**A values-based early care and education system would benefit children, parents, and teachers in CALIFORNIA**

By Elise Gould, Marcy Whitebook, Zane Mokhiber, and Lea J.E. Austin •

January 15, 2020

This report was produced by the Economic Policy Institute and University of California Berkeley’s Center for the Study of Child Care Employment.

In states across the nation, **underfunding of early child care and education (ECE**) is compromising the well-being of ECE teachers and the children in their care. In many states, policymakers simply do not have the information they need to **understand the true cost**—and the fundamental components required—to create a comprehensive, high-quality ECE system in their state. Proposals for ECE reform have focused primarily on improving access and affordability for families but have ignored the elephant in the room: **early care and education is substantially “funded” through low teacher pay and inadequate supports for ECE teachers, who are primarily women, specifically women of color.** In addition to being a serious injustice, lack of adequate financial and professional supports for ECE teachers compromises the consistency and quality of care children receive.

Policymakers and other stakeholders in California have an opportunity to disrupt this suboptimal status quo and ensure that California’s ECE system has the funding it needs to work effectively for children, families, and teachers. In this report, we develop an estimate of what it would cost to provide high-quality and comprehensive early care and education for California’s families **that does not financially overburden California’s parents**—who often manage in the current system by putting their careers on hold to stay home with their kids—and that also **does not come at the expense of ECE teachers**. Crucially, the amount of funding available for the ECE workforce is the linchpin of a successful early care and education system. Without well-qualified and fairly compensated early educators, ECE programs will not be able to provide and sustain a high standard of care for the children of California. Creating a values-based budget for early care and education requires aligning costs with what is needed.

**What will a values-based ECE system cost**?

A values-based budget for early care and education that ensures a well-qualified and fairly compensated early care workforce providing **a high standard of care** for the children of the state would cost from **$29.7 billion to $75.4 billion**, or $30,000 to $39,000 per child, annually, **when fully phased in**.1

For context, this amounts **to 1.0% to 2.5% of California’s GDP**.2 We estimate that an overhauled ECE system in California **would serve between 993,000 and 2,018,000 children and would employ between 317,000 and 826,000 ECE teachers at fair wages**.3

These costs acknowledge what policymakers are beginning to recognize: we can’t solve the child care crisis without a major investment. Creating a values-based budget for early care and education requires aligning costs with what is needed (see “Core principles,” below). **Well-prepared and well-paid educator**s are the key.4 A realistic and comprehensive estimate of what it would cost to achieve a skilled and stable workforce requires a key set of assumptions about qualifications, compensation, and ratios of children to teachers.5

**Core principles of a values-based ECE budget**

Young children—regardless of age or setting—need well-prepared teachers.

To attract and retain highly skilled teachers, California’s ECE system must offer good wages, guaranteed benefits, and healthy working conditions.

To provide high-quality care and education, reasonable limits should be placed on the number of children per teacher, and sufficient staffing should be maintained to ensure adequate coverage at all times.

Teachers must be allotted adequate time during which they do not have responsibility for children, so that they can attend to other professional responsibilities (e.g., plan activities and communicate with co-teachers and parents) as well as obtain further professional development.

Program administrators and other key personnel must also have fair pay and healthy working conditions.

To meet the increased demand for services anticipated once a stronger system is in place, the pipeline of highly qualified and committed teachers must be increased.

**The problems with the current early care and education system in California**

While the costs of a comprehensively reformed ECE system will be substantial, the status quo is unacceptable. What parents can afford to pay is not enough to provide teachers with fair wages and ensure high-quality care and education for young children; early educators are expected to underwrite the cost of the broken system with their low wages. This expectation is largely unchallenged.

**The poverty rate for early educators in California is 17%,** twice as high as for California workers in general (8.7%).

