

Between a Rock and a Hard Place: King County's Child Care Crisis

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Puget Sound Sage

East African Community Services

Para Los Niños

The Church Council of Greater Seattle

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ABOUT SAGE

Puget Sound Sage works to promote good jobs, quality employment opportunities, a cleaner environment and affordable housing for low/moderate income families in the Seattle metropolitan area. Our mission is to ensure that all families benefit from economic growth, and that local and regional policy decisions meet the social and environmental needs of our communities. Sage provides timely, critical research on issues of the regional economy, jobs, housing and the environment. Find more information at our website, www.pugetsoundsage.org, and our blog, soundprogress.wordpress.com.

ABOUT EAST AFRICAN COMMUNITY SERVICES

East African Community Services is dedicated to improving the well-being and quality of life for East African youth and their families in Seattle. We provide tools to adjust to life in the United States, preserve diverse cultural heritages, and participate in broad and integrated community life. Our vision is to develop and strengthen the capacity of East African refugees in King County at the individual, family and community levels.

ABOUT PARA LOS NIÑOS

Para Los Niños is a grassroots community organization founded by members of the community it serves—the growing immigrant, Spanish-speaking population in South King County. In 2003, a group of Latino parents gathered to talk about education. As a result of this meeting, Para Los Niños was born with the following priorities: to support the education of Latino children, with a focus on early childhood development; to maintain and promote their culture and language; and to teach English as a second language in order to develop leadership and civic engagement for parents in the community.

ABOUT THE CHURCH COUNCIL OF GREATER SEATTLE

The Church Council of Greater Seattle brings a distinct moral and faith voice to the issues of our time. We educate, advocate, and organize congregations and develop partnerships with community organizations to help create conditions for social, economic and racial justice in Martin Luther King and South Snohomish Counties. The Church Council represents more than 340 churches and 15 denominations as well as thousands of individuals united by the belief that we can work together to promote justice and increase compassion in our community.

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Executive Summary

King County's youngest people, their families, and their educators are all suffering from our regions' child care crisis. Early childhood education in King County is among the most expensive in the nation, becoming more and more unaffordable for our region's families. Although child care can cost over \$10,000 a year per child, the typical child care worker in King County earns poverty-level wages between \$23,000 and \$29,000 dollars per year. Insurance, rent, taxes, staff-to-child ratios, inadequate subsidy rates, and supplies make providing child care in our region extremely costly, and leaves little left for workers. Numerous studies show that low wages are one of the most significant factors contributing to high turnover in early educators. In King County, roughly 38% of teaching assistants are no longer in their positions just one year later. High turnover harms the stability and relationships our children need during their early developmental stages, disrupts the already rapidly changing child care environments, and costs child care centers significant resources to find high quality staff.

Key Findings

- **Early childhood education is unaffordable for many parents.**
 - o Market-rate, full time infant care at a child care center in King County costs parents on average \$1,445 per month, roughly 52% of the median income of a single female parent in King County.
 - o Child care subsidies are not sufficient to meet the high need, and high costs, parents at low and middle incomes must pay.
- **Early childhood providers operate on slim margins, forcing teachers and assistants to make low wages.**
 - o The typical family home provider in King County earns \$35,000 in gross annual earnings. After taxes, supplies and overhead – family home providers have minimal means to pay staff, let alone make ends meet.
 - o Centers typically employ more staff, but typically have higher overhead costs including insurance, rent, and fixtures. Combined with low staff-to-child ratios, there is little room to raise wages.
- **Low wages encourage high turnover, impacting the quality of care.**
 - o High turnover among teaching staff negatively impacts the quality of care a program can provide and affects children's social-emotional and language development.
 - o According to the Center for the Study of Child Care Employment at University of California, Berkeley, turnover discourages the development and maintenance of consistent relationships between children and their caregivers.

Introduction

The first five years of a child's life are the most formative, vital for early brain development, and a strong foundation for learning later in life.¹ Research demonstrates that quality of early education has a direct impact on future success: when children impacted by early education disparities enter K-12, they can fall up to two years behind their peers.² Investing in quality early education not only improves the lives of future generations, but also has the opportunity to mitigate cyclical inequality and poverty.

Even though many parents agree that high quality early education is important, many families in our region cannot afford market prices for early childhood education in King County. Even though the cost of paying for child care is high, child care providers are often forced to provide quality care on shoestring budgets – pushing wages for early educators well below livable wages for our region. Low wages encourages workforce turnover, disrupting the quality of care our children receive.³ When parents and early learning centers are forced to make tough decisions between time, quality and cost, our children lose out.

