Early Education and Child Care: The Essential Sector

The COVID-19 crisis has been a nearly unprecedented disruption to American education at all levels. By early May, according to one estimate, 45 states and the District of Columbia had ordered or recommended school closures through at least the end of the current school year, affecting close to 50 million public school students.\(^1\) Many colleges and universities closed campuses or moved to online-only instruction in March. Disruptions to early childhood learning have also been widespread. Public pre-K programs attended by 1.6 million children nationwide were closed to help stop the community spread of COVID-19.\(^2\) Roughly one-third of children under age five typically receive services in an organized child care facility—including preschool classrooms.\(^3\)

Past crises, like the Great Recession, permanently reduced achievement and attainment among American students, with negative effects particularly concentrated in lower-income school districts.\(^4\) These disruptions may be especially acute for younger, disadvantaged children who would likely have had the most to gain from high-quality early childhood education and services.

A growing body of research points to lifelong benefits from investment in children at the earliest stages in life, when the foundation is built for future social, emotional, cognitive, and physical development.\(^5\) Several concerning trends make the investment in early learning for children even more important, including the long-expected demographic shifts resulting in an older and slower-growing workforce, compounded by COVID-19’s...
Recommendations

US investments in access to high-quality public pre-K and child care strengthen the US economy—expanding the size and deepening the capacity of the US workforce while helping all families to achieve growing prosperity. The US should:

- **Promote** high-quality child care and public-supported pre-K as a public good and treat it as an integral part of education and workforce preparation.

- **Ensure** that all children have high-quality early learning opportunities from birth, including child care and public pre-K education, especially for the most disadvantaged.

- **Implement** a sustainable financing system capable of supporting affordable access to high-quality child care and public pre-K.

- **Invest** in a high-quality early education workforce, including through state adoption of early educator workforce investment tax credits.

- **Modernize** child care regulations to deliver quality, reduce burdens, and encourage innovation.

- **Draw** on business leaders to make the national interest case for investing in early learning.
impact on businesses across sectors intensifying their use of technology and cutting-edge innovative practices. Thus, the US needs an increasingly well-educated and trained workforce that can meet employers’ changing demands and ensure the nation’s economic strength and global competitiveness. COVID-19 has only made it clearer that the nation must invest so that all American children reach their full potential.6 This is fundamental to sustaining capitalism and to our democracy.

Of equal importance has been COVID-19’s devastating impact on the child care industry as a whole. COVID-19 has highlighted the fragility of the current child care financing model, as well as the indispensability of such care for supporting the work effort of parents.7 Throughout the country, child care programs have closed, and those that are open are operating far below average enrollment levels, typically restricted to serving only the children of essential personnel.8 A nationwide survey of child care providers in March found that, without public investment, nearly half of respondents did not believe they could financially survive a closure of more than two weeks.9

While forthcoming Solutions Briefs from the Committee for Economic Development of The Conference Board (CED) will address recommendations for the later stages of the education continuum, this Solutions Brief focuses on the early learning years. To support a successful 21st-century economy and recovery from the COVID-19 pandemic, policy makers and business leaders must take timely action as partners to:

• most immediately, tackle the destructive impact of COVID-19 on child care, an industry that is critical to helping Americans return to work; and

• advance high-quality care and education for children under five, ensuring that all children have access to high-quality early learning opportunities, including a durable financing system, appropriate support and training for staff, and private sector leadership and participation.