Early educators are severely underpaid, and as a result, too many are in poverty. Early educators pay a penalty for working with younger children: **California ECE teachers with a bachelor’s degree are paid 37.8% less than their colleagues in the K–8 system**. And the poverty rate for early educators in California is 17%, twice as high as for California workers in general (8.7%) and 6.7 times as high as for other teachers (2.5%).6

Despite low early educator pay, care still costs too much for families.7 Full-time infant care costs, per child, an average of **$16,542** per year in California**—$8,522 more per year than in-state college tuition** (which averages $8,020 per student)8—and takes up **24.3% of a typical family’s income**, far higher than the 7% recommended by the U.S. Department of Health and Human Services.9 Early care and education for four-year-olds in California costs **$11,202**, annually, per child.10 Furthermore, combined state and federal investment falls far short of serving all eligible children who qualify for current subsidy programs, and as a result, many low- and moderate-income families are heavily burdened by the costs of child care.11

Insufficient financial and professional supports for teachers compromise the stable care that is critical for young children. **Low pay fuels turnover** among early educators, and lack of adequate resources and professional supports undermines teacher practice and well-being.

**Analysis of the costs of a values-based ECE budget**

As described above, we find that the annual cost of a fully phased-in high-quality and comprehensive ECE system for California ranges from $29.7 billion to $75.4 billion, or $30,000 to $39,000 per child. The much larger range in aggregate costs relative to per-child costs reflects uncertainty about the age and number of children participating in a transformed ECE system (see Appendix for details). If the investments made fall short of the costs, quality will be undermined for children, parents, and teachers alike.12

Although states have historically spent less per child for children before they enter their school years than for children in K–12 classrooms, **services for younger children actually require more teachers** (because the child-to-teacher ratios are lower), and families typically need these services for **longer hours and more days of the year**. Furthermore, schools serving older children benefit from economies of scale that are not available to early childhood settings, given that ECE programs are almost universally smaller (in terms of the number of children they serve at each site) than even the smallest K–12 school. This difference of scale has an impact on costs associated with space, utilities, purchasing, employee benefits, and other similar expenses. The Appendix describes in detail how we derive our cost estimates.

Our estimates are the gross costs that would be needed to comprehensively reform the ECE system. **They do not account for the substantial resources that are already invested in this system.** Currently, funding for early care and education in California comes from a variety of sources including federal, state, and local governments as well as contributions from parents.13 California typically receives **about $2.6 billion** annually from the federal government for early care and education, and parents in California collectively pay about **$6.3 billion**. By far, the largest cost of the current system is the income parents forgo when they drop out of the labor market or work fewer hours in order to care for their children.14 A new system that draws more heavily on public financing would not just have the capacity to provide high-quality early care for more children, but would also lessen the burden that parents face under the current system.

**How will California benefit from a values-based ECE budget?**

California stands to benefit by making a serious investment in early care and education in line with the key values articulated in this model. Such an investment will strengthen California in a myriad of ways. It will:

Create a skilled and stable ECE workforce that can deliver high-quality services and meet growing demand.15

Support children’s well-being and success with a solid early childhood foundation.

Remove barriers to work and increase employment and earnings among parents, particularly mothers.16

Provide benefits to employers from reduced absenteeism and turnover when more stable child care is in place.17

Provide support for education and professional development for early educators, which can help address wage disparities within the occupation and relative to teachers of older children.18

Create opportunities that offer a pathway to the middle class—rather than to poverty—for those who would gladly pursue a career in teaching our youngest children if low pay were not an issue.

**Appendix: How we estimate the costs**

We estimate the costs of a fully phased-in overhaul of California’s ECE system based on the core principles outlined above. In order to estimate the total costs, we answer the following set of questions using a variety of data sources and assumptions.19

**How many children are expected to participate in the early care and education system?**

Using five years of data (2013–2017) from the American Community Survey, we estimate the number of children in California at each age (below age 1, age 1, age 2, etc.) for all children under five years old.20

Given uncertainty about the number of children **that will actually participate** in the new early care and education system, we provide a range of estimates based on the current numbers of children either in home-based or center-based care in California; the expected demand given the labor force participation rates of parents; the inverse of the homeschooling rate; and the participation rates in our peer countries with more comprehensive ECE systems already in place.21

We allocate children into **home-based versus center-based facilities based** on current state data, though we acknowledge that families may make different choices when policies and options change.22

Using these parameters, we estimate that the number of young children in the reformed ECE system in California would be somewhere between 993,000 and 2,018,000.

