to a break for their own personal health and well-being (like a lunch break) on a daily basis or for professional development opportunities.

Career advancement

As small business owners, home-based providers have the autonomy and authority to pursue career advancement opportunities. However, within their own businesses there are few if any meaningful career opportunities. Constrained by regulation that limits the number of children they can serve and by the revenue streams available to them, home-based providers cannot easily grow their businesses. At best, they can move from one mode to another: from legally exempt family provider to licensed FCC or GFCC provider. Home-based providers can also increase their education and join a FCCN in order to expand their revenue opportunities to include DOE-contracted care. However, it is unclear if doing so will yield better compensation, benefits, or job quality.

There are opportunities for home-based providers to move into other sectors of the ECE industry. However, despite their experience as ECE teachers and administrators, few home-based providers have sufficient education to advance into these roles at a center or at a New York City public school. Strict educational requirements in the other sectors of the ECE industry mean that most home-based providers, despite their experience, would likely qualify for positions as ECE workers, a downgrade of responsibilities and decision-making power in the workplace along with lower than minimum wage pay.

Career advancement into Pre-K teacher and director positions, then, is currently only possible if home-based providers have or can obtain a post-graduate degree. Currently, only three percent of home-based providers in the state and four percent in New York City have a post-graduate degree. Only 10 percent of home-based providers in the state and 11 percent in New York City have a bachelor's degree.[75] And while there are some initiatives to make education easier and more affordable for human service workers in New York, home-based providers face a major barrier to education: the extremely long hours they work in their current role.

Given the lack of realistic career advancement opportunities today, direct surveying of home-based providers is needed to determine meaningful career goals for regulated home-based providers and how public policy can support those goals.

75 CNYCA analysis of American Community Survey 2019 5-Year Data.

VI. RECOMMENDATIONS AND CONCLUSION

This report highlights the social and economic realities home-based providers face and the public policies that shape those realities—impacting the quality and consistency of the unique early care and education they provide. Some clear findings emerge.

Home-based providers are overwhelmingly immigrant women and women of color, even compared to other ECE program types. They are the lowest-paid workers in the ECE industry, making less than minimum wage. As a result, they are more likely to rely on public assistance than the workforce in the city as a whole. They are also severely rent burdened and housing insecure, which is of great concern, considering they need housing stability to run their businesses. Despite their autonomy as small business owners, they face significant challenges in guaranteeing themselves living wages, benefits, and other qualities of a good job.

Home-based ECE programs offer unique child care and education services for children and parents. They provide a mixed- age setting, where parents and children establish a long-term relationship with the home-based provider in a familial, intimate setting. Home-based programs predominate in Spanish-speaking and low-income neighborhoods, where parents' need for extended and non-traditional hours are great. Home-based programs are also more likely than other ECE program types to provide ECE to families eligible for CCAP vouchers—playing an important role in full-day, full-year ECE subsidized by the State.

There are several external economic and policy influences—like the market rate or the impact of PKA on seat capacity utilization—that affect the revenue and, therefore, take-home pay, of home-based providers. The design of the reimbursement rates for CCAP and other policies exacerbate these issues. However, public policy can also ameliorate these challenges or create supports to guarantee home-based providers are well-compensated, have good job quality, and meaningful career development opportunities.

Home-based providers' role as small business owners, rather than wage workers, adds layers of complexity to current policy effectiveness and future policy interventions.

The following are recommendations and future research questions for how New York City and New York State can both stabilize the existing regulated home-based ECE capacity and also strengthen and expand it.

Recommendations:

1. **Implement an alternative cost-based methodology for CCAP reimbursement:** ECE programs are not able to charge their clients enough to cover their operating costs, and this results in home-based providers earning unlivable wages. Because most parents cannot afford the true cost of care, home-based providers cannot raise

the rates they charge clients. However, the CCAP program, which uses public funding to cover the cost of early care and education for income-eligible families, can be redesigned to mitigate this problem. The New York State Legislature should enact an alternative cost-based methodology for CCAP reimbursement, which could guarantee that CCAP vouchers cover the cost of care—including an adequate salary for the home-based provider—rather than reinforce market rates that do not sustain high-quality programming.

