



Early childhood and economic mobility

Investments in the early years yield interest

By Abby Parcell, Amber Wells, and Brittany Jeatter

March 2020

EVIDENCE is clear that beginning in utero, children are constantly learning. Research shows enrollment in early childhood education programs before kindergarten increases school readiness and ensures children are on track with their peers. Quality early childhood education sets young children up for successful entry into school and careers. Children without a strong early educational foundation are more likely to drop out of school and less likely to attain a postsecondary education, which lowers the chances of experiencing upward economic mobility.

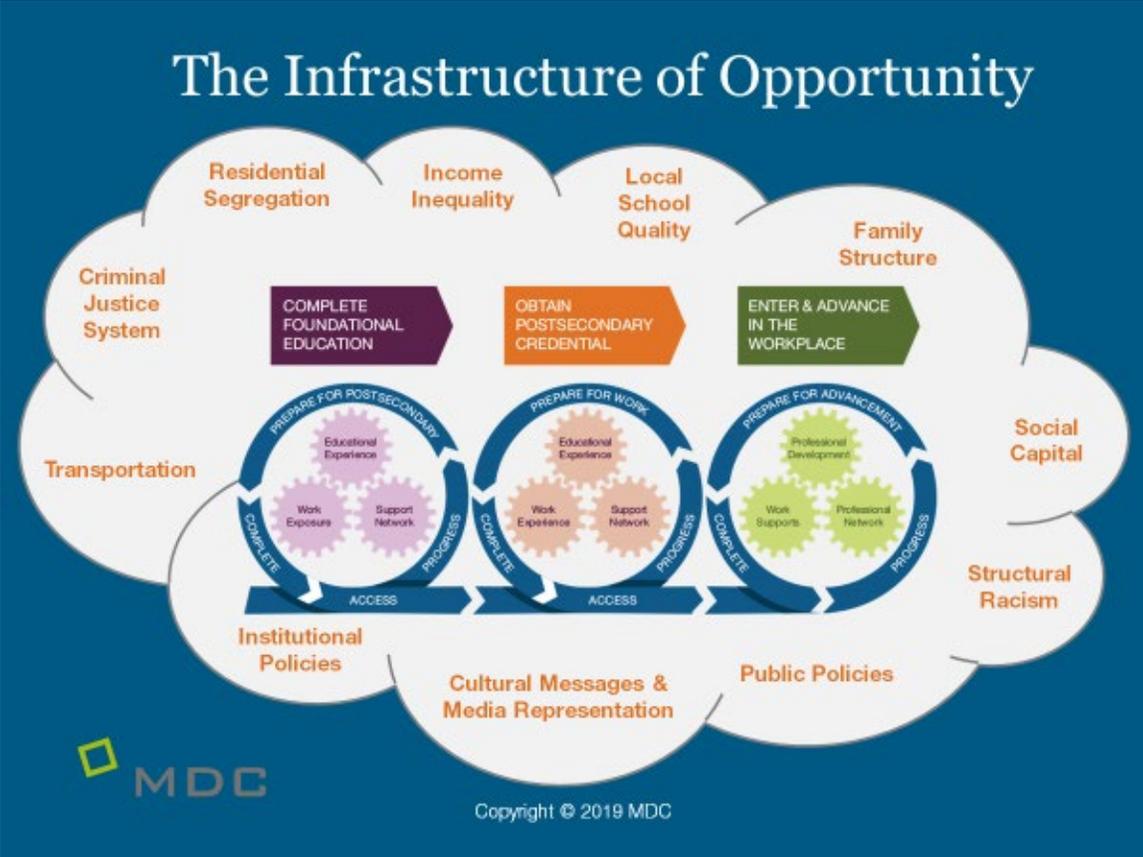
It may seem like a long way from diapers to diploma, but as any family can tell you, the years go quickly and each year is a critical step toward becoming a successful adult. When they are youngest, children are dependent on others to reach their full potential. Families with low and moderate incomes must navigate a difficult world of outside circumstances that play an outsized role in determining their—and their children’s—future: on one end there are parents trying to find affordable, high-quality, early childhood education while balancing work and family demands, and on the other, educators and caregivers trying to make a living in a sector known for low wages.