**How many staff members will be needed to serve the early care and education system?**

Given the number and distribution of children in each type of care, we determine the number of administrators needed (based on the assumption that each center has about 100 children with one lead administrator/principal and one administrative assistant) and the number of teachers needed (using the recommended ratio requirements—that is, the maximum number of children per teacher in a home-based or center-based ECE setting, which differs by the age of the children).

Then, we determine how many full-time-equivalent (FTE) teachers with bachelor’s or associate degrees are required given the hours a program is typically open during the week; how much non-contact time is required for lead versus assistant teachers or home-based providers; how many days are available for professional development; and how many days of paid time off (including holidays, vacation, and sick time) are allotted to each teacher.

Following these parameters, we calculate that the total number of teachers required in California’s reformed ECE system ranges from 317,000 to 826,000.

**How much should early educators and other staff be paid?**

In our model, we **set FTE annual pay for California early educators** with a bachelor’s degree at **$76,769**. This amount is determined by salaries of elementary and middle school teachers in California, as estimated using Current Population Survey Outgoing Rotation Group (CPS-ORG) weekly and hourly earnings data.23

**We set assistant teacher salaries at $46,062.** This amount is based on the ratio of the average pay for workers across occupations with some college or an associate degree to the average pay for workers with a college degree24 and applying that ratio to the salary we set for teachers with a bachelor’s degree in California.25

Center-based facilities also require administrators and administrative assistants. We set administrator salaries at $90,575; this amount is determined by averaging the salaries of educational administrators for preschools and for elementary and secondary schools in California.26 We set administrative assistant salaries at $43,670, based on the median salary for secretaries and administrative assistants in California.27

In addition to paid time off, discussed above, benefits—such as health insurance and retirement contributions—are assumed to cost an additional 25% of annual wages for all positions.

**What non-personnel costs are considered?**

The largest non-personnel cost is **rent**, estimated using square-footage recommendations and the median cost of real estate in the state.28

Other costs are included as well, such **as food, kitchen supplies, educational equipment, utilities, building maintenance, and insurance**, among other expenses.29

Acknowledgments

The authors wish to acknowledge the generous support of the Joyce Foundation and the Heising-Simons Foundation.

Endnotes

1. As discussed later, the total cost depends largely on the number of children who would participate in such a system.

2. EPI analysis of Bureau of Economic Analysis, National Income and Product Accounts Tables [data tables], 2019.

3. We define fair wages for ECE teachers as wages that are comparable to the wages earned by their K–8 counterparts; it is important to note, though, that these wages are still not as “fair” as we might hope for, given that K–12 teachers face significant pay penalties, as EPI research has shown. See, for example, Sylvia Allegretto and Lawrence Mishel, The Teacher Pay Penalty Has Hit a New High: Trends in the Teacher Wage and Compensation Gaps Through 2017, Economic Policy Institute, September 2018.

4. Marcy Whitebook, Deborah Phillips, and Carollee Howes, Worthy Work, STILL Unlivable Wages: The Early Childhood Workforce 25 Years After the National Child Care Staffing Study, Center for the Study of Child Care Employment, University of California, Berkeley, 2014; Marcy Whitebook, Caitlin McLean, Lea J.E. Austin, and Bethany Edwards, Early Childhood Workforce Index – 2018, Center for the Study of Child Care Employment, University of California, Berkeley, 2018.

