Student loan debt and economic hardship among child care providers

September 2024

In response to the pandemic, Congress temporarily paused federal student loan and interest payments in March 2020, providing relief to millions of student loan borrowers, including child care providers. On August 30, 2023, the debt relief plan ended, and student loan payments restarted in October 2023.

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The severe consequences of carrying student loan debt are voiced by the early childhood workforce in response to the RAPID open-ended survey question we asked them to say more about how they are being impacted as student loan payments restart.

A RAPID Survey fact sheet reported in May 2022 that student loan debt is severe and pervasive among child care providers and that the economic hardship providers face is compounded by this student loan debt as well as low pay, limited benefits, and job instability within the early childhood workforce.

In this fact sheet, we build on those findings with survey data collected in November 2023, just one month after student loan payments restarted. We asked child care providers about the potential impacts of federal student loan debt payments resuming to better understand the challenges and experiences of these important adults in the lives of young children and families. Our sample includes center-based teachers and directors, home-based providers, family, friend, and neighbor (FFN) providers, and babysitters/nannies.

"If my loan payments restart, I will not be able to provide for my family." **Center teacher in Minnesota**

Child care providers continue to experience economic hardship

"I never would have taken them out had I known better. There was no financial education that went with the loans." **Home-based provider in California**

Since March 2021, the RAPID Survey has asked child care providers about their overall well-being, economic circumstances, and working conditions.

One way that RAPID looks at economic circumstances is by asking about experiences of material hardship, defined as difficulty meeting basic needs, such as food, housing, utilities, child care, healthcare, and wellness activities.

"I might have to pick up a part-time job in addition to my job as a child care provider to offset the deficit that is going to be created by my student loan debt." **Center teacher in New York**

"Since the student loan payments have been unpaused, I feel overwhelmed." **FFN provider in Missouri**

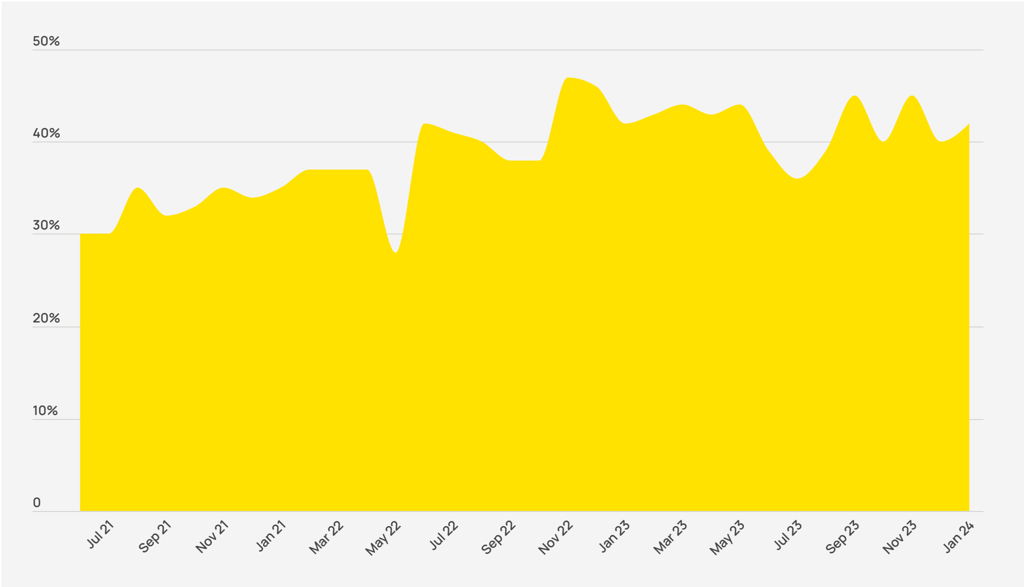
The data show that material hardship is prevalent and increasing among child care providers. Nearly half (45%) of providers reported experiencing difficulty affording at least one area of basic need in November 2023. The percentage of providers experiencing material hardship increased from May 2022 (37%).

The proportion of child care providers in the RAPID survey who are carrying student loan debt has also increased since May 2022. More than one in five (21%) child care providers reported that they had student loan debt in November 2023, a disproportionately high rate compared to 16% of the U.S. adult population overall.*

"My financial aid did not help to cover all of my school, so now I have to figure out where to get all this extra cash to pay off my school debt and the payments that need to be made so I can continue school." **Center teacher in Colorado**

The percentage of providers reporting student loan debt has grown from the 19% we reported in May 2022.