INVESTMENTS IN EARLY LEARNING AND CARE PROMOTE OPPORTUNITY AND PROSPERITY FOR ALL

For over five decades, CED has provided reasoned solutions in the nation’s interest to improve the educational prospects of children starting prior to elementary school entry.10 CED has been a national thought leader, issuing the first call from the business community for universal access to high-quality preschool education for all children in 2002.11 In 2012, CED’s Unfinished Business report called for a nationwide strategy to ensure that all children from birth to third grade have access to high-quality child care and early education that promotes their learning and development while strengthening and engaging families in their children’s education.12 Since that time, the evidence for the importance and effectiveness of investments in high-quality early learning and care for producing a stronger future workforce has only increased. Accessible and affordable high-quality early learning and care services are essential infrastructure to support the development of children, the work and training efforts of families, and a wider talent pool for employers, supporting increased opportunity and a stronger economy.
To advance the national interest, CED has married its policy advocacy with on-the-ground efforts to help build partnerships between the private and public sectors in support of early learning on the state and local levels. CED believes that business leaders, often starting in their own communities, can play a crucial role in ensuring these investments reach all children and has built business champions to support CED’s on-the-ground efforts to advance state policies. CED’s initiatives include expanding pre-K education in Mecklenburg County, North Carolina; partnering with the Mississippi Economic Council (MEC) to support the first-ever state public pre-K program for four-year-old children; developing local policy convenings, such as New Mexico’s first-ever Child Care Business and Policy Summit in 2016, which brought together state legislators and business leaders; and providing resources for supporting advocacy and policy makers. (For a more detailed listing of CED’s initiatives, see the summary on page 10.)

HIGH-QUALITY EARLY LEARNING AND CARE PROGRAMS CAN BE IMPORTANT CONTRIBUTORS TO CHILDREN’S FUTURE SUCCESS

The importance of a child’s early years for later development can be seen in the substantial negative impacts of even relatively mild shocks—let alone more significant adverse childhood experiences, including trauma—in early life, as well as by the degree to which later labor market outcomes can be explained by a child’s characteristics upon entry into elementary school. A wide range of academic research has found extraordinary cognitive and physical growth in early childhood, subject to the influence of a child’s environment. For example, studies have found that the brain reaches roughly 90 percent of its adult volume by age six, while synapses develop very rapidly in the first few years of life. A child’s earliest years form the foundation on which future learning depends. Early childhood programs can help children to establish and improve these “foundational” skills—like executive function and self-regulation—and contribute to the acquisition and development of complex social and emotional skills. Employers across industries highly value such executive function skills.

While parental factors are important, high-quality early childhood programs also strongly affect outcomes, particularly for children from disadvantaged backgrounds. Participation in one to two years of developmentally appropriate center-based early childhood education prior to age five is associated with significant gains in early language, literacy, and mathematics skills. For low-income children, participation in higher-quality child care services, starting as early as infancy, is associated with relatively higher math and reading achievement scores in elementary school. Access to high-quality early learning and child care also seems to have beneficial long-term effects on health and health-related behaviors, even beyond programs like Head Start that provide a package of health screenings.
Quality in early learning and care programs appears to be important to the size and duration of gains.\textsuperscript{22} Quality is typically measured based on the characteristics of interactions between staff and children, and the provision of consistent instructional support to prompt children to engage in higher-order thinking and “warm, responsive teacher-child relationships.”\textsuperscript{23} However, average quality across existing preschool programs appears to be inconsistent and presents a clear opportunity to improve effectiveness and cost efficiency.\textsuperscript{24}

Long-running studies of “model” demonstration programs like the Carolina Abecedarian Project and Perry Preschool have found substantial effects of high-quality preschool programs on labor market outcomes like future earnings and employment, as well as related outcomes like reduced incarceration and improved health. These benefits suggest a high return on investment. For example, the Abecedarian Project and Perry Preschool interventions appear to have increased average future participant earnings by roughly a fifth to a quarter.\textsuperscript{25} Research by Nobel Prize-winning economist James Heckman estimates that the Abecedarian Project and the identical Carolina Approach to Responsive Education (CARE) program delivered a 13 percent per year return on investment for children served in the 1970s.\textsuperscript{26}

Given that there were few alternatives available to children not enrolled when those programs were created, the positive measured effects likely reflect something close to the full benefit of high-quality preschool. Today, even the most disadvantaged children not enrolled in preschool programs probably receive greater support or stimulation than similarly situated children in previous generations.\textsuperscript{27} Evaluations of high-quality early childhood interventions suggest a healthy return on investment even excluding the Abecedarian Project and Perry Preschool results, though the magnitude of the return is somewhat less eye-popping without them.\textsuperscript{28} A 2017 analysis of nine programs with formal benefit–cost accounting found that every dollar invested typically returned $2 to $4 from a societal perspective, including increased productivity and revenues and reduced social service spending.\textsuperscript{29}

