

Early Care and Education: Profile of an Industry in Crisis

Senate Health and Human Services & Education
Committees
February 2, 2023

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Why Early Care and Education Matters for Minnesota



Businesses risk losing critical workers if families can't find care that meets their needs.

- More than 311,000 workers, just over 10% of Minnesota's labor force, are parents of children under six years old.
- Minnesota has the highest labor force participation rate (tied with a few states) of children under age 6 with all available parents in the workforce.
- Child care was in the top three issues that businesses raised with DEED prior to the pandemic
- Businesses and groups across Minnesota are actively attempting to tackle the shortage

Why Early Care and Education Matters for Minnesota



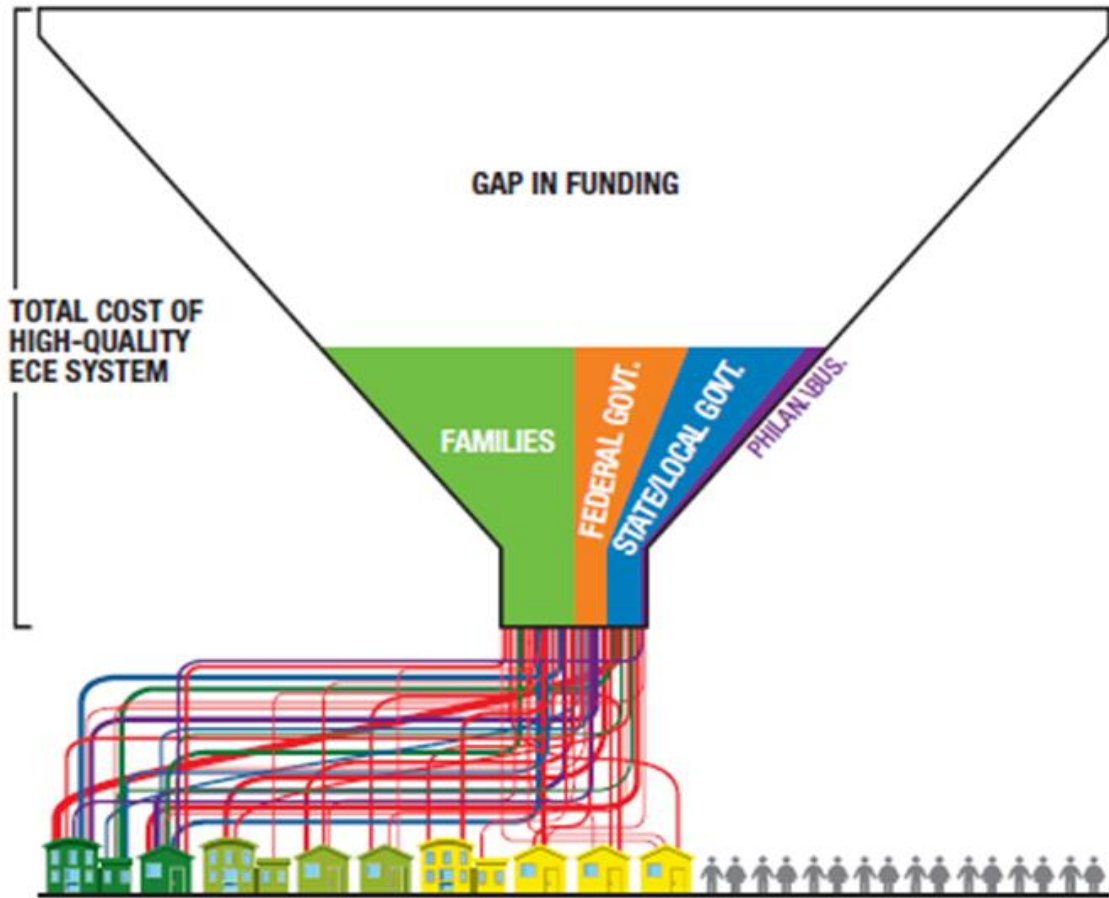
The early care and education industry shapes Minnesota's future workforce.