The child care system is an integral part of what MDC calls the “infrastructure of opportunity,” the aligned institutions, policies, and practices that make upward mobility possible. A child’s

Families with low and moderate incomes must navigate a difficult world of outside circumstances that play an outsized role in determining their—and their children’s—future.

opportunities cannot be separated from that of their parents and caregivers, and improving economic mobility prospects for children when they reach adulthood requires bolstering the economic security of their families when they are young. Investments in the infrastructure of opportunity that include support for parents and caregivers are as critical to early childhood success as high-quality care and educational opportunities for the children. All of these contribute to a child’s educational foundation, as well as to the economic security of parents and early childhood educators and caregivers. Removing barriers that are “baked in” to policies and practice is key to strengthening the infrastructure of opportunity for children and families.

Improving economic mobility prospects for low- and moderate-income children and bolstering the current economic security of families requires changing the practices of the systems that influence both prospects. This brief examines ways early childhood investments enable progression through the talent development system on the path to upward economic mobility for children, parents and families, and the workforce of early childhood educators and caregivers. In it we explore more fully the links between early childhood education investments and economic mobility, drawing on academic journal articles, policy papers, and other think-tank, philanthropic, and social sector reports. This research continues to inform MDC’s place-based work and offers knowledge that can help communities identify local policies and practices that have the strongest potential to improve the early childhood ecosystem and the broader infrastructure of opportunity.



Recent research has shown the odds of upward economic mobility are worst for those born in the South. It is harder here than anywhere else in the U.S. for young people in the poorest households to move higher up the economic ladder as adults.¹ The region needs dramatically different patterns of upward mobility if it is to be a place where widespread prosperity is possible. The best way out of poverty is employment and wages that provide the necessary resources to meet basic needs and save for the future; in our economy, most of those jobs require some sort of postsecondary credential,² so linking those—credential, employment, and wages—is key. Historical and continuing patterns of discrimination and disinvestment in the South mean that the factors that influence stalled mobility manifest in particularly intractable ways in our region, with re-segregating schools and resultant effects on achievement, far too many low-wage jobs, and too little investment in human capital.

¹ Chetty, Raj, Nathaniel Hendren, Patrick Kline, & Emmanuel Saez. "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." *Quarterly Journal of Economics* 129(4): 1553-1623, 2014.
² Carnevale, Anthony P., Nicole Smith, and Jeff Strohl. "Recovery: Job Growth and Education Requirements through 2020." Georgetown Public Policy Institute: Center on Education and the Workforce. Georgetown University. June 2013

Early childhood investments for an infrastructure of opportunity

Early childhood investments are gaining momentum across the country, including in many Southern states.³ Many already have made significant investments to increase early childhood education enrollment and improve access to related supports. Evidence shows these kinds of investments are associated with:

- a decrease in identification for exceptional children services
- a reduction in chronic disease
- a reduction in involvement with criminal justice system
- an increase in educational attainment and wages⁴

Given how dramatically socioeconomic disparities widen over time, there is an equity imperative for early childhood investments, especially in a region where state-level poverty rates are significantly higher than national averages, upwards of over 19 percent in Louisiana, Mississippi, and West Virginia.⁵ Families in the South continue to struggle financially: the 2018 Annie E. Casey KidsCount report indicates that every Southern state except Virginia below average for economic well-being of children, and the majority are in the bottom 20%.⁶ Low-income children benefit the most from investments in high quality early learning because they often lack access to the amount of enrichment experienced by their wealthier peers. The South needs a level playing field, where:

- **All children thrive**, regardless of where they live, especially at a time when brain science shows that they are learning and growing more than at any other time in their lives.⁷ Early learning experiences are a necessary launching pad for progress through the talent development system, and are especially critical for vulnerable children and their families.
- **All families thrive** within their communities. Affordable child care, affordable health insurance, and paid family leave are critical for parents; access to these supports influences education persistence and completion and job retention.^{8,9} In the South, no states have laws requiring paid family leave, and less than half have expanded Medicaid. Parents' economic stability has long-term effects on where children end up as adults.¹⁰
- **All early childhood workers thrive**, because improving the quality of early childhood jobs improves quality of care *and* worker retention—and that improves the long-term economic mobility prospects of both children and workers. Right now, early childhood education

³ Jessen-Howard, Steven. "Governors Propose Nearly \$3 Billion of Investments in Early Learning Programs." Center for American Progress. May 2019.

