The Business Imperative for Early Education

Findings and Recommendations of the
Early Education and Care Business Advisory Group

Theory of Action

“When taken at face value, early education and care may not seem like a business or labor issue. But make no mistake, it is.”

House Speaker Robert A. DeLeo

In recent years, one of the highest priority issues for the business community has been improving the workforce pipeline. Surveys have shown that 75 percent of Massachusetts employers have difficulty finding people qualified to fill open positions.\(^1\) This means our businesses are not achieving their full potential and our residents are missing out on existing opportunities because they lack proper qualifications.

In an effort to improve the quality and supply of our workforce, the business community has engaged in various initiatives to support the efforts of universities, community colleges, workforce training programs, vocational technical schools and K-12 public schools. However, there has not been sufficient focus on one key area of the workforce development pipeline that can have a significantly profound impact: the early learning years.

Research shows that participation in high-quality early education and care (EEC) programs increases a child’s likelihood of graduating from high school, attaining a college degree, and being gainfully employed. When children enter the classroom with a strong early learning foundation in place, they are more likely to succeed in the early grades and to be on a path to reading success by age 8. If children read at grade level by age 8, they are four times more likely to graduate from high school,\(^\text{ii}\) and those who participate in high-quality early childhood programs are twice as likely to attend college.\(^\text{iii}\)

In other words, access to high-quality EEC can increase the talent pool available to meet employers’ workforce needs. It also gives our children a better chance at succeeding in school and being qualified for high-potential job opportunities.

All of these benefits, however, are only realized if the early childhood programs are of high-quality. The most significant determinant of quality is the educator leading the classroom.\(^\text{iv}\) Therefore, doing what is best to support the Commonwealth’s children, working families, communities, and successful economic growth rests on developing, professionalizing and retaining the early education and care workforce.
Guiding Principles

■ Access to high-quality early childhood education and care not only benefits children, but is also a workforce issue, an economic development issue and a good business imperative.

■ High-quality early childhood education is important for the Commonwealth’s long-term economic health because it can increase the supply of qualified workers while reducing demand and cost on remedial services.

■ In order to achieve the desired results and return on investment, expanding access to early education and care must be coupled with ensuring that our early education and care programs are high-quality.

■ Developing, professionalizing and retaining the early education workforce is critical to delivering high-quality programming.

The Business Case

“Every dollar spent on high-quality, birth-to-five programs for disadvantaged children delivers a 13 percent per annum return on investment... The cost of inaction is a tragic loss of human and economic potential that we cannot afford.” James Heckman, Nobel Laureate in economics, University of Chicago. “The Heckman Equation (12/5/16).”

■ Businesses need employees who are well prepared and job-ready, today and into the future. Investing in EEC improves the workforce pipeline. Research has shown that high-quality Pre-K, for example, increases high school graduation by 31 percent, college attendance by more than 80 percent, and employment by 23 percent. It leads to gainful employment later in life, with better health outcomes, and decreases the chances of incarceration and the need for social services. The brain grows most rapidly in the first 5 years, and learning gaps appear as early as 9 months of age, making it crucial that meaningful investments begin in the early years.

■ Investing in high-quality early childhood education yields an attractive return on investment (ROI). An investment of $16,000 - $18,000 per child annually in the early years returns a total public benefit of $700,000 - $800,000 over the life of the child. Research suggests a greater ROI the earlier the investment, yielding positive returns in savings on education, crime and welfare spending, and increases tax revenues on earnings. In addition, mounting evidence shows that high-quality EEC can help establish the foundation for good health throughout life. When children start school with a strong early learning foundation they are more likely to succeed in the early grades and be on a path to reading success by age 8. If children read at grade level by age 8, they are 4 times more likely to graduate from high school. A high school dropout in Massachusetts, on average, costs taxpayers $349,000 more over a lifetime – in decreased tax revenues and increased public assistance costs – than the average high school graduate.
Access to EEC helps families obtain and maintain employment and achieve economic self-sufficiency. When those programs are high-quality, it further supports families and businesses by providing an enriching learning environment that allows families to go to work knowing that their children are being better prepared for academic success. This leads to increased workforce productivity while simultaneously laying the foundation for a stronger workforce of tomorrow. Currently in Massachusetts, 69 percent of children under the age of 6 have both parents in the labor force. Access to EEC impacts families who are eligible for subsidies but are on waitlists, as well as families who do not meet subsidized eligibility requirements but struggle to afford care.

