

Private Equity in Child Care: American Children Will Pay the Price

Recent attempts by private equity (PE) firms to enter the child care sector raise significant concerns for children and families. The child care field has been built over decades through federal, state, local, and philanthropic investments that support a broad system of family services and community infrastructure. This brief outlines the background of PE involvement and explains the risks that such investment poses to the child care sector.

What is Private Equity?

PE firms are investment managers that raise capital from institutional and high-net-worth investors to buy, improve, and eventually sell privately held companies for a profit. The intention is to provide capital to organizations that need restructuring or growth with the intent to drive innovation, operational improvements, job creation, industry consolidation, and/ or market competition. Three of the most common types of private equity include buyouts, venture capital, and developmental capital.¹

Merits of Private Equity

Some success stories include Dunkin' Brands, Burger King, Guitar Center, Hertz, and Petco.² The benefits of private equity may include:



Capital for growth and restructuring of companies that do not have access to traditional funding sources.³



Operational expertise in management, efficiency, and strategic planning - combined with the ability to invest over multi-year timelines - creates space for innovation without short-term pressure to deliver immediate returns.⁴



PE can offer higher returns than public markets potentially fostering long-term financial stability.⁵

Challenges and Risks Associated with Private Equity

Case studies of PE contributing to business collapse include Party City⁶ and WeWork.⁷ Risks of PE include:



Short-term value extraction might include methods such as cost-cutting, asset sales, or others that generate quick investor returns but may weaken long-term business health.⁸



Loss of control and decision-making authority in hiring, expenditures, and operations.⁹



Companies pay management fees simply for being owned by the PE firm, which will profit regardless of whether the business ultimately succeeds.¹⁰ This may result in higher prices passed to the consumer.¹¹



Job losses and lower wages pressure to obtain investment gains.¹²



Risks of Private Equity Involvement in the Child Care Industry

Although there have been instances where PE investment can improve certain types of companies, a case will be made that this type of investment is not suitable for the child care industry and will result in more harm than good.

- Private Equity has been resulted in harm in the nursing home care industry. PE investment in nursing home care has been linked to a higher number of deficiencies, increased hospitalization rates, and higher mortality¹³ and emergency room visits.¹⁴ PE often values short-term financial gains at the cost of financial transparency and incentivization of long-term quality. Our children cannot and should not pay this price.
- Loss of services that are truly responsive and reflective of the community and therefore more cost-effective. Non-profit work is mission-driven, community-based, and matched to the need of specific communities. Those who live and work in a community and have a background in serving families are those with the best knowledge to implement the work in that community and industry. By focusing on community needs rather than profit, these organizations make the most efficient and effective use of government and philanthropic funding.
- Increase the debt of the child care industry in order to make money for investors, resulting in potential collapse. PE control of child care is not a new concept.¹⁵ Elliot Haspel cautions that PE could increase debt of the industry in order to make money for the investors and result in a collapse, similar to the high-debt, low-transparency situation that resulted in the collapse of ABC Learning in Australia.¹⁶ Advocates have published a playbook on how to prevent PE involvement in the child care industry that includes creating legislative guardrails against the influence of PE in child care.¹⁷
- Inefficient duplication of a longstanding publicly funded infrastructure to extract profit. For over 50 years, California's Child Care Resource and Referral (R&R) system includes 69 community-based organizations that provide comprehensive, coordinated, and cost-effective child care and development services for hundreds of thousands of children from infancy through age 13, along with their families and child care providers. This infrastructure ensures families can access child care and related resources and supports providers in improving quality. By matching families with programs, R&R agencies also help businesses maintain a reliable workforce. These agencies, along with county welfare departments and other nonprofits, administer child care vouchers. Head Start is part of this infrastructure and since its inception in 1965, the program has grown to nearly 17,000 centers nationwide and remains a robust, well-established model.¹⁸ Agencies are required to assess community needs and partner with local organizations to offer services such as housing support, mental health care, early identification and intervention, and medical and dental services. Many R&R, voucher, and Head Start programs operate within the same organizations, creating a cohesive, whole child, whole family system.

In sum, PE would turn a well-established industry that is integrated throughout every community in America into a profit-making sector that ensures a few investors make money. Learning from the mistakes in a similar industry, nursing home care, should serve as a caution for child care. These services are already supported and provided by community-based organizations and turning them into profit-making entities administered by groups with no expertise in child and family development will result in one group paying the price – our American children.

¹ [8 Important Pros and Cons of Private Equity to Know | The Impact... | The Impact Investor](#)

² [15 Private Equity Case Studies \[2026\] - DigitalDefynd Education](#)

³ [8 Important Pros and Cons of Private Equity to Know | The Impact... | The Impact Investor](#)

⁴ [Private equity pros and cons | UBS United States of America](#)

⁵ [Pros and Cons of Investing in Private Equity](#)

⁶ [\(4\) The Downfall of Party City: A Case Study on Private Equity and Debt and It's Impact on the Job Market | LinkedIn](#)

⁷ [Lessons Learned from Failed Private Equity Deals:](#)

⁸ [8 Important Pros and Cons of Private Equity to Know | The Impact... | The Impact Investor](#)

⁹ [Pros and Cons of Working with Private Equity Firms](#)

¹⁰ [Pros and Cons of Working with Private Equity Firms](#)

¹¹ [Is Private Equity Good for Consumers.pdf](#)

¹² [Private Equity Buyouts Quietly Harm Workers and Communities – CEPR](#)

¹³ Orewa GN, Karabukayeva A, Pradhan R, Jimoh I, Weech-Maldonado R. The effects of private equity ownership in U.S. nursing homes quality and financial performance: A systematic review. *Health Policy*. 2025 Nov;161:105388. doi: 10.1016/j.healthpol.2025.105388. Epub 2025 Jul 18. PMID: 40729865.

¹⁴ Braun RT, Jung H, Casalino LP, Myslinski Z, Unruh MA. Association of Private Equity Investment in US Nursing Homes With the Quality and Cost of Care for Long-Stay Residents. *JAMA Health Forum*. 2021;2(11):e213817. doi:10.1001/jamahealthforum.2021.3817

¹⁵ [Private Equity Investments in Large For-Profit Child Care Organizations: In Brief | Congress.gov | Library of Congress](#)

¹⁶ [As Private Equity's Role in Child Care Increases, Concerns Arise](#)

¹⁷ [New Playbook Provides Solutions to Stop Private Equity Takeover of the Child Care Industry — Open Markets Institute](#)

¹⁸ <https://nhsa.org/about-nhsa/what-is-head-start/>