Early learning and care programs are important investments in US workforce competitiveness, support increased opportunities and work effort for parents today, help children reach their potential, and strengthen the US workforce of the future. The demand for a workforce with “higher” cognitive skills—critical and creative thinking, and collaborative problem solving—was already projected to grow even without the spur of the current crisis.\textsuperscript{30} These outcomes will be even more crucial after the COVID-19 pandemic. However, despite the strong evidence of returns on early childhood investments, the US continues to lag behind its international peers. US public spending on child care and early education as a share of GDP was less than half the OECD average in 2015.\textsuperscript{31} While children from lower socioeconomic backgrounds in the US are relatively more likely to attend early learning programs prior to school entry compared to similarly situated children in other OECD countries, they are still less likely to attend than higher-income children, and the quality of services they receive may be much lower.\textsuperscript{32}
EARLY LEARNING AND CARE PROGRAMS ARE CRITICAL WORKFORCE SUPPORTS

As outlined in CED’s Child Care in State Economies: 2019 Update, early learning and care programs are also critical work supports, particularly for parents of young children who work or hope to pursue additional education and training. In 2017, more than 15 million children under age six had working parents; an estimated 72 percent of mothers with children under age six were in the labor force. Prior to the COVID-19 crisis, among families with children under age five, nearly 9 out of 10 families in which both parents worked full time relied on paid child care, as did more than 8 in 10 working single parents.

A lack of child care can be a significant barrier to work. Pre-COVID-19 crisis, over 1 million part-time workers cited child care problems as the reason for not working more hours. In a 2016 survey, the families of roughly 4 in 10 children under age six reported at least some difficulty finding care, with lack of supply, affordability, and quality the primary challenges. The parents of roughly 1 in 7 preschool-age children reported being unable to find a desired care program.

US workforce participation rates by women ages 25 to 54 are lower than in other OECD countries. Some analysts have pointed to a lack of family-friendly workforce policies as a potential reason why. A significant body of research suggests that reductions in the cost of child care, including through increased subsidies, can increase maternal labor force participation rates, particularly for single mothers, mothers with young children, and mothers in low-income households. The design of early learning and care programs also likely determines how effectively such programs support work. Those potential work support benefits should be part of the evaluation of the cost-effectiveness of early learning and care programs and should be considered in program design.

Prior to the COVID-19 outbreak, there was already a shortage of child care in many communities throughout the nation, and the child care industry’s financial model was already fragile. As many states gradually relax public health restrictions in the weeks ahead and parents attempt to return to working outside of the home, finding available, quality child care may be difficult for the millions of parents of children under age five who typically make use of such arrangements. This challenge will be exacerbated by many other parents who need to find child care arrangements for children whose public schools or summer camps may be closed.

Unlike public schools, which are publicly funded and will most likely reopen in the fall, the child care industry faces a far more uncertain future.

Child care is a business. Programs are primarily funded by private pay from parents whose fees compose the operating budgets that fund staff and fixed costs such as mortgages or leases, utilities, and insurance. While it is difficult to determine how many child care programs have been affected by the pandemic, a recent survey of parents with children under age five throughout the country who previously paid for child care found
61 percent using child care centers said their center had closed, and 48 percent using a family child care home said their home-based program had closed.\(^43\) It is quite possible, and realistic, that after months of no revenue, many of these programs may not be able to reopen. In some states, such as Rhode Island, where the governor has closed child care programs through the end of May, and New Jersey, where only 12 percent of child care centers remain open (serving essential personnel), the future supply of child care is even more precarious.\(^44\)

For child care programs that have remained open, average enrollment is well below the levels at which most providers planned to operate when constructing their business models. In nearly 60 percent of states, governors have limited the number of children who can be in a child care classroom setting to 10 or less to promote social distancing and reduce the likelihood of coronavirus spread.\(^45\) This certainly makes sense from a public health perspective. However, reducing a classroom that held 18 to 20 children before COVID-19 to 8 to 10 children means a significant loss of revenue for the program. And, loss of revenue for open programs has led to an equally significant loss of staff because of resulting layoffs.