Quality early education and care can dramatically improve physical health throughout life. Mounting evidence shows that high-quality EEC helps establish the foundation for long-term wellness. A child’s earliest years are not only the period in which the most rapid brain development occurs; it is also a crucial time for shaping healthy behaviors. Quality programming can impact long-term mental health and rates of obesity – indicators of some of the most common chronic diseases including heart disease, diabetes, depression and substance abuse – providing good outcomes for children that also translate directly to health care savings for employers and taxpayers.

Massachusetts System Data Points

- The Department of Early Education and Care licenses approximately 10,000 group child care centers and family child care homes across the state that serve infant, toddler, preschool and school-age children. EEC’s licensed programs and agencies have the capacity to serve over 240,000 children.

- There are 2,137 licensed center-based programs, 6,228 family child care homes and 492 public schools with preschool classrooms.

- The Department of EEC’s FY17 budget is $544 million, supporting about 58,000 children from low-income or at-risk families to attend a high quality early education and care program. Of this $544 million, 92 percent is governed by federal requirements.

- There are an estimated 90,000 educators working in EEC-licensed programs in Massachusetts.

- 14,813 children (ages 0-5 years) are on the Department of Early Education and Care’s wait list for Income Eligible Child Care financial assistance.

- Average cost for full-day full-year child care is $17,062 for infants and $12,781 for a 4-year-old, making Massachusetts among the top 10 least affordable states in the nation.

- Median annual educator salary is $25,001 - $27,500 in family child care and $22,501 - $25,000 in center-based programs. The average starting salary for a public school teacher is $40,462.

- Median wage for child care workers has decreased by 2 percent and the wage for preschool teachers by 5 percent since 2010. Some 39 percent of child care worker families participate in one or more public income support programs.
Early Childhood Funding Streams

The per-child cost of high-quality preschool ranges from $10,000 to $15,000 depending on the program model. The Department of Early Education and Care’s reimbursement rate to providers for full-day, full-year preschool is approximately $8,500 per year. The Chapter 70 foundation budget rate for half-day public school preschool is $3,586. Private rates average an annual cost of $12,781 for 4-year-olds.

Private

■ Parent fees: Are the largest source of funding in the system, paid by an estimated 44 percent or 98,121 of the state’s preschool-age population.xvii

Federal

■ Child Care Development Fund: Requires a state match, and has eligibility requirements tied to parents’ work status. This funding source ($481 million in FY17) provides subsidized income-eligible contracted slots and vouchers for DCF-involved children. Supplemented with state funding for waitlist reduction ($12 million in FY16) and rate reserve for educator salaries ($12.5 million in FY17). 76 percent of the EEC’s total funding is federal, with an additional 16 percent as the required state match. Roughly 8 percent or 18,319 preschool-age children access programs through an EEC subsidy. There are waiting lists for state subsidies.

■ Head Start: Funding flows directly to local Head Start programs, supplemented with $9.1 million in state funding in FY17. There are 11,819 preschool-age children in Head Start, or 5 percent of the preschool-age population.

■ Preschool Expansion Grant: Competitive grant providing $15 million for 4 years to enroll more than 850 4-year-olds in high quality preschool classrooms in 5 communities.

State

■ Chapter 70 education aid: Aid to local school districts, which enroll an estimated 29,000 3 and 4-year olds annually, 13 percent of the preschool-age population, typically in half-day inclusive preschool classrooms (i.e., classes with 50 percent children with special needs, 50 percent typically developing children).


■ Early Childhood Educator Scholarship: Provides $3.2 million annually to help EEC educators with the cost of pursuing AA and BA degrees.

■ Educator and Provider Support Grant (EPS): $3.3 million in FY16 to support educators in degree attainment and increased competency, accreditation and upward movement in Quality Rating and Improvement System (QRIS), and foster a comprehensive professional development system.
Universal Pre-K grant: $6.3 million in FY16 to support preschool programs in QRIS with quality, curriculum, assessment, professional development.

Workforce System Components

A vibrant, functioning workforce system has a variety of essential components. A robust system encourages career advancement, includes a shared understanding of core competencies, professional development and training, and career advancement that links knowledge and training attainment to compensation. Currently, within the EEC field, there are minimal entry-level requirements and minimal ongoing professional development requirements. There is no defined career pathway, professional development requirements do not build upon each other, and reimbursement rates do not always align with quality.