2. **Enact a wage subsidy to sustain home-based providers until an alternative methodology is enacted.** Due to federal regulation, it will take several years to implement an alternative methodology for CCAP reimbursement. In the meantime, the State Legislature should enact a temporary wage supplement sufficient to boost the pay of all ECE workers, including home-based providers, so that they are able to cover their costs of living (including health insurance if a temporary wage supplement results in ineligibility for Medicaid), and are incentivized to continue working in the ECE industry. While the 2023-24 New York State budget included a one-year wage supplement for ECE workers, the $500 million level of funding was insufficient to boost ECE workers' wages to a level that incentivizes workers and providers to stay in the industry. A $12,000 annual wage supplement for all ECE workers and providers would sufficiently boost wages of each ECE occupation to be on par with workers with the same level of educational attainment in other industries and eliminate the economic incentive to leave the ECE industry.[76] This $12,000 annual wage supplement should be legislated and funded until an alternative methodology is implemented.
3. **Remove administrative barriers to home-based providers getting paid the full value for CCAP vouchers in their region.** The State Legislature should pass a bill that automatically passes the 80th percentile market rate on to all FCC and GFCC providers without requiring them to complete paperwork to prove it is at or below their own business's market rate. This will also help to increase take-home pay for home-based providers while a new alternative methodology for CCAP voucher reimbursement is designed and implemented. Furthermore, while the Legislature's 2022 increase to 80 reimbursable absences for clients using CCAP vouchers is a significant improvement from past policy, more needs to be done. Specifically, ECE programs should be reimbursed for enrollment, rather than attendance. This will boost revenue and reduce administrative work for home-based providers, increasing their hourly take-home pay.
4. **Reduce rent burden and increase housing stability for home-based providers.** Home-based programs are dependent on stable residential space. New York City and New York State can help by establishing a refundable income tax credit for providers to offset space costs. "Good cause eviction" legislation should also be passed, which can increase the stability of home-based ECE programs by placing limits on how much a landlord can raise rents each year and making it illegal for landlords to evict tenants unless they have violated their lease agreement.
5. **To increase job quality, establish a state-funded benefits and pension program**

76 Lauren Melodia, "Testimony before the Joint Legislative Hearing Committee on 2023-24 Executive Budget Proposal: Human Services," (Center for New York City Affairs, February 2023), https://www.centernyc.org/reports-briefs/in-order-to-maintain-much-less-expand-child-care-capacity-and-improve-quality-early-childhood-educators-need-to-be-paid-more.

for regulated home-based providers. Home-based providers have difficulty affording their own benefits packages. New York City and New York State can establish a public benefits option for home-based providers to purchase health insurance (if they are no longer eligible for Medicaid) and participate in a retirement fund or pension (with public matching or contributions).

6. **Launch a publicity and marketing campaign to help home-based providers communicate their unique added value to the ECE system and recruit more clients.** With New York City's particular emphasis on PKA, center-based care has received more publicity in recent years. Home-based providers are currently not operating at their potential capacity and need help recruiting new clients in all age ranges. A centralized directory and a citywide marketing campaign that highlights the unique qualities of home-based care can help educate parents about mixed-age ECE in residential settings and improve all home-based providers ability to recruit new clients. Integrating a quality rating and improvement system (QRIS), such as Quality Stars NY, into a centralized directory and providing funding and supports for home-based providers to participate in a QRIS can also improve home-based providers' ability to market themselves.
7. **Develop a substitute provider pool:** Home-based providers work long hours and are unable to easily get coverage to reduce their total working hours and/or participate in professional development and other opportunities. They also face challenges in taking sick time, family leave time, and vacation time. The State and City should finance a substitute provider pool, which could be managed by FCCNs or Child Care Resource and Referral Agencies (CCR&Rs), so that regulated home-based providers can hire qualified substitutes to provide coverage for any of these needs.

Further research on the business practices, revenue and operating expenses, and experiences of regulated home-based providers will provide a better understanding of the demand- and supply-side issues affecting the viability of FCC, GFCC and enrolled legally exempt family providers. It also should investigate ways to improve job quality and career advancement to maintain and grow home-based ECE programs. Some research questions CNYCA will explore in a survey of FCC, GFCC, and enrolled legally exempt family providers in the coming year include:

- What can FCC and GFCC providers expect to earn contracting with DOE, and is this revenue stream a viable strategy given increased associated costs?
- Are there particular age- and revenue-mixes that are most likely to increase the take-home pay for home-based providers?
- Are home-based providers interested in and capable of hiring and managing more staff to care for more infants?
- Is there a mixed-age curriculum that reflects the unique qualities of home-based ECE programs that could be integrated into PKA, and increase home-based providers' ability to contract with DOE to provide PKA?
- Are there opportunities for cooperative purchasing of health insurance, equipment, food, and other non-personnel costs to meaningfully bring down operating costs for home-based providers?
- What additional trainings and services can FCCNs and CCR&Rs provide to meet the

needs of home-based providers in particular?

