The Economic Impact of the Early Care and Education Workforce

First 5 LA Policy Roundtable Meeting

June 5, 2012
Early Care and Education in California

• There are more than 3 million children in California between the ages of zero and five
  – Almost 30% (870,000) are in Los Angeles County

• A significant percent of these children attend an early care and education (ECE) program

• Role of the ECE sector:
  – Provides a critical service to children and families
  – Benefits the local and state economy
  – Essential to California’s workforce and economic development
Demand for ECE Outweighs the Supply

• For every ECE worker in Los Angeles County, there are about 21 children between the ages zero to five

• According to the California Child Care and Referral Network, licensed child care slots are available for only 23% of children aged 0 to 13 with parents in the workforce
The ECE Workforce

• Preschool Teachers
  – Classified as an Education, Training, and Library Occupation*

• Child Care Workers
  – Classified as a Personal Care and Service Occupation*

• “Informal” workers (e.g., those who take care of relatives, or operate on a license-exempt basis)
  – Not counted or classified among official statistics

*Bureau of Labor Statistics 2010 Standard Occupational Classification (SOC) system
Two-Thirds of California’s ECE Workforce Members are Child Care Workers

- 36% Preschool Teachers (55,300)
- 64% Child Care Workers (99,700)
ECE is a Major, Growing Local Industry

<table>
<thead>
<tr>
<th></th>
<th>LOS ANGELES COUNTY</th>
<th>CALIFORNIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Care Workers</td>
<td>26,180</td>
<td>30,510</td>
</tr>
<tr>
<td>Preschool Teachers</td>
<td>15,210</td>
<td>18,360</td>
</tr>
<tr>
<td>Total</td>
<td>41,390</td>
<td>48,870</td>
</tr>
</tbody>
</table>
ECE Provides More Jobs in L.A. County than Many Other Industries

Figure 1: Direct Employment by Various Industries in Los Angeles County (2005)

Table 2: Estimated Value of Annual Gross Receipts for the Formal Early Care and Education Industry in Los Angeles County (in millions)
ECE Workforce Makes a Major Contribution to the Economy

- Estimated gross receipts for ECE Workforce:
  - $1.7 billion in Los Angeles County
  - $5.6 billion in California

*Gross receipts: the measure an industry’s overall value of the goods and services produced over the course of a year*
ECE Revenues Multiply

• Every $1 spent on the ECE in California yields $2 in economic output
  – Generates higher earnings, increased spending, and higher tax revenues
  – More money is spent on local and state industries, such as retail and transportation
  – Economic gains ripple beyond expenditures for ECE services
ECE Gross Receipts are Higher than Several Other Local Industries

Figure 2: Gross Receipts by Various Industries in Los Angeles County (2006)
ECE Increases Worker Productivity

• Parents using quality child care are less likely to:
  – Stop working to care for their children
    • Savings in turnover cost estimates go up to 250% of employee’s annual salary
  – Be absent from work
    • Absences cost businesses at least twice the absent worker’s wage

• Parents’ co-workers productivity increased by availability of quality ECE
  – 78% of workers feel their work environment would improve if their co-workers’ child care needs were addressed
ECE has a High Return on Investment

“Investments in high-quality early education programs have the highest rate of return of any social investment.”

- Dr. James Heckman
ECE Sets the Stage for Future Gains

• Children who attend high-quality early education programs:
  – Start kindergarten ready for school
  – Are less likely to repeat a grade
  – Are more likely to graduate from high school and attend college

• As adults, those children have:
  – Better chances of employment in higher-skilled jobs
  – Reduced likelihood of criminal behavior
  – Reduced reliance on public assistance
ECE Benefits Yield Financial Savings

• The benefits of ECE result in future economic returns through:
  – Higher payroll taxes by program participants
  – Higher purchasing power by program participants
  – Less public funds spent on welfare
  – Less public funds spent on incarceration
Lifetime Benefits from Quality ECE are Much Higher than Original Costs
# ECE Workers Make Lower than Average Salaries

<table>
<thead>
<tr>
<th></th>
<th>LOS ANGELES COUNTY</th>
<th>CALIFORNIA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Hourly</td>
<td>Average Annual</td>
</tr>
<tr>
<td></td>
<td>Salary</td>
<td>Salary</td>
</tr>
<tr>
<td>Child Care Workers</td>
<td>$11.34</td>
<td>$23,585</td>
</tr>
<tr>
<td>Preschool Teachers</td>
<td>$15.26</td>
<td>$31,738</td>
</tr>
<tr>
<td>All Workers</td>
<td>$24.44</td>
<td>$50,844</td>
</tr>
<tr>
<td></td>
<td>Average Hourly</td>
<td>Average Annual</td>
</tr>
<tr>
<td></td>
<td>Salary</td>
<td>Salary</td>
</tr>
<tr>
<td>Child Care Workers</td>
<td>$11.64</td>
<td>$24,218</td>
</tr>
<tr>
<td>Preschool Teachers</td>
<td>$15.23</td>
<td>$31,679</td>
</tr>
<tr>
<td>All Workers</td>
<td>$24.68</td>
<td>$51,334</td>
</tr>
</tbody>
</table>
Comparison to Other Industries ECE Workers Are Not Paid Well

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>2011 California Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant</td>
<td>$75,222</td>
</tr>
<tr>
<td>Construction Worker</td>
<td>$52,428</td>
</tr>
<tr>
<td>Child, Family, and School Social Worker</td>
<td>$50,794</td>
</tr>
<tr>
<td>Automotive Repairer</td>
<td>$45,636</td>
</tr>
<tr>
<td>Housekeeping and Janitorial Worker</td>
<td>$41,983</td>
</tr>
<tr>
<td>Preschool Teacher</td>
<td>$31,679</td>
</tr>
<tr>
<td>Hairstylists and Cosmetologist</td>
<td>$25,552</td>
</tr>
<tr>
<td>Hotel/Motel Desk Clerk</td>
<td>$24,660</td>
</tr>
<tr>
<td>Child Care Worker</td>
<td>$24,218</td>
</tr>
<tr>
<td>Waiter/Waitress</td>
<td>$21,041</td>
</tr>
</tbody>
</table>
ECE Workforce Salaries
Not on Par with Other Educators

- Child Care Worker: $9.88
- Preschool Teacher: $16.61
- Kindergarten Teacher: $34.24
- Elementary Teacher: $37.02