High quality early education and care yields an attractive ROI for government and taxpayers by increasing income tax revenue and decreasing government spending on crime, welfare and remedial education. It increases workforce productivity and deepens the current and future talent pool available to meet employers’ workforce needs. It also supports success in school and beyond. All of these benefits, however, are only realized if the early childhood programs are of high quality, which requires developing, professionalizing and retaining the early education workforce.

The following is a review of key elements of the early childhood workforce system in Massachusetts and considerations that could be addressed:

1. Credentials and Degrees in Massachusetts

In Massachusetts, there are different requirements for teachers in public school and licensed community-based settings resulting in critical gaps in foundational skills and competencies among the workforce. Currently, it is recommended but not required, that early educators in licensed programs have college degrees. Certifications for teacher and lead teacher require a minimum of a high-school diploma, plus college coursework and experience. A critical step in laying the foundation for a strong EEC workforce is clarifying a set of goals within the professional development framework in order to establish the skills and knowledge, or core competencies, required to be an effective early educator.

In an effort to increase the number and percentage of the EEC workforce with A.A. and B.A. degrees, the Massachusetts Legislature created the Early Childhood Educator (ECE) Scholarship in FY06. For the past decade, the scholarship has helped thousands of educators pursue higher education and, with the help of enhanced tracking and outcome data, there may be an opportunity to build on the state’s investment.

Considerations:

- Shortage of early childhood teachers with degrees, credentials and foundational skills in child development. EEC programs report increased hiring shortages and high turnover.
- Recognizing core competencies for early educators.
- ECE Scholarship data and monitoring.
2. Compensation

- Compensation has contributed to high turnover and hiring shortages in community-based settings. The average salary in a center-based program is $25,000 while the average kindergarten salary is $67,000. xviii

- The 2016 federal poverty guideline for a family of four in Massachusetts is $24,300, just barely below the average salary for center based preschool teachers. Because the early education and care workforce is predominantly female, poor compensation perpetuates income inequality and denies the opportunity to achieve economic self-sufficiency for workers and their families.

- Massachusetts has increased compensation through the rate reserve (for subsidized programs only), UPK grant funding, and Quality Rating and Improvement System (QRIS) quality-improvement grants. However, there is no differentiated rate to recognize quality, therefore, no incentive to participate in the current QRIS system that is designed to align quality with rates.

Considerations:
- Average salaries in center-based programs have led to high increases in turnover, and are just barely above the federal poverty level for a family of four.
- Rates are not tiered based on quality, and therefore, not aligned with a credential or professional development attainment or outcomes.

3. Professional Development

Professional development (PD) access and quality vary greatly. Early educators often access PD on nights and weekends, and online when possible. Community-based programs usually cannot offer substitutes and stipends as is the norm in K-12. Effectiveness of most PD is unknown, but new research indicates that coaching models are a promising strategy for improving teacher effectiveness.xix Research also shows that for PD to be effective it should be ongoing, embedded and continuous.xx

Consideration:
- Early educators lack access to high-quality, relevant PD, and have fewer PD opportunities than K-12 teachers.

4. Career Ladder

In 2011, the EEC Board endorsed a career ladder as a resource and reference, but no official or mandated career ladder is in use currently.

Consideration:
- No clear, widely used career ladder exists, which creates confusion in the field, limits professional advancement and contributes to high turnover.
5. Workforce Pipeline Coordination

There are many workforce development initiatives at the state level; however there is no systematized coordination for early childhood professionals. The Department of Early Education and Care is the primary entity responsible for governing the early childhood sector. It is important to support collaboration efforts among the Department of Early Education and Care, the Department of Higher Education and Department of Elementary and Secondary Education, as well as the Department of Labor and Workforce Development, to help to address workforce needs that are dependent on policies tied in to those at the K-12 and higher education levels.

For example, high school students studying early childhood education at vocational-technical high schools should be connected to college and career opportunities. Similarly, higher education and early childhood lack alignment in the preparation of early educators and an obvious, professional career path. To ensure that Massachusetts has a high-quality early education workforce in the future, plans must support students and young professionals, and encourage them to stay in the field over the long-term.