Another consequence of reducing the number of three- and four-year-old children in a program is the inability to underwrite or reduce the cost of care for parents with infants or toddlers. Because more adults are needed in the classroom to ensure the safety and health of infants and toddlers, staffing costs are generally more expensive compared to care for three- and four-year-old children, where fewer adults are needed per child. Typically, this means that the infant and toddler rooms operate at a deficit, but revenue from the three- and four-year-old rooms helps keep the overall program in balance. Therefore, a reduction in the number of three- and four-year-old children enrolled in centers may have the collateral impact of closing infant and toddler rooms, which were already in short supply.

As parents return to work in the weeks and months ahead, the availability of child care programs that enable them to participate in the workplace is in question. The current economic model for child care is not the economic model under which programs originally opened. Governors will be reopening state economies, but for parents with young children, whether child care programs will reopen or whether they can stay open as viable businesses requires new temporary public support to help stabilize the industry and transition to the new normal (until a vaccine or treatment is developed for COVID-19).

High-quality child care is a public good. It is an essential service, as has been seen throughout states where child care has been at the forefront to support the children of essential employees (parents who work in hospitals, public safety, grocery stores, and other jobs upon which the public depends). Child care not only facilitates the ability of parents to work, but it is also an early learning setting for children that helps promote their school readiness.
RECOMMENDATIONS: ADVANCING HIGH-QUALITY EARLY LEARNING AND CARE PROGRAMS

CED has long recognized the need for a large and highly skilled workforce and has consistently recommended policies and practices to ensure that Americans of all backgrounds more fully develop and flourish from their talents. To ensure the nation’s employers can be bolstered by that available talent and that our citizens of all backgrounds achieve growing prosperity, helping to sustain our US market-based system of capitalism for another generation, policy makers and business leaders should advance early education, including:

**Promote high-quality child care and public-supported pre-K as a public good and treat it as an integral part of education and workforce preparation.** The US must integrate high-quality child care for children from birth into its concept of foundational and necessary education and invest in these programs. Integrating and implementing early learning standards beginning at birth within all child care and preschool programs will help parents, teachers, and caregivers identify and work toward common goals, helping even the youngest children build a foundation for continued success and development.

**Ensure that all children have high-quality early learning opportunities from birth, including child care and public-supported pre-K education, especially for the most disadvantaged.** Fundamentally, the US must ensure that all families, at their preference, have affordable access to high-quality child care and to publicly funded, full-day pre-K education as a bridge to school-based learning. Just as broad-based access to high-quality secondary and higher education has been a critical part of US success, public investment in a world-leading early education system will be critical to safeguard US competitiveness in the future.

**Implement a sustainable financing system capable of supporting affordable access to high-quality child care and public pre-K.** The current fragile economic model for child care—based largely on private-pay parent fees—is a barrier for access to, and supply of, high-quality care. Increased public and private investment—including innovative public-private partnerships or employer-subsidized child care benefits—will be necessary. There are several ways in which Congress can bolster child care in the next economic stimulus legislation. First, Congress can provide states with temporary funding to support program stabilization during the next year as the economy transitions to more parents returning to work. Second, for programs that have closed, Congress can provide start-up grants so that programs can reopen and help meet community needs.