- What career advancement opportunities are meaningful to home-based providers?
- How can the State and City support regulated home-based providers' professional development and create a pipeline for future home-based providers?
- Are there other experiences, supports, or work environment modifications that would improve job quality for home-based providers?

APPENDIX A: NYC EARLY CARE AND EDUCATION CAPACITY BY COMMUNITY DISTRICT

There is great variability in the overall capacity of the ECE sector and types of programs at the neighborhood level. Appendix A includes four figures that provide further details on this variability by community district. Figure 1 lists community districts and their respective ECE programs by type, total ECE seats, the percent of ECE seats in FCC and GFCC programs to center-based programs illustrated in Figure 7, and the ratio of children 0 to 5 per ECE seat. Figures 2 and 3 map the ratio of children 0 to 5 per ECE seat by community board district to highlight child care "deserts" and the relationship between capacity and low-income families with young children. Figure 4 lists each community district with the number of each ECE program type, including extended day PKA, and the number of total seats by program type.

Appendix A, Figure 1, Part 1:

NYC ECE programs and capacity by community district

Yellow-highlighted neighborhoods were identified as priority districts in Mayor Adam's "Blueprint for Child Care and Early Childhood Education in New York City."*

Child Care Desert (3 or more children per ECE seat)

Community District Number	Neighborhood	Home-based programs (FCC and GFCC) (# of)	Center-based programs (# of)	Total ECE seats	Seats in home-based programs (FCC and GFCC) (% of total)	Ratio of child to ECE seat	Ratio income child
101	Battery Park/Tribeca	6	35	2,906	2%	0.9	
102	Greenwich Village	4	22	1,479	3%	2.6	
103	Lower East Side	44	30	3,275	11%	1.3	
104	Chelsea/Clinton	16	24	2,086	5%	1.7	
105	Midtown Business District	1	26	1,760	0%	1.0	
106	Murray Hill/Stuyvesant	4	25	1,742	3%	3.4	
107	Upper West Side	33	59	5,793	5%	1.4	
108	Upper East Side	7	62	4,586	2%	1.8	
109	Manhattanville	78	24	2,492	31%	1.8	
110	Central Harlem	107	22	2,534	42%	3.9	
111	East Harlem	63	27	2,989	17%	2.4	
112	Washington Heights	269	21	4,715	63%	2.2	
201	Mott Haven	166	24	3,649	47%	2.1	
202	Hunts Point	93	7	1,724	57%	2.5	
203	Morrisania	195	21	4,256	49%	1.2	
204	Concourse/Highbridge	422	18	6,651	69%	1.5	
205	University Heights	371	19	5,700	70%	1.8	
206	East Tremont	196	20	4,065	52%	1.3	
207	Bedford Park	356	19	6,162	66%	1.6	
208	Riverdale	134	30	3,606	41%	1.9	
209	Unionport/Soundview	234	15	3,852	69%	2.7	
210	Throgs Neck	101	17	2,574	44%	2.4	
211	Pelham Parkway	135	14	2,605	57%	3.6	
212	Williamsbridge	229	24	4,566	57%	2.1	
301	Williamsburg/Greenpoint	42	48	5,938	7%	2.0	
302	Fort Greene/Brooklyn Hts	33	47	4,092	9%	2.3	
303	Bedford Stuyvesant	78	38	4,327	20%	2.5	
304	Bushwick	73	23	2,841	30%	1.3	
305	East New York	242	34	5,738	47%	2.9	
306	Park Slope	81	51	4,415	22%	2.3	

Appendix A, Figure 1, Part 2:

