

Impact of 2021 Investments in Early Childhood Care and Education

Investments Provided Temporary Relief; Low Wages Persist

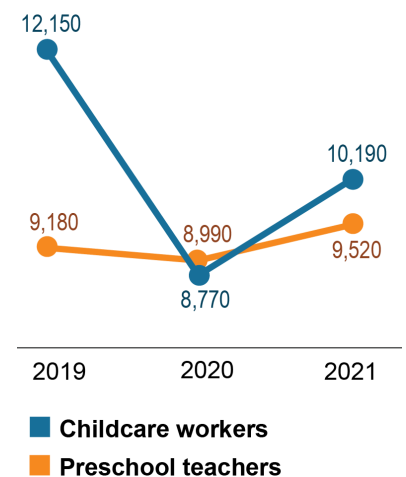
In June 2021, the Minnesota Legislature appropriated significant investments in child care, using \$537 million in Child Care and Development Funds from the federal American Rescue Plan Act (ARP). Investments included: \$304 million in direct payments to providers through **Child Care Stabilization Grants**; \$22.5 million for **Child Care Facility Grants** for facility improvements, minor renovations, and related equipment and services; and \$1 million for the **Retaining Early Educators through Attaining Incentives Now (REETAIN) program**. This money was temporary and provided much needed relief, as well as a unique opportunity to try novel approaches to solving a variety of challenges that exist in early education. The goal of this project is to understand the impact of ARP funds on increasing wages and retention of the early childhood education workforce to inform future investments. This brief explores the initial impact of that federal funding on Minnesota's child care industry. Ongoing analysis will further determine the impacts on the early childhood workforce; an in-depth report will be forthcoming in 2024.

Median hourly wages for early childhood educators have increased and are above the national average, though still below a living wage; job vacancy rates are high.

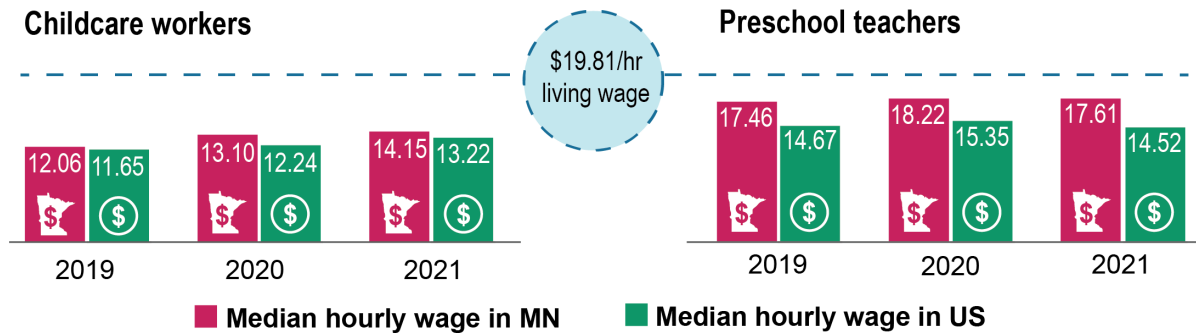
Early childhood educators work in a variety of contexts and may consider themselves family child care providers, child care center staff, preschool teachers, or a myriad of other variations on these labels.

In employment data, child care workers are typically those that work in private centers, caring for children birth through kindergarten, whereas preschool teachers are more often (but not always) embedded within school systems. The median hourly wage for child care workers in centers has been increasing about a dollar an hour per year nationally and in Minnesota. Despite that, the child care industry has yet to fully recover from the pandemic and, as of May 2021, still had 17% fewer employees than it did in May 2019. By comparison, the number of preschool teachers has increased, and, though wages have dipped, they remain higher than that of child care workers. Many preschool teachers are employed by public school districts and paid according to the same step and ladder system as K-12 public school teachers. In both cases, median hourly wages in Minnesota are above the national median.

NUMBER OF CHILD CARE AND PRESCHOOL WORKERS



WAGES OF CHILD CARE WORKERS AND PRESCHOOL TEACHERS IN MINNESOTA COMPARED TO UNITED STATES



Source: U.S. Bureau of Labor Statistics. Occupational Employment and Wage Statistics.

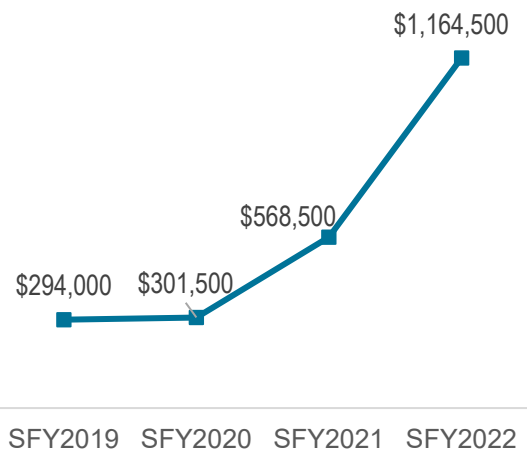
This median hourly wage is well below the household living wage for households with children, which starts at \$19.81 an hour and increases depending on the size of the household.¹ Thus, the current median wage for child care workers is insufficient to support a single adult household. Child care workers with children would be unable to afford child care for their own children. The low wage among child care workers and preschool teachers could be contributing to the shortage of early childhood educators. Vacancy rates are between 10-12%, which is much higher than vacancy rates among K-12 teachers (around 3%), an occupation that is also facing an alarming shortage. The average offer wage, the wage listed in open job postings, remains below \$12/hour.²

Increased investment for child care employee bonuses put an additional \$1 million directly into the pockets of early childhood educators.