This policy brief draws significantly from parent interviews, provider interviews, and research conducted for the Department of Early Learning in Washington State, to help parents and non-parents in our region understand the gravity of our childcare crisis.

Child Care is Too Expensive for Many King County Families

“Most issues I come across are finding culturally relevant childcare services - they are very hard to come by. But, generally, full time childcare is costly, even with two full time incomes, we can't afford to send both our children to fulltime daycare/preschool. I send my son 3 days a week, and that alone is already 25% of our total combined monthly income. Because of that, I rely on family to take care of our 2nd child.” – Donna Denina, Mother and member of Gabriela Seattle

Child care in the United States is expensive and the costs are rising. Child care in King County can exceed the cost of housing or college tuition.⁴ According to a survey of 350 child care centers and 400 family home provider, full-time, un-subsidized, care for an infant at a child care center costs \$1,445 per month or \$1,005 per month at a family home (Table 1).⁵ To compare, a full year of care for one toddler costs nearly \$15,000 per year at a child care center – while, in-state tuition at fees at the University of Washington costs just over \$12,000 per year.⁶

Table 1: Cost of Full Time Child Care by Age Group in King County

	<u>Average Rate per Month</u>	<u>Annual Cost of Child Care</u>
Centers*		
Infant	\$1,445	\$17,337
Toddler	\$1,249	\$14,983
Preschooler	\$1,057	\$12,683
Kindergartener	\$919	\$11,033
School Age	\$727	\$8,724
Family Homes*^		
Infant	\$1,005	\$12,064
Toddler	\$1,002	\$12,023
Preschooler	\$983	\$11,795
Kindergartener	\$958	\$11,500
School Age	\$919	\$11,024

* Rates are all standard, full-time, non-subsidized
 ^ Rates for Family Homes calculated: [Annual = Weekly Rate if Full Time X 52] and [Monthly Rate = Annual/12]
Dollar amounts converted from 2012 to 2014 dollars
Authors Calculations of King County Centers and Family Homes, derived from 2012 Market Rate Survey

Throughout this policy brief, we discuss two types of early education providers – family homes and child care centers. A child care center is an early care and education facility that is licensed under a propriety or non-profit status that can operate independently, as part of a faith-based organization, or as part of a chain. Centers generally employ multiple child care workers. Family home care is early education that is licensed to offer care in a caregiver’s own home. Typically, family home care in King County is also correlated with culturally specific care and there are often fewer children under care, compared with child care centers. Family homes will often be sole proprietorships, or have one or two assistants.

Unfortunately, state subsidies fall short of addressing the crisis. In Washington State, families have access to subsidized care through the Working Connections Child Care (WCCC) subsidy. According to the 2012 Market Rate Study compiled for the Department of Early Learning, WCCC pays centers at a rate below market rate.⁷ As a result, centers have a preference for enrolling children whose families can pay market rates, as opposed to enrolling children who utilize subsidized care.

Furthermore, some families that qualify for subsidies still face steep costs. Families earning below 82% of the federal poverty level (FPL) pay \$15 per month for child care co-pays, families earning below 137.5% of FPL pay \$65 per month. However, if a family earns above 137.5% of FPL, their co-payment scales up by 50 cents for every additional dollar earned until they reach 200% of FPL, at which point they no longer receive child care

support from the state.⁸ For many families in this mid earning bracket, child care becomes increasingly unaffordable. A single parent with two children earning \$38,000 per year who utilized Working Connections would pay \$554 per month in child care, roughly 17.5% of the family annual income.⁹

Table 2: Median Income of Families with Children Under 18 Compared with Cost of Infant Care, King County

		<u>Percent of Median Income</u>	
	<u>Median Income</u>	<u>Cost of Infant Care for One Child at Centers</u>	<u>Cost of Infant Care for One Child at Family Homes</u>
Single Female Parent	\$33,500	52%	36%
Single Male Parent	\$55,400	31%	22%
Two Parent Household	\$116,000	15%	10%

*2012 American Community Survey 5 year estimates
 Dollar amounts adjusted from 2012 to 2014 dollars
 Percentage of Median Income calculated by dividing annual infant care at family homes or centers by annual median income per family type (Table 2).*