307	Sunset Park	91	38	3,603	29%	2.7
308	Crown Heights North	43	29	2,562	19%	2.9
309	Crown Heights South	50	26	2,688	21%	1.8
310	Bay Ridge	21	30	2,213	11%	3.1
311	Bensonhurst	41	40	3,215	15%	3.7
312	Borough Park	89	75	7,336	14%	2.9
313	Coney Island	13	30	2,683	6%	2.4
314	Flatbush/Midwood	75	34	3,399	25%	3.0
315	Sheepshead Bay	56	34	3,274	20%	3.0
316	Brownsville	76	19	3,140	27%	1.6
317	East Flatbush	127	35	3,960	37%	2.0
318	Canarsie	164	28	3,779	50%	3.5
401	Astoria	46	37	3,110	16%	2.4
402	Sunnyside/Woodside	19	33	2,842	8%	2.9
403	Jackson Heights	82	22	2,557	37%	2.6
404	Elmhurst/Corona	52	23	2,653	21%	2.3
405	Ridgewood/Glendale	63	18	2,190	34%	3.9
406	Rego Park/Forest Hills	50	29	3,113	18%	2.7
407	Flushing	65	48	4,600	17%	2.6
408	Fresh Meadows/Briarwood	76	38	4,346	20%	3.0
409	Woodhaven	84	14	1,933	51%	3.9
410	Howard Beach	88	9	1,878	54%	5.2
411	Bayside	31	30	2,888	13%	2.9
412	Jamaica/St. Albans	185	45	5,565	37%	2.8
413	Queens Village	142	25	3,717	44%	2.6
414	The Rockaways	92	14	2,287	45%	4.5
501	St. George	135	30	3,931	40%	2.9
502	South Beach	27	28	2,822	11%	2.4
503	Tottenville	11	24	1,944	7%	4.7

*Mayor Adam's prioritized districts met the following criteria in January 2022: Median household income is below the citywide average ($69,171), Percentage of families living below poverty is above the citywide average (15.4 percent), Percentage of children living below poverty is above the citywide average (23.6 percent). Percentage of unemployed adults is above the citywide average (6.8 percent), Ratio children under age ten living in the district to the number of child care seats available in the district is above one (1) child per seat

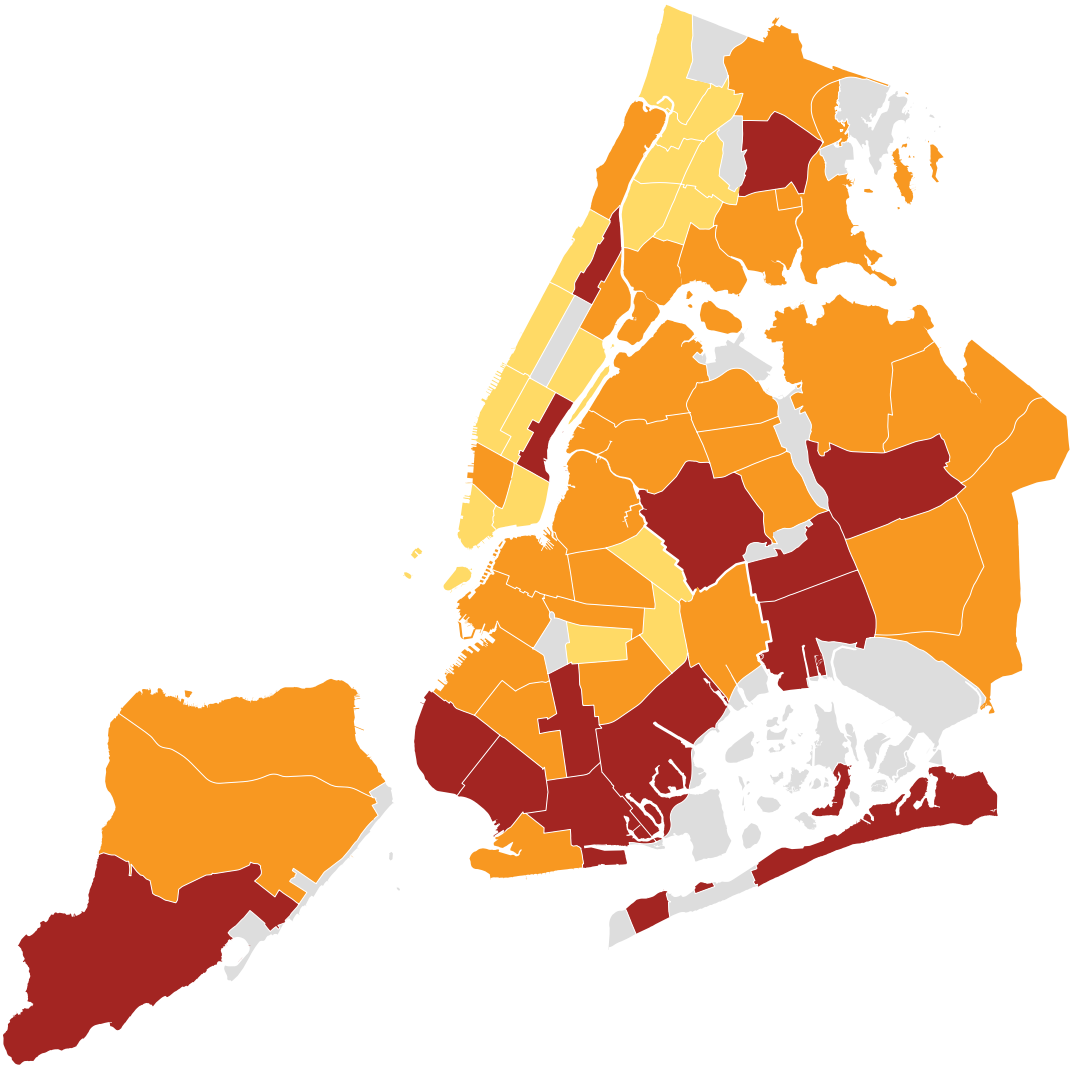
Source: CNYCA analysis of "Child Care Regulated Programs API," Data.ny.gov; "DOHMH Childcare Center Inspections," NYC Open Data "Population of Children under 5," Citizens' Committee for Children of New York, accessed May 1, 2023; "Accessible, Equitable, High-Quality, Affordable A Blueprint for Child Care & Early Childhood Education in New York City" (Mayor of the City of New York, June 2022), https://www.nyc.gov/assets/home/downloads/pdf/office-of-the-mayor/2022/Childcare-Plan.pdf.