Providers' reporting difficulty affording at least one area of basic need, overall



"Because I am a licensed home provider, I do not qualify for the benefits of someone working in a nonprofit. I feel I need to quit my job and close my own program so I can take advantage of the forgiveness programs that only apply to those employed at a nonprofit. Lately, I very much regret letting others talk me into going back to school because the debt is crippling." **Home-based provider in Michigan**

*According to the Federal Student Loan Portfolio, there have been 41 million student loan recipients by the last quarter of 2023, which accounted for 16% of the U.S. adult population (258.3 million).

Family, friend, and neighbor (FFN) providers are particularly burdened by student loan debt

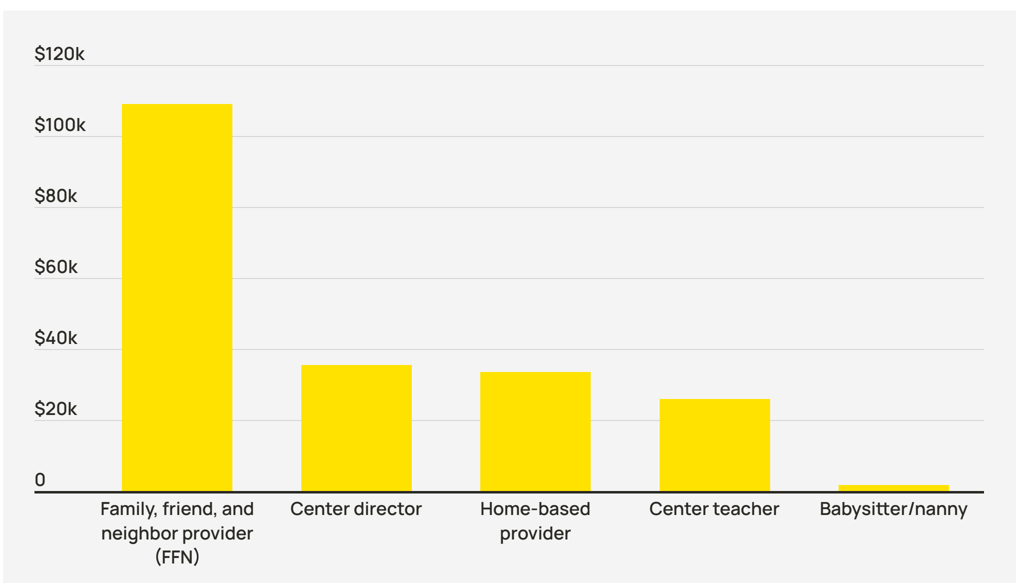
"I was not eligible for [loan] forgiveness due to me paying off my federal loans. However, I do still have [non-federal] student loans, but they were not eligible. I am not making the money that I would have using my degree, but because I choose to work in child care and no longer in the healthcare field, I am still required to pay these."
Center director in Montana

Providers of all races, ethnicities, and income levels and in all types of child care roles reported having student loan debt. Along with the percentage of providers reporting student loan debt, we asked providers to estimate the amount of their student loan debt.

Among providers who indicated that they currently have student loan debt, family, friend, and neighbor (FFN) providers reported the highest levels of student loan debt: $109,000 on average, more than three times the student loan debt reported on average by center directors, home-based providers, or center teachers. Center directors and home-based providers reported on average $35,000 of student loan debt and center teachers reported on average $26,000 of student loan debt.

"We are being dropped under the water again. It is very impactful to those living paycheck to paycheck."
Home-based provider in Mississippi