- A young child's brain develops faster than at any other time, reaching about 90% of its adult size by age 5.
- The neural connections and skills that emerge in early childhood impact future success in school, employment, and society.
- Longitudinal studies of participants in high-quality early care and education programming show reductions in toxic levels of stress, criminal justice system involvement, and reliance on social insurance programs, as well as increases in educational attainment, employability, and lifetime earnings.
- This translates to future savings in health, legal and social insurance costs, as well as improved economic output and opportunity

Current Landscape of ECE Funding

- **Financing for ECE** is a layering of separate programs, with different funding streams, constituencies, eligibility requirements, and quality standards
- Funding is not always linked/reflective of the cost of supporting quality standards
- Overall compensation for the ECE workforce is low
- Burden on many families to pay for ECE





LEGEND



Gap in Funding

- Families pay about 52% of ECE costs
- Federal, state and local govts 46%
- Private sector 2%
- Multiple funding streams
- Gap in funding to meet cost of high-quality care



Child Care *Centers* operate with Razor-Thin Margins

Most of the cost of running early care and education programs is in staffing

Business expenses:

- 70% staffing costs
- 20% facilities
- 10% for program expenses, curriculum and administrative costs

Child care centers must comply with detailed safety, health and educational regulations, including staffing ratios and space requirements.

A typical child care center serving 57 children in Greater Minnesota operates at a loss even at 85% capacity.

- 100% capacity is nearly impossible to reach: children move in and out of different age groups, each with different compliance markers for staffing and space. Spaces must be reserved for current enrollees as they move into older age classes.



Why do parents pay so much for child care when early educators earn so little?

Parents can't afford to pay, but teachers can't afford to stay. The average cost of child care rivals college tuition, while early educators are among the lowest-paid workers in the country.

How is this possible? The system is broken!

Imagine a child care center...