Appendix A, Figure 2:

Childcare Deserts in New York City

A child care "desert" is a neighborhood where there are three or more children under the age of five per available child care seat in the local area. This map illustrates the ratio of total child care seats (in centers, FCCs, or GFCCs) to children under age five by community district.

< 2 2–3 ≥ 3

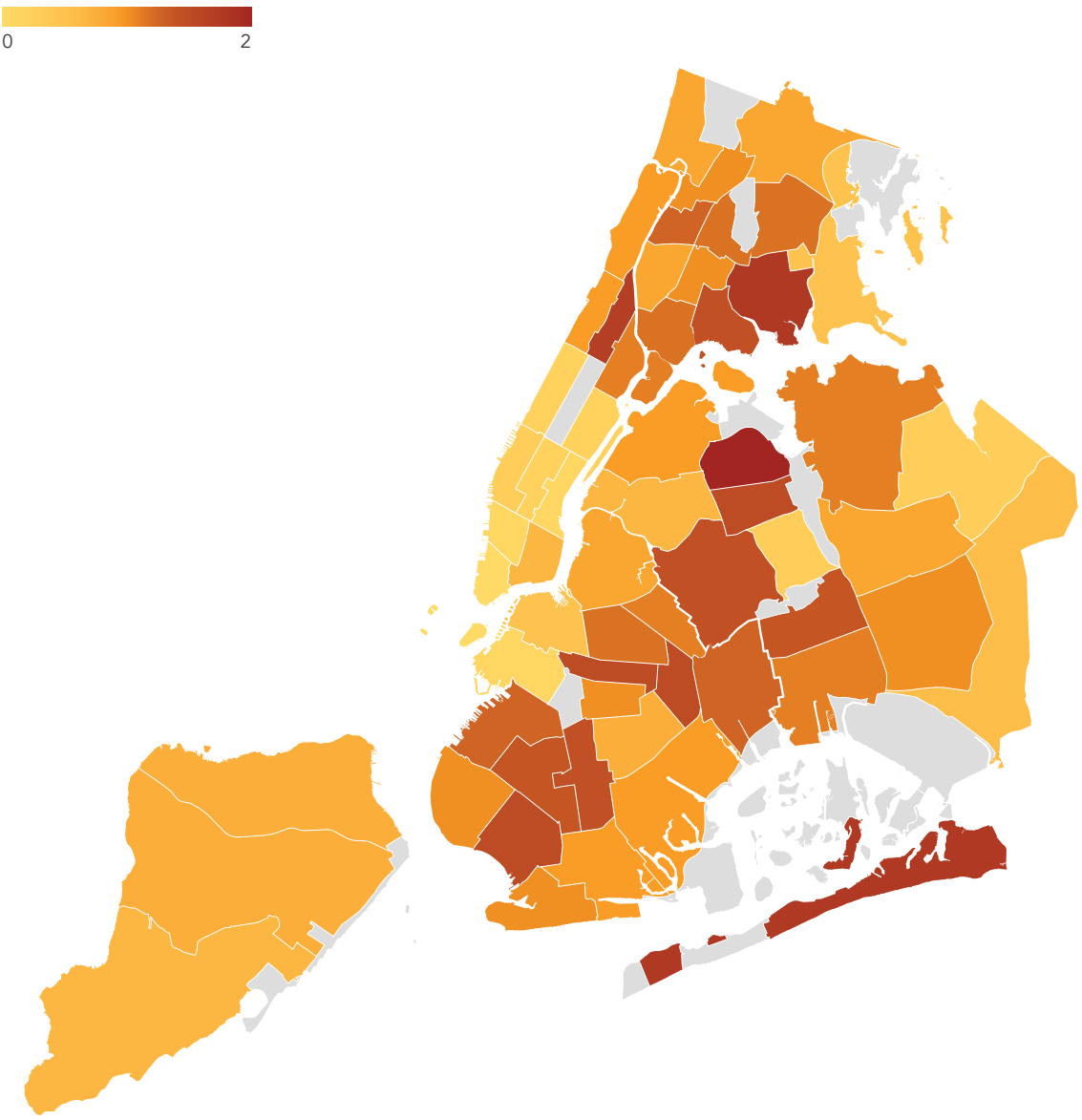


Source: CNYCA analysis of "Child Care Regulated Programs API," Data.ny.gov; "DOHMH Childcare Center Inspections," NYC Open Data; "Population of Children under 5," Citizens' Committee for Children of New York, accessed May 1, 2023.

Appendix A, Figure 3:

Some neighborhoods with a high concentration of low-income families have insufficient ECE seats

Ratio of children under age five living below 200 percent of the federal poverty line to all center- and home-based (FCC and GFCC) ECE seats by community district.



Source: CNYCA analysis of "Child Care Regulated Programs API," Data.ny.gov; "DOHMH Childcare Center Inspections," NYC Open Data; "Population of Children under 5," Citizens' Committee for Children of New York, accessed May 1, 2023.

Appendix A, Figure 4, Part 1:

NYC ECE programs and seats by community district

Community Board district number	Neighborhood	Home-based (FCC and GFCC)		Center-based		PKA (extended day)	
		Programs	*Seats*	*Programs*	*Seats*	*Programs*	*Seats*
101	Battery Park/Tribeca	6	48	35	2,858	4	87