⁴ Hendren, Nathaniel and Ben Sprung-Keyser. "A Unified Welfare Analysis of Government Policies." Opportunity Insights. July 2019.

⁵ Moore, Roger. "Poverty Statistics for Southern States." Southern Legislative Conference. September 2018.

⁶ "2018 Kids Count Data Book." Annie E. Casey Foundation. <http://cdn.cnn.com/cnn/2018/images/06/26/aecf-2018kidscountdatabook-embargoed-2018.pdf>

⁷ Center on the Developing Child. The Science of Early Childhood Development (InBrief). 2007

⁸ Aurelien, Martine and Alexandra Forter Sirota. "A Two Generation Approach to Early Childhood: The Role of Wages and Compensation in Achieving Quality and Access Goals." NC Justice Center Budget and Tax Center. February 2019.

⁹ "The Effects of Medicaid Expansion Under the ACA." KFF. <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-august-2019/>

¹⁰ Chetty et al.

teachers and caregivers earn the least among educators and rarely receive benefits like health insurance during a period of development when children’s learning matters most.¹¹ In North Carolina, for example, child care workers earn an average wage of \$9.86/hour, and preschool teachers an average wage of \$12.44/hour.¹² This is an equity issue as well, because approximately 95% of child care workers are women and are disproportionately women of color.¹³ Early childhood educators and workers are key to the next generation’s successful start—and they are better able contribute to that success when they are, themselves, economically secure.

Investing in an infrastructure of opportunity that supports multiple generations in this way requires patience not usually found in the philanthropic and policy worlds. Longitudinal studies of early childhood investments show a long wait for outcomes, and often the identified benefits don’t accrue directly to the original investor. In other cases, by the time evidence-based practices are adopted, the demographic, public health, or public investment landscape may have changed. Leaders must maintain support for the investments and policies that intervene at the right time to promote resiliency for children, parents, and the early childhood workforce. Investing at the systems-level in early childhood can pave the pathway to upward economic mobility for children and support progress for families and workers. Southern communities need to act now to improve outcomes in the near *and* long term.

MDC’s current work

MDC is exploring these issues via two place-based initiatives in North Carolina. Great Expectations, an initiative of the Kate B. Reynolds Charitable Trust, works to ensure that children in Forsyth County, N.C., (the Winston-Salem area) enter kindergarten ready to learn and leave set for success in school and life. This work is critical in Forsyth County because the child poverty rate for children 0-5 is 30%, and for children of color it is over 40%.¹⁴ MDC, as the activating agency for Great Expectations, advises the Trust on strategic investment opportunities to improve early childhood systems in Forsyth County, and facilitates opportunities for community engagement and planning alignment efforts to ensure children, and the entire community, thrive. Early major investments include:

- improving quality of and access to early childhood education, including universal pre-K
- strengthening supports for informal child care (“family, friend, and neighbor” care, where the majority of children 0-3 receive care)

¹¹ Gould, Elise. “Childcare workers aren’t paid enough to make ends meet.” Economic Policy Institute.

<https://www.epi.org/publication/child-care-workers-arent-paid-enough-to-make-ends-meet/>

¹² “Early Childhood Work Force Index 2018, North Carolina.” Center for the Study of Child Care Employment.

<https://cscce.berkeley.edu/files/2018/06/2018-Index-North-Carolina.pdf>

¹³ Gould, Elise. “Childcare workers aren’t paid enough to make ends meet.” Economic Policy Institute.

<https://www.epi.org/publication/child-care-workers-arent-paid-enough-to-make-ends-meet/>

¹⁴ U.S. Census Bureau, ACS 5-year average, 2014-2018; U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)

- increasing access to critical child development and parent supports through nurse home visits and co-location of parent educators at health clinics

MDC’s advising has been grounded in an effort called Forsyth Family Voices, which fostered capacity among a group of agencies to really listen to families and parents about what they needed from service providers.

