U.S. News: Child-Care Chains Aim To Fill Void --- After Covid-19-related shutdowns of many centers, big industry players see an opening

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FULL TEXT

The biggest players in U.S. child care see an opening in America's caregiving crisis.

National operators such as KinderCare Education and Bright Horizons Family Solutions Inc. are buying up closed centers, reaching out to parents who lost care during the pandemic and signing contracts with employers to provide nannies and daycare for their workers.

These big providers -- with hundreds of centers and thousands of employees -- represent a sliver of the $40 billion-plus U.S. child-care industry. Some 95% of child care is provided by single-site operations and small local chains, industry analysts say.

About 13,000 centers representing more than 20% of the nation's child-care capacity, including those offering before- and after-school programs, shut down during the pandemic and haven't reopened, KinderCare said in a regulatory filing. As many of half those centers may never reopen, industry analysts say.

Many small players lacked the capital required to cover payroll and facility costs to stay afloat during Covid-19 shutdowns. Operating a daycare facility is more costly now than before the pandemic because many providers have had to reduce capacity to make room for more social distancing.

Also, a shortage of workers has led to higher wages and more competitive benefits. Large providers have more flexibility to offer medical and retirement benefits, along with wages well above the $11-an-hour national average for a child-care worker.

"The reality is that working families need full-day coverage," said Mark Bierley, chief executive of Learning Care Group Inc., the nation's second-largest, for-profit daycare chain after KinderCare with 1,000 locations.

Mr. Bierley said the chain increased the number of facilities it runs by almost 10% during the past year, acquiring 80 locations. It now has capacity to accommodate up to 150,000 children.

Large providers face an uphill battle in efforts to consolidate the sector, some industry observers say. The business of child care, for now, is constrained by the number of caregivers and available classroom space. And many families are drawn to local or family-run operations.

Large child-care companies are telling investors that they will use their scale and access to capital to weather the pandemic's impact.

KinderCare, which plans an initial public offering this coming Thursday that could value the company at $3 billion, says that its size helps it offer more flexible options for parents and employers. For instance, the company said, it has a team devoted to helping families access public child-care funding.

KinderCare reported revenue of $1.4 billion in 2020, down 26% from the year before, which the company attributed to Covid-related closures. Revenue for the first half of 2021 was $857 million, and the company swung to a profit after incurring losses the previous two years.

Small companies are reeling, many kept afloat by increases in federal child-care funding during the pandemic. Around $50 billion in federal Covid-19 relief funding has gone toward child care since last spring, with the White House pushing for universal funding for prekindergarten and other child-care programs, as well as tax credits for

businesses that build on-site child-care facilities.
Owners of some smaller programs are staying afloat by putting payroll on their credit cards, but many lacked the funds to reopen, said Rhian Evans Allvin, chief executive of the National Association for the Education of Young Children, a trade group representing daycare and early-childhood-education workers.
"When there's no access to credit you have to try to weather a storm in a different way," she said,
KinderCare and Bright Horizons have yet to return to their pre-pandemic capacity, and Bright Horizons on Nov. 2 said its recovery would take longer than anticipated.
Bright Horizons' biggest business is providing employer-funded backup care, which provides higher profit margins than a typical child-care business. But a slower-than-expected return to in-person work has dented demand for worksite-based programs, another Bright Horizons mainstay.
Credit: By Sharon Terlep

DETAILS

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