Open **10** hours/day



40 children



1 director



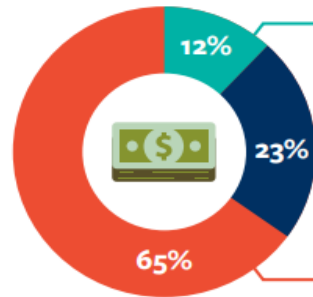
3 lead teachers



6 assistant teachers

...where parents pay an average of \$10,000 each

Total budget:
\$400,000



Rent, Utilities, & Maintenance
\$48,000

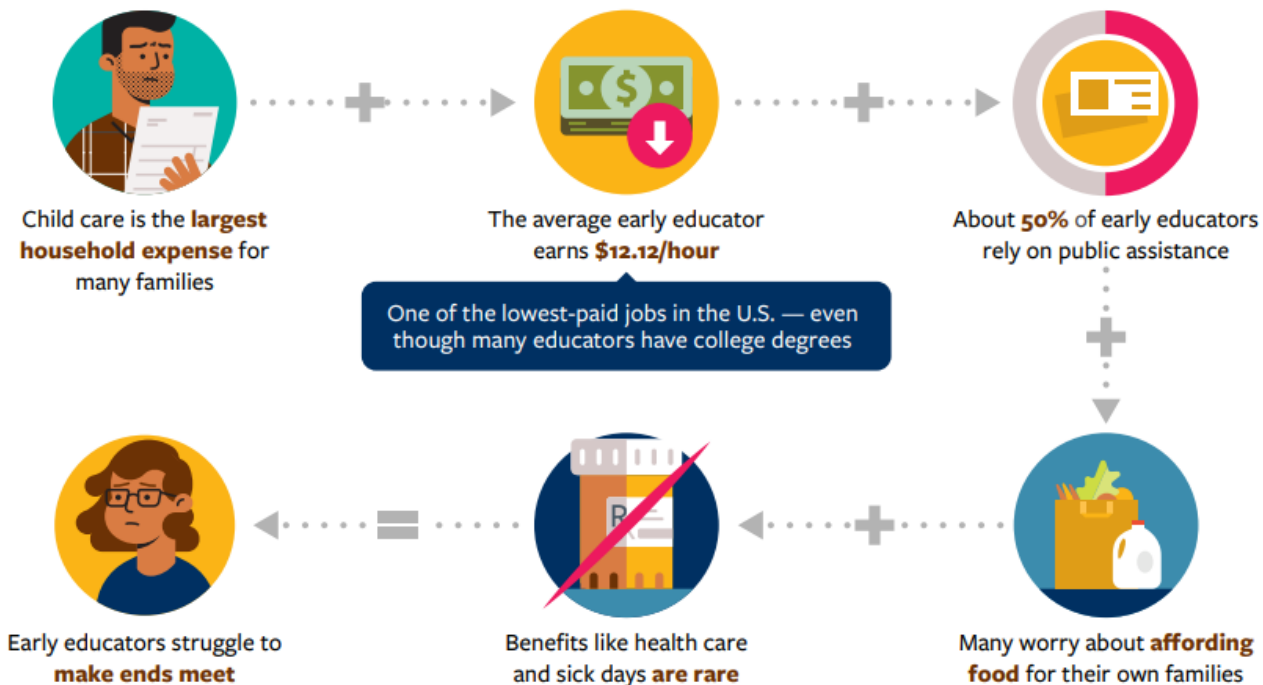
Materials & Administration
\$92,000

Personnel
\$260,000

Must stretch to meet 10 salaries!

We need to invest in early education as a public good

Parent fees can't support living wages and benefits



Teacher turnover is rampant in all 50 states

It's hard for children to learn and grow when they lose their teachers

Early educators require a system that supports their livelihood



Family Child Care programs also face budget challenges

- From a 2016 First Children’s Finance survey-on average, providers reported annual expenses of **\$26,372**

Expenditure	Amount	Percent
Occupancy Expenses	\$ 10,833.71	41%
Food Expenses	\$ 6,857.71	26%
Transportation	\$ 1,568.77	6%
Activities/Supplies	\$ 1,355.85	5%
Phone/Internet	\$ 1,014.09	4%
Cleaning/Supplies	\$ 768.00	3%
Other	\$ 3,973.83	15%

- On average, these providers reported **annual revenue of \$50,938** (median of \$47,775), with **90%** of income coming from tuition.
- Net gain is **\$24,500** or about \$11.81 an hour (and many providers work longer more than 40 hours per week)



The importance of direct support

- **Child Care Stabilization Base Grants** started in September 2021 and remain available through June 2023.
- First direct funding **to programs—both Centers and Family Child Care** (not via scholarships or other supports to families)
- First systemic focus on **compensation**- at least 70% of the awarded grant must be used to increase compensation for staff regularly caring for children.



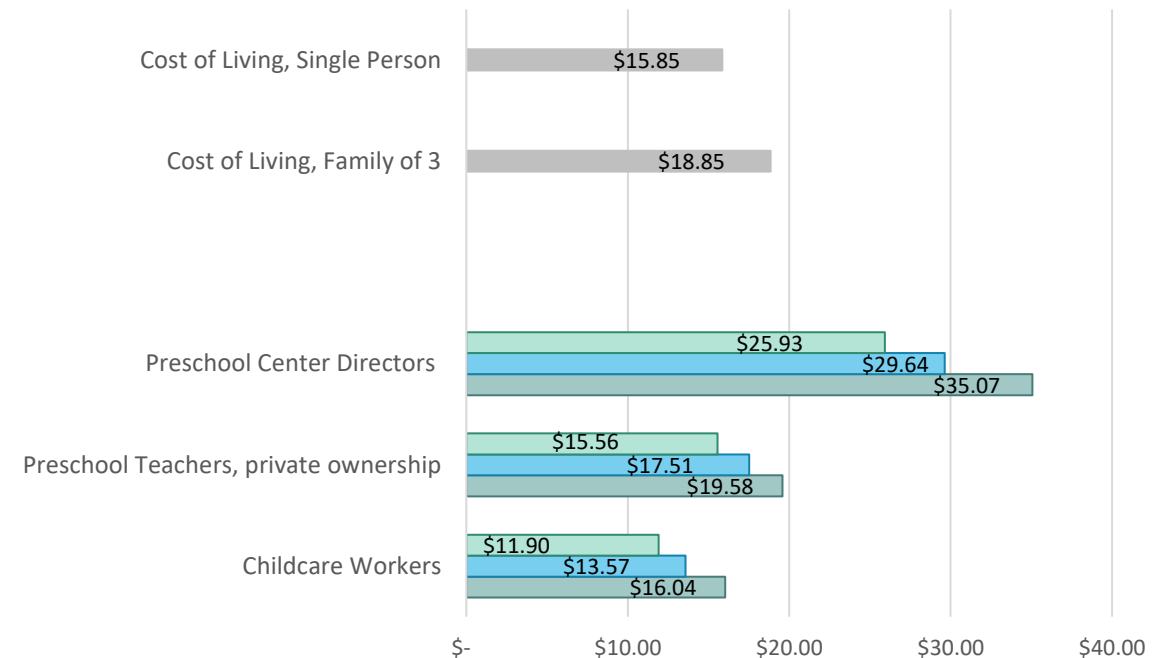
Compensation that Does Not Meet the Basic Cost of Living