The Retaining Early Educators through Attaining Incentives Now (REETAIN) bonuses are direct wage supplements provided to center-based and family child care providers. A 2019 evaluation of the R.E.E.T.A.I.N. program found that 55% of recipients reported the bonuses influenced their decision to stay in the field.³

While the program has been providing bonuses since 2004, the 2021 Minnesota Legislature infused an additional \$1 million into the program with funding from ARP. In fiscal years 2021 and 2022, \$1.7 million was given as bonuses to 841 early childhood educators – over \$2,000 per person in direct payments. This is nearly twice as much as the previous two years. Notably, all eligible family child care providers with complete applications received funding in December 2021, whereas in previous years less than half were funded based on a points system.

AMOUNT OF REETAIN BONUSES, 2019-2022



Source: Child Care Aware of Minnesota, Grants and Scholarships Reports, 2019-2022

¹ Massachusetts Institute of Technology. Living Wage Calculator. <https://livingwage.mit.edu/metros/33460>

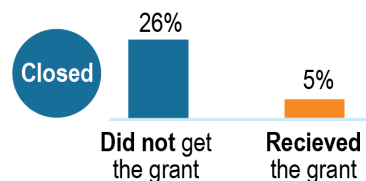
² Minnesota Department of Employment and Economic Development. Job Vacancy Survey. <https://apps.deed.state.mn.us/lmi/jvs/Results.aspx>

³ Child Trends. (2019). *Evaluation of R.E.E.T.A.I.N.* https://cms.childtrends.org/wp-content/uploads/2018/12/Evaluation-of-REETAIN-Final-Report_ChildTrends_Jan2019.pdf.

Investments in Child Care Stabilization Grants led to minor wage increases among center staff and may have prevented Family Child Care providers from closing.

Child Care Stabilization Grants provided direct payments to licensed child care providers in the form of increased compensation or benefits. A 2023 evaluation by Minnesota Management and Budget (MMB)⁴ found that:

- **Larger, center-based programs in the Twin Cities metro area increased hourly wages slightly.** There was a 5.5% increase in median compensation, including regular wages and any bonuses, per staff hour worked among staff in child care programs receiving the grant from September 2021 to June 2022. About 60% of programs receiving a grant increased compensation, though this varied by program type and location with larger, center-based providers in the seven-county Twin Cities metro area more likely to have increased wages. MMB's analysis suggests that other recipients were more likely to have provided staff with quarterly or holiday bonuses rather than increasing hourly wages.
- **The grants protected child care programs from closing, family child care providers in particular.** Family child care providers receiving the grant were less likely to close than those not receiving the grant (5% vs. 26%). In comparison, 4% of centers receiving a grant closed vs. 10% of those not receiving a grant. These base grants kept child care operational.



\$11.3 million has been invested in child care facilities that may help keep programs operating and staff retained.

As of December 2022, \$11.3 million has been awarded to 1,177 child care programs for Child Care Facility Revitalization Grants, including \$7.9 million to 923 family child care providers.⁵ These grants have supported programs in keeping facilities in good repair to meet licensing standards and ensure children's health and safety, with top-requested projects including flooring replacement, mitigating hazardous substances, and repairing or replacing windows and doors.

While these grants were not a direct investment to increase compensation to early childhood educators, revitalization represents a commitment by child care programs and providers to stay in business, continue to employ people, and potentially expand. First Children's Finance reports these investments have created capacity for over 630 more children in child care settings, which likely means the creation or retention of child care jobs to accommodate those additional children.

⁴ Minnesota Management and Budget (2023). *Child Care Stabilization Base Grants Descriptive Analysis Final Report*. https://mn.gov/mmb/assets/final_report_20230228_tcm1059-560081.pdf

⁵ First Children's Finance. Child Care Facility Revitalization Grants. <https://www.firstchildrensfinance.org/for-businesses/grants/>

Federal funding allowed 145 programs to offer summer programming for the first time in summer 2021.

In summer 2021, the Minnesota Department of Education administered a summer preschool program funded by \$20 million in State Fiscal Recovery Funds. This resulted in 497 programs being funded to provide summer programming, including a mix of licensed family child care providers (34%), child care centers (33%), school-based programs (30%), charter schools (3%) and Head Start programs (2%).⁶ Of those, 145 had not previously offered summer programming, and 133 would not have if it weren't for this award. Eight in 10 programs reported using funding to pay for teachers and staff, which may have helped stabilize the workforce.

Summer programs



34% family child care providers



33% child care centers



30% school-based programs



For more information

For more information about this report, contact Jennifer Valorose at Wilder Research, jennifer.valorose@wilder.org.

MARCH 2023

⁶ Minnesota Department of Education. *Summer Preschool Data Summary: Summer 2021*. PDF file will download: https://education.mn.gov/mdeprod/idcplg?IdcService=GET_FILE&dDocName=prod045589&RevisionSelectionMethod=latestReleased&Rendition=primary