Providers' reported average level of student loan debt, by provider type

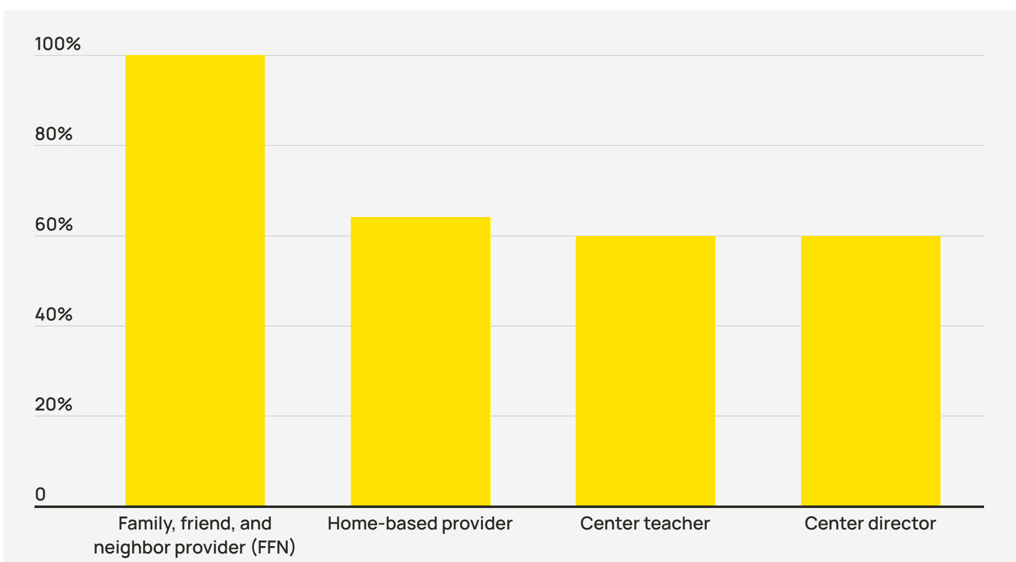


The current median hourly wage for child care providers ($14.60) makes it unlikely that many will be able to pay off student loan debt over time. Because low wages fuel high turnover, these stresses and hardships result in disrupted care for families and fewer of the supportive relationships that are essential to young children's positive development. Addressing these issues will rely on prioritizing policies that significantly increase workforce compensation, including standard benefits like health insurance and retirement benefits, coupled with alleviating student loan debt.

The resumption of student loan payments poses a burden to the majority of providers

In previous RAPID fact sheets, we reported that when providers experience material hardship, they also report higher levels of emotional distress (a composite of anxiety, depression, loneliness, and stress).

Providers' reporting stress regarding their ability to pay off student loan debt, overall



In May 2024, we reported that anxiety and depression are prevalent among child care providers, with half of the providers RAPID surveyed experiencing these emotional distress symptoms. This association between material hardship and emotional well-being is particularly concerning because of the high levels of hardship among child care providers.

In the context of low pay, limited benefits, and instability in the child care workforce, the resumption of student loan payments poses burdens to both providers' financial and emotional well-being. Three in five providers (60%) said that repayment will cause their household financial hardship, and 63% said they've felt stress in the last month about their ability to pay off their student loans. FFN providers, in particular, shared an overwhelming response with 100% of FFN providers reporting high levels of stress about repaying their student loans.

Conclusion

Material hardship and substantial student loan debt significantly impact child care providers' economic stability, underscoring the urgent need for increased support for this essential workforce and, by extension, for the families and young children who rely on the nurturing care, experience, and expertise that their child care providers offer. We will continue to monitor trends in economic hardship, including the burden of student loan debt among child care providers, and discussions of policies and programs, such as federal student loan forgiveness, that could provide needed support to the early childhood workforce.

About the RAPID Survey Project

The RAPID Survey Project is based in the Stanford Center on Early Childhood, under the direction of Philip Fisher, PhD, Director of the Center.

↑
16,000+
Parents

↑
3,200+
Providers

↑
50
U.S. States

This set of analyses is based on responses collected from 1,018 child care providers in November 2023. These caregivers represent a range of voices: 18% are Black, 11.8% are Latinx, and 36% live at or below 200% of the federal poverty line. The types of providers include: 19.7% from center directors, 48.5% from center teachers, 23.4% from home-based providers, 2.7% from Family, friend, and neighbor (FFN) providers, and 5.7% from babysitters/nannies. Proportions/percentages are calculated based on the item-level response rates, not out of the total sample size. The data for these analyses are not weighted.

The RAPID project includes a survey of caregivers with children under age 6 and a survey of child care providers and other adults who care for children under age 6. These surveys are designed to gather essential information continuously regarding the needs, health-promoting behaviors, and well-being of children and their families and important adults in their lives.

RAPID collects data monthly from 1,000 caregivers and child care providers in all 50 states. The surveys are national in scope, though not technically nationally representative. RAPID collects snapshots of data across time and can also assess trends longitudinally.

For more information about RAPID study design and methods, see here.