Wages below the basic cost of living result in high turnover. Even vary experienced teachers barely meet the basic cost of living for typical family*. **Annual turnover rates:**

- 14.4% for the Child Day Care Services industry
- 5.9% in Manufacturing
- 8.1% in Educational Services
- 8.3% in Healthcare & Social Assistance
- 9.1% economy-wide in Minnesota

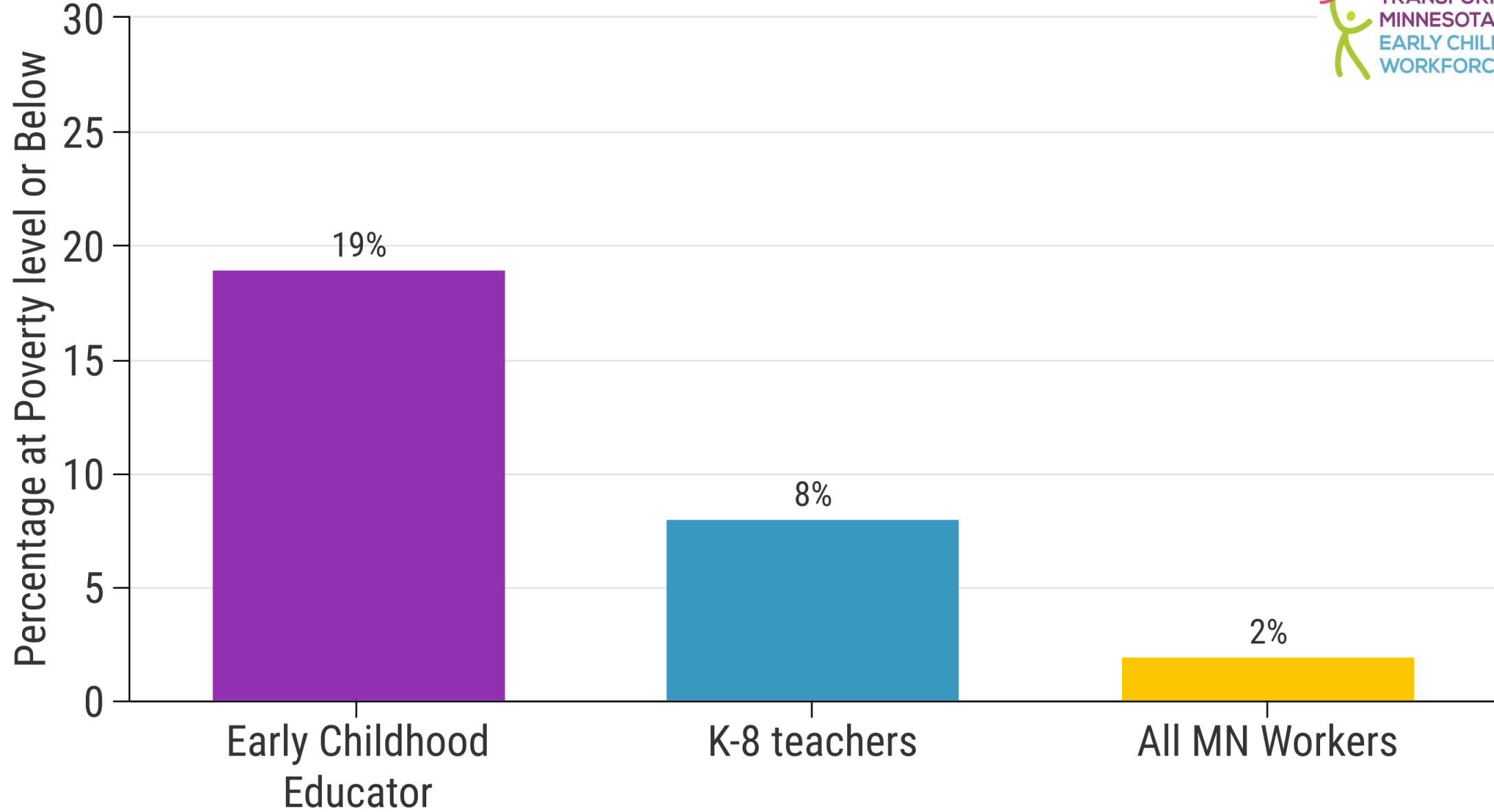
*The most typical family structure in MN is one full-time worker, one part-time worker and one child.