Consideration:

● Support strengthening coordination between the Department of EEC and other state education and workforce agencies.
Conclusions

1. **High-quality Early Education and Care (EEC) is a business imperative.** The Commonwealth should make access to high quality EEC a priority, not only to benefit our children, but because it is a workforce issue, an economic development issue and a business imperative. Quality EEC increases the talent pool required to meet employers’ workforce needs. It also gives our children a better chance at succeeding in school and qualifying for high-potential job opportunities.

2. **The early education system is in crisis and must be stabilized and strengthened.** Early childhood educator turnover is 30 percent and classrooms are going unfilled because of the lack of qualified teachers. In Massachusetts, only 35 percent of early educators hold a B.A. degree or higher; and the average salary in center-based programs is $25,000. To have a meaningful impact on children and on families, early education and care programs must be high-quality. The educator is the most important determinant of classroom quality.

3. **The Commonwealth needs a comprehensive workforce development system for supporting early educators.** Currently, it is insufficient to create a pipeline of quality early educators. Massachusetts needs a functioning workforce development system with the essential, traditional components to properly support its workforce. A mature system includes an obvious career path, from education to employment, with compensation that is tied to professional development, educational attainment and outcomes.

4. **There is not a long-term plan to sustain the early education and care system in Massachusetts.** In order to “professionalize the profession” for early childhood educators, there should be a comprehensive long-term workforce development strategy that plans 5, 10 and 20 years in advance to cultivate, attract, develop and retain educators.

5. **Quality investments in the early education and care system must be designed to measure results.** Investments in the EEC workforce must achieve measurable results both for early educators and the children they serve. Establishing goals, collecting relevant data, and measuring progress must be part of an accountability system in EEC investments.
Recommendations

Given the conclusions listed above, the research confirming the value of high-quality early education and care (EEC), and the importance of a professional EEC workforce to the Commonwealth’s future, the EEC Business Advisory Group supports a mixed-delivery system of universal access to high-quality EEC, particularly for the state’s most vulnerable children and families.

The recommendations in this report support this framework by stabilizing providers, spurring higher quality by aligning rates with quality measures, and urging the creation of a sustainable workforce development system. The Commonwealth should support planning for EEC to scale these investments in quality and increase access over the long term.

Stabilize the Early Education and Care Workforce
(Years 1 and 2)

Recommendation 1: Stabilize the early childhood workforce, in the short term, through a rate reserve to providers, building upon the investment made in the FY17 state budget, and consider a goal of working toward a higher market rate over the next 2-3 fiscal years.

Recommendation 2: Develop the key elements of a workforce system, including but not limited to the establishment of a core credential, aligning core competencies and connecting to QRIS, professional development, and a career ladder. Update core competencies and establish stackable credentials that address the need for foundational knowledge of all early educators.

Build Quality
(Years 3 +)

Recommendation 3: Reimburse early childhood providers contingent upon attainment of the core credential and other quality measures through a plan to align professional development and training opportunities with rates. Initially focus on the most vulnerable populations, prioritizing children ages 0-5.

Recommendation 4: Support coordinated professional development, scholarships and other activities to assist educators in attaining additional training and educational opportunities.

Create a Sustainable System
(Ongoing)

Recommendation 5: Establish a long-term goal for reimbursement rates to providers that ensures high quality, a timeline to achieve that goal, and a plan to both scale these investments in quality and increase access as expeditiously as the Commonwealth can afford to do so.

Recommendation 6: Increase collaboration and explore opportunities within the Workforce Skills Cabinet to identify opportunities for early childhood educators. This should include building and strengthening connections with vocational technical schools, community colleges,
4-year colleges and the University of Massachusetts; engaging the Secretary of Labor and Workforce Development to explore strategies to include the early education workforce in high-priority sector initiatives; and exploring current funding streams and initiatives at public higher education institutions that could further support the early educator workforce.

**Recommendation 7**: Identify IT needs to assess measure and track workforce development outcomes.

**Recommendation 8**: Establish a series of benchmarks for the implementation of these recommendations and report progress, findings and recommendations.


Children who attended high-quality early education programs are more likely as adults to have health insurance and proactively seek medical treatment. They have been found less likely to experience signs and symptoms of cardiovascular and metabolic diseases in their mid-30s. Campbell, F. A, et al. (2014). Early Childhood Investments Substantially Boost Adult Health. Science. 343(6178): 1478-1485. Early Education and Care Business Advisory Group 25


U.S. Census Bureau, 2008-2012 ACS 5-year estimates.