**Invest in a high-quality early education workforce, including through state adoption of early educator workforce investment tax credits.** Recruitment and retention challenges for employers of the early education workforce—driven in part by low compensation; low provision of benefits like sick pay, health insurance, and retirement savings contributions; limited professional development; and few career ladders—make delivering access to high-quality care nearly impossible. A sustainable financing model,
which should be supported through public-private collaboration, must include higher pay, minimum benefits, better training, and clear career pathways for the early learning workforce without making services unaffordable for families. One way that states can help invest in that outcome is by adopting the model of Louisiana’s successful school readiness early educator tax credit. The credit, which is earned based on specific educational achievements attained by the early learning workforce, incents professional development and boosts wages. State tax credits can also be used to expand local community pre-K collaboratives, incentivize employers to participate in securing or assisting with care, and make child care more affordable for parents. Additionally, improvements in the preparation and training of early education teachers will be a critical aspect of lifting up and maintaining the high quality of the early education workforce. Evaluation of, and investments in, promising models of preparation, including nontraditional pathways like apprenticeship, will be necessary to ensure the provision of high-quality training programs capable of building early educators and caregivers at the scale of national need.

**Modernize child care regulations to deliver quality, reduce burdens, and encourage innovation.** Regulators at the state and local level should work together to harmonize overlapping or competing requirements and allow providers in a range of settings to innovate in organizing and delivering safe, high-quality care. For example, there may be opportunities within states or communities to engage in shared services, which could result in program operational savings and greater efficiencies in administration.

**Draw on business leaders to make the national interest case for investing in early learning.** As the CED business champions program has demonstrated, business leaders are uniquely positioned to understand and articulate the importance to US competitiveness of affordable and accessible high-quality child care to support working families and the development of tomorrow’s workforce. They can lead through commitment to family-friendly policies in their own organizations, and build public-private partnerships, such as shared services, that deliver high-quality early learning opportunities in their own communities. Additionally, they must make the case to policy makers and the public for increased investments in early childhood education, particularly when many existing investments may be threatened by budget pressures resulting from the COVID-19 crisis.
CED Builds Business Champions and Advances State Policy

CED believes that investments in access to high-quality public pre-K and child care are of critical importance to the vitality of the US economy and that business leaders, often starting in their own communities, can play a crucial role in ensuring these investments reach all children. To advance the national interest, CED has married its policy advocacy with on-the-ground efforts to help build partnerships between the private and public sectors in support of early learning, including:

Mecklenburg County For the past four years, CED has partnered on an initiative to expand pre-K education in Mecklenburg County, North Carolina. This effort involved completion of a 12-month feasibility study and focused community engagement—building an understanding of early learning and fostering public support of pre-K education among county residents, plus developing a local financing strategy. With approved funding from the County Board of Commissioners, over 1,200 additional four-year-old children are being served to date in 69 classrooms located in child care centers. This expansion of pre-K education could not have been successful without the leadership and direct involvement of the business community through the Charlotte Executive Leadership Council, which includes CED Trustee representation and participation.

Mississippi Economic Council Partnership CED has supported public forums to educate and engage business leaders about the importance of child care and public pre-K in numerous states across the nation. In 2013, CED partnered with the Mississippi Economic Council (MEC) to support the first-ever state public pre-K program for four-year-old children. CED worked closely with MEC on two consecutive statewide “road shows”; each traveled to 10 cities in five days and helped to gather over 1,000 signatures from business leaders to support investment in early learning and presented these signatures to the governor.

Policy Forums CED has developed local policy convenings, such as New Mexico’s first-ever Child Care Business and Policy Summit in 2016, which helped to bring together state legislators and business leaders. CED partnered with the National Academy of Sciences (NAS) to include a business panel, which addressed the quality of the early learning workforce and child care system financing that featured CED Trustee business leaders from Virginia and Pennsylvania. CED regularly presents at state-based events about innovative solutions to strengthen the quality of child care and improve access to high-quality programs, and serves as a direct convener able to bring together policy makers, advocates from the business community, and practitioners from across the country to advance early education discussions through panels at CED’s biannual Policy Conferences. CED staff also takes the lead in delivering critical messages and expertise drawing on our business community learning and perspective at both state and federal levels. For example, over the course of February and March 2020, CED testified before the US House Small Business Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship for a hearing, “Taking Care of Business: How Childcare is Important for Regional Economies”; appeared before the Vermont House Commerce and Economic Development Committee to discuss CED’s 2019 Child Care in State Economies report; and presented to the Early Childhood Iowa State Board’s Committee on Private Public Partnerships about child care tax credits.