Wages of Early Care and Education Professionals and Cost of Living



Source: Occupational Employment Statistics, 2020 Wages and Minnesota Cost of Living, 2020 data, DEED

■ 25th Percentile Wage ■ Median Wage ■ 75th Percentile Wage



The impact of low wages

Approximately 1/3 of the early childhood workforce in Minnesota receives public support (EITC, Medicaid, SNAP, TANF) at a cost of **\$43 Million** per year.

Center for the Study of Child Care Employment, Early Childhood Workforce Index, 2016, University of California, Berkeley

SEQUAL Report

- Multipurpose, validated tool
- Sample of 167 licensed child care centers
- Final sample included 47 centers (33 in Parent Aware and 14 not in Parent Aware)
- Also included 35 Program Leaders and 143 teachers (69% lead teachers and 31% assistant teachers)
- 99% female



2018

Teachers' Voices

Work Environment Conditions That Impact Teacher Practice and Program Quality



Minnesota

Center for the Study of Child Care Employment
Institute for Research on Labor and Employment
University of California, Berkeley

Marcy Whitebook
Marisa Schlieber
Aline Hankey
Lea J.E. Austin
George Philipp

Select Findings from SEQUAL Report

Compensation

- Median hourly wage of teaching staff = \$12.75
- Teachers with a BA = \$14.03
- Teachers with 10 years at their center worked their way up to \$16.28
- **38%** rely on some form of public assistance
- **20%** had no health insurance

Adult Well-Being

- **56%** worried about paying for routine health care costs.
- **55%** worried about having enough to pay their families' monthly bills.
- **39%** worried about paying housing costs.
- **24%** worried about having enough food for their families.
- Over half had student loan debt and 52% of those with debt owed more than \$25,000

Workforce Pipeline in Crisis

The result of very low wages is a broken workforce pipeline with few qualified people entering the profession.