5. Marcy Whitebook, Building a Skilled Teacher Workforce: Shared and Divergent Challenges in Early Care and Education and in Grades K–12, Center for the Study of Child Care Employment, University of California, Berkeley, September 2014.

6. Steven Ruggles et al., Integrated Public Use Microdata Series USA (IPUMS USA): Version 9.0 (Minneapolis, Minn.: IPUMS, 2019), https://doi.org/10.18128/D010.V9.0.

7. Costs vary by region of the state; statewide averages are provided here.

8. Economic Policy Institute, The Cost of Child Care, by State (calculator), last updated July 2019. “In-state college tuition” is tuition at a four-year public college or university.

9. Economic Policy Institute, Family Budget Calculator, last updated March 1, 2018; Department of Health and Human Services, Child Care and Development Fund (CCDF) Program; Proposed Rule, 80 Fed. Reg. 80466–80582 (December 24, 2015).

10. Child Care Aware of America, The U.S. and the High Cost of Child Care: A Review of Prices and Proposed Solutions for a Broken System, 2018, PDF downloadable from https://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/.

11. Rebecca Ullrich, Stephanie Schmit, and Ruth Cosse, Inequitable Access to Child Care Subsidies, Center for Law and Social Policy (CLASP), April 2019; Sarah Thomason, Lea J.E. Austin, Annette Bernhardt, Laura Dresser, Ken Jacobs, and Marcy Whitebook, At the Wage Floor: Covering Homecare and Early Care and Education Workers in the New Generation of Minimum Wage Laws, Center for Labor Research and Education (UC Berkeley), Center for the Study of Child Care Employment (UC Berkeley), and COWS (UW-Madison), May 2018.

12. Lea J.E. Austin, Marcy Whitebook, and Harriet Dichter, Financing Early Educator Teacher Quality: A Closer Look at Assumptions That Drive Variations in Estimating the Cost of Services, Center for the Study of Child Care Employment, University of California, Berkeley, 2019.

13. Our concurrent report, Who’s Paying Now? The Explicit and Implicit Costs of the Current Early Care and Education System (Elise Gould and Hunter Blair, Economic Policy Institute, January 2020), provides some context for the investment needed for an ECE overhaul by providing a rough count of the money already in the ECE system nationwide.

14. In our concurrent report, we estimate that parents forgo roughly $30–35 billion in income because the current high cost of ECE leads many parents to leave the paid labor force, or reduce their paid work hours, to care for their children. See Elise Gould and Hunter Blair, Who’s Paying Now? The Explicit and Implicit Costs of the Current Early Care and Education System, Economic Policy Institute, January 2020.

15. Marcy Whitebook, Elizabeth King, George Philipp, and Laura Sakai, Teachers’ Voices: Work Environment Conditions That Impact Teacher Practice and Program Quality, Center for the Study of Child Care Employment, University of California, Berkeley, 2016; Marcy Whitebook, Marisa Schlieber, Aline Hankey, Lea J.E. Austin, and George Philipp, Teachers’ Voices: Work Environment Conditions That Impact Teacher Practice and Program Quality — New York, Center for the Study of Child Care Employment, University of California, Berkeley, 2018.

16. Josh Bivens, Emma García, Elise Gould, Elaine Weiss, and Valerie Wilson, It’s Time for an Ambitious National Investment in America’s Children: Investments in Early Childhood Care and Education Would Have Enormous Benefits for Children, Families, Society, and the Economy, Economic Policy Institute, April 2016.

17. National Academies of Science, Engineering and Medicine, Transforming the Financing of Early Care and Education (Washington, D.C.: National Academies Press, 2018), https://doi.org/10.17226/24984.

18. Marcy Whitebook, Caitlin McLean, Lea J.E. Austin, and Bethany Edwards, Early Childhood Workforce Index – 2018, Center for the Study of Child Care Employment, University of California, Berkeley, 2018.