The high cost of child care becomes clear when measured as a portion of family’s income. For families in King County who earn the median income and who do not qualify for subsidies, child care can eat up as much as half of their income (Table 2).¹⁰ Currently, a single parent with one child earning \$33,500 per year would have to pay 36% to 52% of their income for market rate, full time infant care. Even two parent households who earn over \$116,000 per year pay 15% of their annual income for child care at centers, twice the national rate of 7%.¹¹ The U.S. Department of Health and Human Services considers 10% of family income for child care as a benchmark for affordable care.¹²

Child Care Providers Operate on Shoe-String Budgets

“...[T]he biggest problem in early childhood education is the lack of benefits and wages that come with being an early childhood educator. I cannot charge much for private pay; people cannot afford it so they just take their children to unlicensed or relative care. I cannot afford to pay my staff what there are worth or offer benefits. How do I get quality workers? We continue to ask our teachers to increase their education yet who will get a degree to work minimum wage with no benefits? ” – Quote from Washington State 2012 Child Care Survey

Parents and providers are between a rock and a hard place: the cost of child care is enormous for parents, but the high cost of providing care, including insurance, rent, turnover costs, taxes, staff-to-child ratios, and supplies, forces many child care providers (family homes and centers) to operate on shoe-string budgets and

pay low wages to their staff. Total income received by providers is further eroded by the short fall in subsidies.¹³ Hence, the median earnings for a family home provider, before taxes, expenses, and paying staff (if they hire additional staff) is only \$35,000 per year. Family home providers are also often sole-proprietors and they must pay both the employer and employee contributions to Medicare and Social Security, roughly 15% of their earnings.¹⁴

Table 3: Gross Annual Earnings For Family Homes

Median Annual Earnings	\$35,000
Average Annual Earnings	\$41,000

2012 dollars converted to 2014 dollars - 2012 Market Rate Survey

We asked a number of family home providers and child care centers to share their operating budgets, to illustrate the true costs of providing quality care to our regions youngest people. Below are two example budgets and quotes from a family provider and a child care center.

Family Home Provider Budget

Table 4: Family Home Provider 2014 Budget - Child Care Provider - Beacon Hill, Seattle
1 staff in addition to owner

Expenses	
Classroom Lease	\$27,600
Wages and Payroll Taxes (for staff, not owner)	\$21,600
Phone/Internet/Cable	\$2,880
Food	\$16,800
Insurance	\$3,000
Supplies	\$3,600
Utilities (Water/Sewer/Garbage, Electric, Gas)	\$9,900
Total Expenses	\$85,380
Income	
Subsidies	\$72,000
Co-Payments	\$7,200
Private Pay	\$21,600
Total Income	\$100,800
Total Net Profit/Income for Owner – 2014	\$15,420

"As you can see from my outlined budget, running a quality child care business often means putting others before myself. I go without many things like a 401k that others around me wish I had. I do this so that the parents I serve can go to work or school with peace of mind knowing that their children are cared for, nurtured, educated and loved in a safe and quality environment. At the end of the day, I take comfort in knowing I've done something to improve someone else's life."

- Patricia Bailey, Seattle Family Home Provider

Child Care Center Budget

Well-established Preschools in our region also operate on slim margins. We interviewed a pre-school in Central Seattle with 14 staff to understand the cost of providing large-scale early education. We condensed their budget into general categories to understand the full expense of providing care. Table 5 shows that the high cost of providing quality care provides minimal wiggle room for unexpected expenses.

Table 5: Preschool 2012-2013 Budget

Seattle Area Preschool with 14 staff

<u>Expenses</u>		<u>Income</u>	
Supplies/Classroom Materials/Computers	\$28,250	Annual Fund	\$24,000
Auction Expenses	\$32,000	Auction	\$49,000
Events and Field Trips	\$2,400	Events	\$1,200
Food	\$7,000	Field Trips	\$500
Health Insurance	\$92,000	Parent Payment	\$749,000
All Other Insurance	\$17,050	Scholarship	\$20,000
Janitorial	\$17,000	Taxes	\$2,800
L&P Fees	\$11,000	Registration Fees	\$4,000
Professional Development and Licenses	\$12,400	Total Income 2012-2013	\$850,500
Rent	\$47,000	Difference	-\$22,700
Membership Dues	\$1,700		
Parent Education	\$1,600		
Meetings	\$300		
Taxes	\$145,000		
Telephone	\$2,000		
Utilities	\$6,800		
Wages: Staff	\$420,000		
Tuition Refunds	\$5,500		
Endowment Fund Expenses	\$19,200		
Maintenance Supplies/Playground	\$5,000		
Total Expenses 2012-2013	\$873,200		

“A lot of child care centers in our region have shut down since the recession. We are always just one or two bad years (or months) away from going out of business. Every few years, we have a very bad year. We had a terrible year in 2011-12. We came very close to the edge. Hopefully this year, we end up with a healthy surplus.