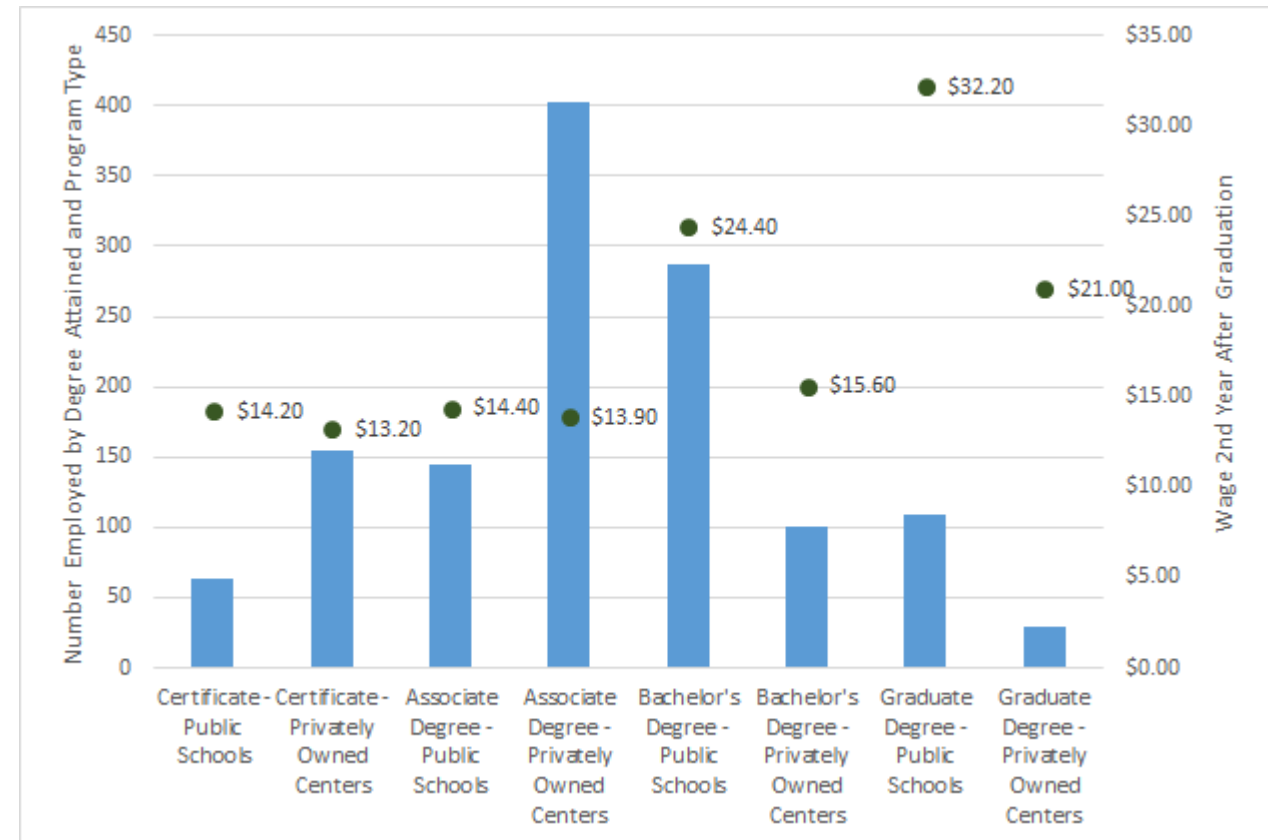
Centers are often not able to hire employees who meet basic licensing qualifications.

- Variance approved in 2018 addressed the immediate problem but not the long-term lack of qualified professionals and high turnover in the industry.

The wages in the table do not include family child care providers. A **2020 survey of recently closed family child care programs** identified the following **business factors** as having the most impact on their decision to close:

- Lack of benefits such as health insurance: 40%
- Long hours: 34%
- Difficulty finding substitute providers: 30%
- Low wages ranked lower on the list

Payoff to Educational Investment, Early Learning & Child Development Programs, 2013 to 2017 Graduates



Hopkins Early Learning The Impact If We Don't Invest



HELC's Commitment
to Quality Includes

the following

- 1** High Quality Facility

- 2** Indoor and Outdoor Play Spaces

- 3** Curriculum for Advanced Development

- 4** Nutritious meals prepared on site

- 5** Consistent Credentialed Staff

- 6** Ongoing Professional Development

- 7** Community Partner Relationships

- 8** Supportive Work Staff Environment

- 9** Out of Class Planning Time

- 10** Insurance for Staff

- 11** 403b Retirement Plan

- 12** Vacation and Sick Time


Budget with Market Rate Facilities' Cost

Expenses	Amount
Salaries	1,100,000
Health Insurance	65,000
Retirement	40,000
Facilities (market rate at low \$18/ft)	423,000
Scholarships (paid out of reserve)	12,000
Training and Quality	14,000
Classroom Materials	11,000
Food	80,000
Recruitment and Marketing	9,000
Consultants (IT, Audit, Health)	20,000
Expenses Total	\$1,774,000

Revenue	Amount
Tuition from Parents (includes Early Learning Scholarships)	1,463,000
County (CCAP, ELS)	30,000
USDA Food	18,000
Fundraisers	800
Grants	750
Misc. donations	2,000
Revenue total	\$1,514,550



**Projected loss
for the year = \$259,450**

Loss to the Community



117 high-quality spaces for infants, toddlers and preschoolers are no longer available in the West Metro.

21 experienced, trained staff and teachers unemployed.

THANK YOU- for More Information:

www.ecworkforcemn.org



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**What do we know about our early
childhood workforce?**

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Minnesota needs qualified, diverse, supported and fairly compensated early childhood educators.