In the Field, Private Equity is Helping (Not Hurting) Quality Childcare

By Kathy Ligon

Mentioning private equity and childcare in the same breath will spark a heated debate, without fail. However, the loudest voices have largely been one-sided, staunchly opposed to private equity's investment in early childhood education (ECE).

Do we need to be concerned about the state of childcare in the U.S. and the interests shaping it? Absolutely. There's no question that quality early education is a vital support that has lasting impacts on young children, working families, employers, and the economy overall. The industry needs advocates to move early education closer toward a system that offers all families in America access to high-quality, affordable care. And though private equity is often cast as the villain in this narrative, firsthand experience over the past 40 years reveals a much different reality.

A Boots-on-the-Ground Perspective

My perspective comes from personal experience, not theory. It reflects what I've lived through, studied, and devoted my career to since first entering the childcare industry in 1986.

As a public accountant by trade, I discovered the inner workings of early education very much by accident. I was burnt out from tax season while raising two young children and heard there was an opening on the finance team at my children's preschool. I jumped at the opportunity, thinking it would be a nice break before returning to my "real" job. What I found instead was an industry growing in sophistication, with caring and dedicated providers needing support to run a sustainable childcare business. I was hooked. My temporary stint turned into 17 years, running finance, then operations and growth as we scaled from five to 125 schools operating in multiple states.

Recognizing that many childcare owners didn't have the business support they needed to be financially healthy, let alone grow to serve more children like we did, I founded HINGE Early Education Advisors in 2003. Our organization sits in a unique position in the industry, helping ECE school owners across the country build the value of their businesses, set their organizations up for long-term success, and when the time comes, find the right successor to carry their legacy forward.

I personally speak with hundreds of childcare leaders every year, from small business and franchise owners at all different stages of their journeys to the nation's largest childcare CEOs to the wide range of investors in the industry, including, yes, private equity professionals. This panoramic view provides a well-rounded perspective on the obstacles, opportunities, and dynamics that are affecting classrooms, children, and teachers every day.

Evolving Into a More Sophisticated Industry

Childcare has undergone profound change over the past four decades. The private, out-of-home childcare centers prevalent today were novel and just starting to gain traction in my early days. We were selling the benefits of high-quality early education long before they were widely recognized, and as a small operation, we were consumed by the extremely difficult task of balancing what families could afford to pay with the true cost of delivering quality care. This fundamental challenge persists today.

To give you a sense of how tight budgets were back then, when I first started at the school management office, my benefits were two vacation days per year. No health insurance. No sick days. Virtually no benefits to speak of. That was the only way that schools could make ends meet until they reached a critical mass. When that happened, real efficiencies could be realized and organizations were able to transform the way they supported their people. It still is.

For reference, by the time I left the organization in 2003, we were offering competitive pay, a robust paid time off program, health insurance, a 401K, and reduced childcare for teachers and staff — proudly investing in the people who make quality care possible.

Our resources allowed us to expand our programming as well, adding dedicated curriculum specialists and childhood behavioral experts to directly support children and teachers in the classroom.

As early education has matured as an industry, the opportunities for ECE business owners and entrepreneurs have only expanded. Broader recognition of early learning's value has created a need for greater accessibility and opened the door to more creative approaches to educational delivery, giving way to specialized curriculum such as language immersion, STEM programs, nature-based learning, and more. Above all, demand paired with the fragile economics of early education has brought forth the need for a more sophisticated breed of operator at the local, regional, and national level.

Private Equity's Impact on Childcare

Private equity firms first began investing in for-profit childcare organizations in the 1980s. They came onto the scene in my transaction advisory work in 2009 as buyers with an interest in investing capital to help improve an integral and highly fragmented sector of the economic landscape.

The true cost of care makes it exceedingly difficult for smaller providers to have the systems and people they need to create a quality early learning experience, which is why private equity's approach often entails creating clusters of schools to achieve the scale needed to improve services for families, curriculum, facilities, and staff pay and benefits. Other times, their investment is what enables existing platforms or groups of schools to continue growing and enhancing their offerings, serving more students with more resources and stronger support for teachers.

In the deals I've brokered, I have consistently seen private equity investment:

- Offer teachers more competitive salaries
- Provide expanded staff benefits
- Improve facilities and maintenance
- Strengthen quality standards through accreditation

These are not the actions of investors indifferent to quality. They are investments that reflect an understanding that quality is central to a successful school. They show up in classrooms, teacher retention, and the quality of care families receive.

Strengthening the Childcare Infrastructure We Have

Calling for private equity's exit from childcare and putting limits on their involvement threatens the already fragile industry model that, while far from perfect, operators and families rely on today. Instead of fixing the system, it would further destabilize the one we have. By one estimate, this would eliminate roughly 10% of provider capacity, exacerbating a pronounced need for more quality care throughout the country.

Do I wish every family in the U.S. had access to affordable, high-quality early education that meets the individual needs of children and working families? Of course I do. I think everyone who works in this sector does. But until we can collectively make that a reality, we cannot afford to damage the system that's keeping early education afloat. The industry needs more investment, more funding, and more support, not less.

Addressing the Problems Facing Childcare Today

Without losing sight of the future, we need to focus on solving the core problems that childcare is facing right now.

- We have an accessibility problem leaving working families without reliable care amid waitlists and care deserts affecting nearly half of all young children in the U.S.

- We have an affordability problem straining both families and childcare owners given the substantial gap between what quality care costs, what subsidies provide, and what families can afford to pay.
- We have a staffing problem with a workforce that's chronically underpaid because the economics of the industry have never allowed operators to fully invest in their people the way they deserve.

The answer is action. Even if the solutions are imperfect, drowning in debate helps no one. What we need is people willing to act.

That's a call I take to heart. Two years ago, I founded BOOST by HINGE to help address an issue I knew I could do something about. BOOST, a 501(c)(3) nonprofit, is dedicated to supporting early childhood educators in times of financial crisis — such as medical emergencies, housing instability, and food insecurity — allowing teachers, as the backbone of early education, to continue their crucial work in the classroom. To date, BOOST has supported more than 275 teachers across the U.S. with $425,000+ in grants. In addition, BOOST is piloting financial literacy courses with savings matches to empower teachers to be their own advocates.

This is necessary and deeply personal work. I know there are many other advocates who feel the same pull to drive change. Ultimately, the future of childcare will be shaped by leaders, legislators, and decision-makers at every level choosing to use their power to act.

Understanding the Full Story

The negative narrative around private equity in childcare is pervasive but incomplete, dealing more in philosophy than practicality. There is another side to the story, grounded in what's actually happening in the field, that shows how private equity is strengthening quality, supporting the workforce, and making key investments in a sector that desperately needs them. This must be taken into serious consideration by anyone committed to solving the childcare crisis in earnest.