Resources for supporting advocacy and policy makers CED has developed numerous communications tools and resources to help local business champions and practitioners educate, advocate, and engage on behalf of high-quality early learning. For example, CED has created online resources and toolkits to support the early learning field such as Clearinghouse of Resources: High-Quality Early Educators, Early Childhood Workforce: Tax Credit Toolkit, ECE Workforce Digital Engagement Toolkit, and Coronavirus Resources for Child Care Providers.
Endnotes

1 “Map: Coronavirus and School Closures,” Education Week, May 2, 2020. At least 97 percent of K-12 students have been affected by school closures to date.


14 Shuey and Kankaraš, “The Power and Promise of Early Learning.”


24 Yoshikawa et al., “Investing in Our Future.”
27 A similar dynamic may be affecting the Head Start program, though additional confirmation is needed. While several studies of earlier cohorts of Head Start participants consistently found robust long-run gains, a recent study did not find similarly positive effects for more recent participants. Theories for why the bar for early intervention programs may have risen include the possibility that low-income parents today provide a higher-quality home environment than in the past, potentially owing to having smaller families, relatively more resources on average, and higher levels of educational attainment than similarly situated parents a generation ago. Additionally, they may have benefited from greater access to a wider array of sources of educational support, such as nurse home visits, Head Start, and pre-K, making the relative importance of receiving any one intervention more muted. See: Remy Pages et al., “Elusive Longer-Run Impacts of Head Start: Replications within and across Cohorts,” EdWorkingPaper No. 19-27, May 2019; and Phillips et al., “Puzzling It Out.”
32 Balladares and Kankaraš, “Attendance in Early Childhood Education and Care Programmes.” Roughly 60 percent of children with low-to-no attendance of early learning and care programs prior to school entry come from the lower half of socioeconomic status (SES) backgrounds in the US; and roughly a third are from the lowest quartile of SES. However, US children in the lowest quartile of SES in 2015 made up a smaller share of low-to-no attendees than in all but 10 countries that participate in the Programme for International Student Assessment (PISA).
34 “Child Care in State Economies: 2019 Update,” CED.
38 “Growing the American Workforce,” CED, October 2018.
40 For example, there are promising indications that providing full-day preschool services could be an effective work support for mothers of young children. A study in England found that the provision of free part-day preschool had little effect on parents’ labor market outcomes, but free full-day preschool allowed for significantly higher labor force participation. Similarly, the introduction of universal full-day preschool for all three- and four-year-old children in Washington, DC, coincided with a large increase in the labor force participation of mothers with young children and a convergence with the participation rate of mothers with children ages six to 11. See: Mike Brewer, Sarah Cattan, Claire Crawford, and Birgitta Rabe, “Free Childcare and Parents’ Labour Supply: Is More Better?” Institute for Fiscal Studies Working Paper No. W16/22, November 2016; and Rasheed Malik, “The Effects of Universal Preschool in Washington, DC,” Center for American Progress, September 26, 2018.
42 “Child Care in State Economies: 2019 Update,” CED.
SUSTAINING CAPITALISM
Achieving prosperity for all Americans could not be more urgent. Although the United States remains the most prosperous nation on earth, millions of our citizens are losing faith in the American dream of upward mobility, and in American-style capitalism itself. This crisis of confidence has widened the divide afflicting American politics and cries out for reasoned solutions in the nation’s interest to provide prosperity for all Americans and make capitalism sustainable for generations to come. In 1942, the founders of the Committee for Economic Development (CED), our nation’s leading CEOs, took on the immense challenge of creating a rules-based post-war economic order. Their leadership and selfless efforts helped give the United States and the world the Marshall Plan, the Bretton Woods Agreement, and the Employment Act of 1946. The challenges to our economic principles and democratic institutions now are equally important. So, in the spirit of its founding, CED, the public policy center of The Conference Board, will release a series of 2020 Solutions Briefs. These briefs will address today’s critical issues, including health care, the future of work, education, technology and innovation, regulation, China and trade, infrastructure, inequality, and taxation.