

# EARLY CARE AND EDUCATION IN COLORADO'S ECONOMY

A new report, *Bearing the Cost of Early Care and Education in Colorado: An Economic Analysis*, reveals the following:

## Industry Impact on the Economy

- **Every dollar spent** on early care and education **contributes \$2.25** to the state's economy.
- In 2014, Colorado's early care and education sector generated nearly **\$640 million in revenue**, comparable to the state's advertising industry.
- Small businesses make up most of the market.
- The industry has a special role in the economy: **it enables parents to work, generating over \$4.4 billion** annually in earnings.
- The industry **saves the state \$832 million** each year due to the long-term effect of quality education (e.g., decreased use of special education, decreased juvenile justice costs, and increased lifetime earnings).
- The industry employs over 22,000, a workforce similar in size to the mining industry.

## Cost of Early Care and Education (ECE)

- With **63% of children under 5 living in families where all parents work**, child care is a reality for many families, who cover the high costs of care.
- **Quality impacts businesses' bottom line:** high-quality providers are less able to balance revenues and expenses.
- **Key cost drivers** are wages, regional market rates, public reimbursement structures, program size, and provision of infant/toddler care.

- In order for the ECE industry to stay afloat, programs are forced to pay workers low wages.
- **Staff turnover rates are high** and cost businesses approximately 16% of salary per worker. Reducing turnover could significantly impact profitability.

## Low Wages and Turnover

- The average annual income of childcare workers in Colorado is **just above the federal poverty level** for a family of four and **well below self-sufficiency standards** for a single parent with two children.
- **Lack of parity:** Childcare workers and preschool teachers in Colorado earn much less than those teaching Kindergarten through 3<sup>rd</sup> grade.
- Nationally, approximately 46% of the workforce receives **public subsidy** (food stamps, Medicaid, etc.) due to their **low wages**; in Colorado, this costs taxpayers **an estimated \$20 million or more annually**.
- Low wages contribute to **high staff turnover rates**, ranging from 15 – 30% annually.



## The Result: A Failing Market

- The early care and education industry operates under a **blended public/private system**; subsidies are available for some families but many working families pay the entire cost.
- The early care and education industry is **not a pure market-driven industry**, fully controlled by supply and demand, as it is government regulated and offers subsidies to some families. **Nor is it fully a public good**, as parents pay the largest proportion of costs.
- Currently, the demand, especially for infant-toddler care, has outstripped supply, in part because the **cost to provide care exceeds revenue generated** through fees or other support.
- **The market is invaluable to Colorado's economy**, as other industry sectors depend on their workforce having access to early care and education, and many families can't work without access to care. **Despite this, the industry is struggling**, as workforce pay is poor, businesses struggle to make ends meet, and families are challenged to find quality, affordable care.
- **The market undervalues and produces too little quality early care and education** compared to what would be best from a societal perspective. Parents are not able to pay for the societal benefits and contributions to the economy as a whole.
- As a result, **early care and education is a failing market**, where market prices do not represent true costs.

## TRANSFORMING THE EARLY CHILDHOOD WORKFORCE IN COLORADO

*Transforming the Early Childhood Workforce in Colorado* is an innovative public-private project to advance the early childhood workforce in Colorado.

Steering partners for the project include Early Milestones Colorado, Colorado Department of Education, and Colorado Department of Human Services. Philanthropic partners Gary Community Investments and the Buell Foundation.

The information in this document is based on a full report developed for the project by The Butler Institute for Families, University of Denver and Brodsky Research & Consulting: *Bearing the Cost of Early Care and Education in Colorado: An Economic Analysis*.

For more information, please visit:

[www.coloradoecworkforce.org](http://www.coloradoecworkforce.org)