102	Greenwich Village	4	42	22	1,437	2	74
103	Lower East Side	44	351	30	2,924	21	688
104	Chelsea	16	112	24	1,974	5	201
105	Midtown Business District	1	6	26	1,754	1	16
106	Murray Hill/Stuyvesant	4	48	25	1,694	1	15
107	Upper West Side	33	310	59	5,483	12	374
108	Upper East Side	7	72	62	4,514	5	246
109	Manhattanville	78	782	24	1,710	5	170
110	Central Harlem	107	1,055	22	1,479	15	543
111	East Harlem	63	521	27	2,468	23	770
112	Washington Heights/Inwood	269	2,972	21	1,743	11	732
201	Mott Haven	166	1,700	24	1,949	14	713
202	Hunts Point	93	988	7	736	3	96
203	Morrisania	195	2,099	21	2,157	13	531
204	Concourse/Highbridge	422	4,594	18	2,057	10	470
205	University Heights	371	4,004	19	1,696	4	265
206	East Tremont	196	2,107	20	1,958	7	279
207	Bedford Park	356	4,044	19	2,118	10	540
208	Riverdale	134	1,480	30	2,126	16	786
209	Unionport/Soundview	234	2,639	15	1,213	9	358
210	Throgs Neck	101	1,127	17	1,447	9	537
211	Pelham Parkway	135	1,494	14	1,111	7	756
212	Williamsbridge	229	2,610	24	1,956	17	1,030
301	Williamsburg/Greenpoint	42	434	48	5,504	15	538
302	Fort Greene/Brooklyn Hts	33	346	47	3,746	12	669
303	Bedford Stuyvesant	78	870	38	3,457	21	712
304	Bushwick	73	837	23	2,004	15	817
305	East New York	242	2,682	34	3,056	25	1,055
306	Park Slope	81	952	51	3,463	12	441
307	Sunset Park	91	1,030	38	2,573	8	748
308	Crown Heights North	43	480	29	2,082	8	316
309	Crown Heights South	50	561	26	2,127	15	582
310	Bay Ridge	21	246	30	1,967	10	363