I think that we will, but you never know till it's over. It just costs a lot to keep staff and to keep a good child care running. Health care insurance is our second largest expense after wages. Operating expenses like computers, utilities, janitorial, maintenance, program supplies, and rent is over 25% of our budget. Professional Development and classroom materials are less than 2%. There isn't much left over. If we

run a surplus, we need it to balance out a year we lose money. Child care and early education is also very expensive for parents. The expense comes at a bad time for families, right when they are starting out, before they can move into higher paying positions.”

- Child Care Center Director, Seattle

King County’s Early Education Teachers and Assistants Earn Low Wages

Operating on tight margins forces child care centers to pay low wages. The typical teaching assistant at a child care center earns just \$11.37 per hour, or \$23,600 per year - far below a living wage, \$17.55 per hour for a single adult in King County.¹⁵

Table 6: Median Wages for Child Care Center Employees, King County

	<u>Median Hourly</u>	<u>Median Monthly</u>	<u>Median Annual</u>
Assistants	\$11.37	\$1,970	\$23,642
Teachers	\$13.95	\$2,417	\$29,007
Supervisors	\$17.57	\$3,044	\$36,531
Directors	\$20.87	\$3,443	\$41,316

*Calculations based on an assumption of full time hours, equivalent to 2080 hours per year
Dollar amounts converted from 2012 to 2014 dollars,
Source: 2012 Market Rate Survey*

Given that a typical family home provider in King County earns \$35,600 before taxes, utilities, supplies and labor costs, family home providers will have no employees or one or two additional assistants. Family home assistants tend to earn less than employees at child care centers.

The people who work in early childhood education are disproportionately women (88%) and ninety percent of child care workers are over the age of 22.¹⁶ One of the contributing factors to the widening gender pay gap in our region is the over-representation of women in under-paid jobs. Targeting and raising wages for under-paid women dominated industries like education and human services is the fastest way to help reduce the gender pay gap.

Low Wages Encourages High Employee Turnover

Regardless of the industry, low wages is one of the most significant factors that contribute to high annual employee turnover.¹⁷ In 2012, the turnover rate for teaching assistants and teachers in King County was 38% and 18% respectively, far greater than the 7% turnover rate found among elementary school teachers.¹⁸

High turnover in the child care industry has two significant and negative effects. First, high turnover rates have significant hidden costs including the cost of recruiting, new-hire processing, and training new workers. Employee turnover for jobs paying less than \$30,000 per year typically costs an employer 16% of that employee’s annual salary – nearly \$5,000 per employee.¹⁹ For child care providers with slim margins, this

represents a significant cost. All industries struggle with the cost of replacing workers as they leave, but turnover for child care providers is particularly problematic.

Second, high turnover has negative impacts on the quality of child care, and reducing turnover is critical to improving early childhood education. A 38% percent turnover rate for assistants and an 18% turnover for teachers in King County signify large changes during our children's formative years. High turnover among teaching staff undermines the quality of care a program can provide and affects children's social-emotional and language development.²⁰ According to the Center for the Study of Child Care Employment at University California, Berkeley, turnover discourages the development and maintenance of consistent relationships between children and their caregivers.²¹

According to the Carsey Institute at the University of New Hampshire, high quality care at early ages plays an important role for brain development, cognitive and language development, school readiness, and sets the stage for successful early school achievement.²² In several large-scale studies of child care, higher job turnover rates among staff demonstrated lower-quality services and education.²³

Conclusion

Our region's crisis in child care affordability and quality requires a comprehensive solution that addresses poverty-wages and financial burden on families. We recommend that parents, early educators and public officials work collaboratively to address the high price of child care for parents, and the high cost of providing care for child care centers.

Specifically we recommend policy solutions that meet the following interlocking goals:

- 1) Help parents pay for needed child care through increased subsidies, increased subsidy thresholds, and/or reduced child care prices for parents,
 - a. Seattle-area legislators should prioritize additional state funding to increase working connections subsidies to market rates for child care.
 - b. City and County governments can and should consider new/dedicated revenue sources to support early childhood education.
- 2) Reduce turnover by boosting wages and professional support for early educators and providers who must meet increasing training and education thresholds.
 - a. The crisis of staff turnover deserves a near-term solution to the low wage problem—the phase-in of Seattle's higher minimum wage will not adequately address the current turnover problem.

ENDNOTES

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