19. For a more complete methodology using California as the lead example, see Elise Gould, Marcy Whitebook, Zane Mokhiber, and Lea J.E. Austin, Breaking the Silence on Early Child Care and Education Costs: A Values-Based Budget for Children, Parents, and Teachers in California, Economic Policy Institute, July 23, 2019.

20. Steven Ruggles et al., Integrated Public Use Microdata Series USA (IPUMS USA): Version 9.0 (Minneapolis, Minn.: IPUMS, 2019), https://doi.org/10.18128/D010.V9.0.

21. Steven Ruggles et al., Integrated Public Use Microdata Series USA (IPUMS USA): Version 9.0 (Minneapolis, Minn.: IPUMS, 2019), https://doi.org/10.18128/D010.V9.0; Organisation for Economic Co-operation and Development (OECD), OECD Family Database: PF3.2 Enrollment in Childcare and Pre-School, OECD, Social Policy Division, Directorate of Employment, Labour and Social Affairs, 2018; National Center for Education Statistics (NCES), “Fast Facts: Homeschooling” (web page), 2017.

22. National Survey of Early Care and Education (NSECE) 2012 data; Ajay Chaudry et al., Cradle to Kindergarten: A New Plan to Combat Inequality (New York: Russell Sage Foundation, 2017).

23. Data from Economic Policy Institute, Current Population Survey Extracts, version 0.6.0, 2019, analyzed using methods in Sylvia Allegretto and Lawrence Mishel, Teacher Wage and Compensation Penalty Methodology, Economic Policy Institute, April 2019. In general, we trust the methods and sampling used in the CPS-ORG; however, when the estimates vary greatly from other sources, notably the Occupational Employment Statistics (OES), we use information from both surveys to reach our estimate. Specifically, when the estimate for teacher pay using the CPS-ORG is more than 10% higher than the OES estimates for the same occupation, we deflate our teacher pay estimate down to 110% of the OES value.

24. Economic Policy Institute, “Wages by Education” [online interactive table], State of Working America Data Library, table last updated February 19, 2019.

25. It is important to note that, while ECE teachers (both lead and assistant teachers) would receive higher pay under our model than they are currently receiving, we have based our estimates for ECE teacher pay on elementary and middle school teacher pay and, as EPI has shown in other research, public school teachers face a significant pay penalty. That penalty is 20% on average nationally; at the state level, the penalty runs as high as 36.4%. (See Sylvia Allegretto and Lawrence Mishel, The Teacher Pay Penalty Has Hit a New High: Trends in the Teacher Wage and Compensation Gaps Through 2017, Economic Policy Institute, September 2018.) Because assistant teacher salaries are based on a percentage of BA teacher pay, those salaries may also seem lower than what would be deemed fair in other circumstances. To the extent that the pay penalty narrows for public school teachers in the future as better contracts are negotiated, we would hope that ECE teacher pay would rise as well.

26. Bureau of Labor Statistics, Occupational Employment Statistics, May 2018 State Occupational Employment and Wage Estimates [online data set], last modified April 2, 2019.

27. Bureau of Labor Statistics, Occupational Employment Statistics, May 2018 State Occupational Employment and Wage Estimates [online data set], last modified April 2, 2019.

28. American Academy of Pediatrics, American Public Health Association, and National Resource Center for Health and Safety in Child Care and Early Education, Caring for Our Children: National Health and Safety Performance Standards, Guidelines for Early Care and Education Programs, 4th ed., 2019, PDF downloadable at https://nrckids.org/CFOC; LoopNet Market Trends (LoopNet), Property Asking Rent—Lease Trends, 2017; U.S. Census Bureau, “Table B25031: Median Gross Rent by Bedrooms,” data from the 2013–2017 American Community Survey 5-Year Estimates, accessed via American FactFinder, 2018.

29. Costs for both center- and home-based settings are adapted from Augenblick, Palaich and Associates, The Cost of Preparing Students for Kindergarten in Southwest Florida, prepared for Future Ready Collier Early Childhood Education Work Group, April 2017.