Center for Home-Based Child Care Research

Stabilizing the Family Child Care Sector: Challenges and Strategies

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Family child care (FCC) is a regulated subset of the broader home-based child care (HBCC) sector. FCC providers are small business owners whose child care services meet the needs of many working families by offering flexible, community-based, and individualized care that may support families' employment, self-sufficiency, and long-term well-being. FCC is a widely utilized care arrangement for infants, toddlers, and working families needing nontraditional-hour child care.[5] However, the sector faces challenges that threaten its stability and the adequate supply needed to meet families' needs.[4] National data indicate a significant decline in the number of small FCC programs across the United States. In some states, up to half of FCC programs closed between 2005 and 2017, and declines continued in at least 26 states between 2024 and 2025.[8,27] The following key challenges reflect the most frequently cited factors affecting FCC stability based on a synthesis of research conducted with national- and state-level samples of providers. Targeted strategies are drawn from reports and recommendations reviewed in the research synthesis.

Key Challenges and Targeted Strategies Related to Family Child Care Stability

CHALLENGE: LOW AND UNSTABLE REVENUE FOR FAMILY CHILD CARE PROVIDERS

Financial insecurity is a sector-wide challenge, but it is particularly acute for FCC providers interacting with state child care subsidy programs, where reimbursement rates may not reflect the cost of providing high-quality FCC.[1,9,19,34] In a national survey of nearly 700 FCC providers, a high percentage (77%) participate in subsidy programs and about half (52%) earn less than $15/hour, with nearly three-quarters (73%) reporting that they are unable to afford retirement or health insurance through their child care business.[26] Financial constraints may impact business stability, leaving providers with limited funds for essential child care operations and maintenance.[11,13,29,34] In one statewide study, 96% of FCC providers report having insufficient revenue for urgent home repairs,[11] while national data indicate that 25% of providers report difficulty paying for housing-related repairs and expenses.[6]

Revenue stability may be further affected by changing attendance and enrollment patterns, which providers across studies identify as a major challenge.[30,35] An evaluation of a New York City cash transfer initiative focused on stabilizing the FCC sector found that providers report prior challenges with delayed, retrospective subsidy payments which resulted in cash flow constraints.[34] Other studies also report that providers cite revenue flow challenges when subsidy payments are based on attendance, which can fluctuate, rather than enrollment which is more stable and predictable.[35] Furthermore, many FCC providers lack the essential business knowledge and tools to operate stable businesses.[9,21,22] One study found that 66% of providers do not have an operating budget,[20] while another found that 41% of providers lack technology dedicated to business operations.[12]

TARGETED STRATEGIES TO STABILIZE REVENUE

- The development and implementation of **cost models for subsidy rates that are customized for FCC settings** may help states better align public funding with the realistic cost of child care.[9,16,19,34]
- States that choose to set **subsidy rates based on a child's enrollment** and **prospective payments** may help FCC providers stabilize their child care revenue week to week by delinking payment from unpredictable attendance patterns as well as delays in reimbursements.[9,21,29,34,35] These approaches may also allow consistent coverage of operational expenses and strengthen providers' capacity to recruit, hire, and retain child care assistants.[13,19,34]
- States that implement **wage supplements that include FCC providers, alongside state-sponsored health and retirement benefit pools,** may provide an economic safety net for self-employed FCC providers. Cash assistance initiatives that offer providers a predictable income may further help stabilize FCC businesses.[1,2,7,10,16,17,22,34]

- State and local initiatives that offer **financial assistance for home modifications, safety repairs, and initial startup expenses** may reduce upfront costs for providers starting new FCC businesses and stabilize costs for existing FCC programs.[6,7,19,29,34]
- State grants that offer **materials such as hardware (e.g., laptops and tablets), child care management software, or reliable internet hotspots** may help FCC providers adopt more efficient business practices.[16,22]
- **Business coaching and technical assistance programs** focused on budgeting, financial planning, marketing, and program management may help FCC providers strengthen long-term business stability and operational capacity.[20,22,29]

CHALLENGE: REGULATORY AND ADMINISTRATIVE BURDEN

State regulatory requirements and administrative demands may take up significant, unpaid time.[19,25,34,35] Some providers spend more than eight unpaid hours per week on business administration.[21,24] Both new and established FCC providers in a national survey report challenges with paperwork across child care licensing, subsidy, and quality programs.[35] In a Massachusetts study of new entrants to FCC, 25% of providers report challenges using the state's licensing website and close to a fifth report trouble navigating other digital portals required for licensing.[22] Across multiple studies, providers also report challenges navigating public programs that have duplicative or conflicting requirements, creating redundancies and increasing administrative workload.[16,18,25]

Local rules and regulations may also create challenges for FCC providers. In local studies focused on housing, providers report encountering restrictive municipal zoning laws, Homeowners Association (HOA) rules, and landlord constraints that may prevent them from opening or expanding their child care businesses.[6,11]