Appendix A, Figure 4, Part 2:

311	Bensonhurst	41	477	40	2,738	10	729
312	Borough Park	89	1,044	75	6,292	15	605
313	Coney Island	13	150	30	2,533	14	447
314	Flatbush/Midwood	75	836	34	2,563	11	382
315	Sheepshead Bay	56	660	34	2,614	13	528
316	Brownsville	76	858	19	2,282	11	654
317	East Flatbush	127	1,458	35	2,502	16	786
318	Canarsie	164	1,887	28	1,892	9	414
401	Astoria	46	490	37	2,620	14	642
402	Sunnyside/Woodside	19	214	33	2,628	11	493
403	Jackson Heights	82	951	22	1,606	8	444
404	Elmhurst/Corona	52	555	23	2,098	14	815
405	Ridgewood/Glendale	63	746	18	1,444	7	286
406	Rego Park/Forest Hills	50	554	29	2,559	8	403
407	Flushing	65	760	48	3,840	28	1,367
408	Fresh Meadows/Briarwood	76	888	38	3,458	21	775
409	Woodhaven	84	977	14	956	11	609
410	Howard Beach	88	1,008	9	870	4	128
411	Bayside	31	360	30	2,528	21	990
412	Jamaica/St. Albans	185	2,081	45	3,484	24	1,079
413	Queens Village	142	1,630	25	2,087	15	716
414	The Rockaways	92	1,024	14	1,263	7	278
501	St. George	135	1,552	30	2,379	17	763
502	South Beach	27	310	28	2,512	18	848
503	Tottenville	11	132	24	1,812	14	808

Source: CNYCA analysis of "Child Care Regulated Programs API," Data.ny.gov; "DOHMH Childcare Center Inspections," NYC Open Data; "Universal Pre-K (UPK) School Locations," NYC Open Data, accessed May 1, 2023.

APPENDIX B: METHODOLOGY

CNYCA utilized microdata from the American Community Survey (ACS) 2015-2019 sample to estimate the take-home pay of home-based providers as they relate to the wages of other ECE occupations and industries in New York. CNYCA pooled data from five years of surveys to ensure adequate sample sizes for these detailed analyses.

While New York State has its own licensing procedure for ECE sectors, including different types of home-based providers, there is no straightforward way to identify these respondents in the ACS. CNYCA adopted a methodology utilized by the Economic Policy Institute (EPI), which makes use of occupation, industry and sector classification systems, to identify home-based providers as distinct from other ECE occupations.

In the adopted EPI methodology:

- **Nannies** are workers who attend to children in the child's own home. Nannies may either "live in" with employers or live in their own homes, but they work in employers' private residences. We define them as workers who are in the occupation "Childcare workers" (Census occupation code 4600) and in either the "Private household" industry or the "Employment services" industry (Census industry code 9290 or 7580).
- **Providers of child care in their own home** provide child care in their own home to the children of one or more families. We define them as workers who are in the occupation "Childcare workers" (Census occupation code 4600) in the industry "Child day care services" (Census industry code 8470) and who are self-employed and unincorporated.

13.88 percent of the studied workers across all ECE occupations and industries in our analysis reported working less than 14 weeks per year. ACS did not allow a reliable estimate of their annual hours (and thus hourly earnings). Therefore, these respondents are excluded from the estimates of median and average hourly earnings.

HIGH CALLING, LOW WAGES

Home-Based Early Care and Education Providers in New York City

THE NEW SCHOOL
Center for New York City Affairs

Lauren Melodia

September 2023