TARGETED STRATEGIES TO ADDRESS REGULATORY AND ADMINISTRATIVE BURDEN

- **State licensing systems that have dedicated staff who provide 1:1 support** to help prospective providers move through complex application and pre-inspection processes may help reduce the administrative burden that is frequently reported by FCC providers.[13,34,35] States that implement training for licensing staff based on supportive, partnership-based approaches may support more providers to become licensed.[34]
- Local programs that support FCC providers with licensing may give providers access to **child care management software** (e.g., automated billing, attendance tracking) to help providers streamline administrative tasks.[22,29]
- **Centralized, trusted, and user-friendly digital platforms** may help providers find up-to-date regulations and policy changes in one place and better understand the health and safety standards that are most important for creating safe environments for children. These programs may also consider expanding providers' access to broadband internet so that they can more easily use regulatory websites and digital platforms.[22,34]

- Local communities that pass and implement **zoning legislation and housing reforms** to allow FCC businesses to operate in residential properties may lessen municipal barriers to FCC stability and reduce landlord restrictions around FCC provision.[6,11]

CHALLENGE: WORKFORCE STRESS AND STAFFING

FCC providers work long hours and may experience stress from intensive caregiving of children, communication with families, and business management responsibilities. National data show that 82% of FCC providers report working more than 50 hours per week,[26] and statewide studies frequently describe FCC providers' physical exhaustion and lack of time for their own families.[15,22] In addition, studies suggest that FCC providers face economic obstacles to hiring and retaining support staff to assist with child care and offer providers time off.[1,2,10,16,30]

TARGETED STRATEGIES TO ADDRESS WORKFORCE STRESS AND STAFFING

- Local programs that facilitate **peer-to-peer support strategies such as support groups as well as one-on-one mentoring approaches** may help FCC providers learn from and counsel each other around child care work-related stress.[7,16,22,23,28,31]
- Local programs that establish **pools of assistants or substitute caregivers** may allow providers to take necessary and unexpected time off.[15,22,34]
- State licensing and professional development systems that **streamline and implement efficient processes for hiring assistants** may ease the staffing burdens of large-group FCC providers. Specifically, allowing transportable background checks and aligning assistant pay with similarly credentialed staff in other early childhood settings could make assistant jobs in FCC more competitive.[34]

CHALLENGE: OBSTACLES TO DEGREE ATTAINMENT

Quality and professional development systems as well as public PreK programs that prioritize traditional degree pathways may present logistical and economic obstacles to FCC providers.[16,21] Formal educational expectations such as degree requirements may be difficult for FCC providers to meet. In one statewide study, 52% of providers state they are interested in pursuing a degree, yet more than half also agree that a degree would cost too much, while 57% report not having time to pursue additional education or credentials.[21] Similarly, a national survey of FCC providers who deliver public PreK reveals that approximately one third report obtaining required degrees and credentials is difficult or very difficult.[24]

TARGETED STRATEGIES TO ADDRESS OBSTACLES TO DEGREE ATTAINMENT

- States that adopt **competency-based credentialing and flexible certification and degree pathways** that recognize demonstrated skills and years of experience may expand professional opportunities for FCC providers while validating the knowledge and strengths they bring to their work.[16]
- States that offer **start-up grants for new FCC providers or retention bonuses** for existing FCC providers may help offset high costs of required training and other regulatory requirements.[33,34]

Cross-Cutting Strategies to Address Family Child Care Stability

These additional cross-cutting strategies may help to address multiple challenges faced by FCC providers.[1]

- **Home-Based Child Care Networks*:** Networks can provide supportive infrastructure that increases FCC providers' access to relevant training, system navigation support, peer connections, business practices, and administrative support. Regional and local networks may connect FCC providers to resources and information in their communities.[1,3,9,14,16,23,28,29,31] Additionally, networks often have trained staff who can facilitate a wide range of supports for FCC providers.[20,22,31,34]
- **Provider Voice in Policymaking and Program Co-Design:** State programs and local networks that engage FCC providers as partners in policy and program development, including opportunities to serve on task forces, as paid consultants, and experts, can help move towards standards and regulations that are aligned with FCC settings.[3,16,22,34]

Methods Note

This fact sheet is based on a synthesis of recent (2023-2026) research on family child care. Sources include peer-reviewed studies, grey literature, and state technical reports focused on regulated care. An AI-assisted content analysis was used to review the documents and identify commonly reported challenges and corresponding strategies to address them.

*Home-based child care networks are a broad umbrella term that includes support organizations with paid staff who offer a menu of support including business training, quality coaching and technical assistance, material support, and opportunities for peer-to-peer learning. Networks may also include provider-run peer-to-peer support groups such as family child care associations. Shared services platforms and other intermediaries that deliver support for the HBCC sector may also be considered networks.[14]

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