In neighboring Guilford County, MDC is partnering with the United Way of Greater Greensboro and other community agencies to design a technology-enabled network of nonprofit and public providers called the Greater Guilford Network. This network will create an aligned system to deliver integrated services for families, including work, health, and income supports, education and career advancement, and financial education and coaching to support self-sufficiency and security. This work is particularly important for families with young children in Guilford County, where the poverty rate for children 0-5 is 26% and the rate for children of color is over 35%.¹⁵ The network aims to conduct central intake and assessment, enable and track referrals between providers, and measure and report on outcomes, building on the learning and experience of the Greensboro Family Success Center, which MDC is helping UWGG scale to multiple locations.

Thriving children: Establishing a strong educational foundation

In addition to preparing young children for success in K-12 and beyond, investing in young children’s development also benefits their well-being and that of their families and, in the long run, their communities. Indeed, children enrolled in high quality, holistic early childhood programs that encourage cognitive, social-emotional, and linguistic development grow up to be healthier mentally and physically, better educated with higher-paying jobs, and experience lower rates of incarceration.¹⁶ They enter the talent development system equipped with the skills they need to earn a postsecondary credential and acquire a living-wage job with opportunities for career advancement. On average, every \$1 invested in high-quality early childhood programs returned over \$7 in benefits and new research shows that financial investments in children produce the highest returns and often pay for themselves.^{17 18}

Given these well-documented returns, educational equity is essential to improving a community’s economic health. Yet, the socioeconomic disparities in access to high-quality early childhood education persist¹⁹, and the structure and culture of the early childhood system exacerbate these

¹⁵ U.S. Census Bureau, ACS 5-year average, 2014-2018; U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)

¹⁶ Linda Bakken, Nola Brown & Barry Downing (2017) Early Childhood Education: The Long-Term Benefits, *Journal of Research in Childhood Education*, 31:2, 255-269, DOI: 10.1080/02568543.2016.1273285.

¹⁷ “13% ROI Research Toolkit.” The Heckman Equation, 10 May 2019, <https://heckmanequation.org/resource/13-roi-toolbox/>.

¹⁸ Hendren, Nathaniel and Ben Sprung-Keyser. “A Unified Welfare Analysis of Government Policies.” *Opportunity Insights*. July 2019.

¹⁹Garcia, Emma, and Elaine Weiss. “Education Inequalities at the School Starting Gate: Gaps, Trends, and Strategies to Address Them.” *Economic Policy Institute*, 9AD, <https://www.epi.org/publication/education-inequalities-at-the-school-starting-gate/>.

inequities.²⁰ A number of responses have proven important. In early childhood education programs and in the K-12 system, student-teacher interactions play an important role in whether low-income students and students of color have a similar experience to affluent and white peers; implicit biases related to both race and gender remain largely unaddressed at the organizational and institutional level. For example, research shows that children of color—especially young black boys—are more likely to be suspended or expelled from child care programs. In order to establish a strong educational foundation for our youngest children, we must first start with the teachers and caregivers who interact with them most. Even well-meaning teachers can harbor negative stereotypes and expectations; to achieve educational equity, teachers must be trained to recognize implicit racial bias and be provided with tools to reduce it, including access to culturally relevant curricula and materials.

Family, social, and broader community support also are essential for positive, long-term outcomes for children. Developing quality interactions, like story time or actively listening to the child and providing positive feedback, has a long-lasting effect on development and can bolster a child's resiliency to trauma and Adverse Childhood Experiences (ACE). ACEs include a range of experiences—such as abuse, neglect, parent substance misuse, and incarceration—that lead to trauma and toxic stress that can hinder a child's emotional development and well-being. Low-income children and children of color are more likely to experience ACEs and toxic stress, in large part because they live in communities with limited resources and infrastructure that create stressful environments, which in turn has a negative effect on child memory, ability to learn, and is the root cause of many academic and behavioral problems.²¹ However, the presence of ACEs doesn't necessarily mean that a child will experience poor health outcomes, especially if there are protective factors present. A quality early-care environment and positive student-teacher and parent-child interactions can serve that protective function.

Thriving parents and families: Setting up stability and progress

Quality care is key, but the demand and price of child care and early childhood education programs are continuously increasing, making it difficult for low-income families to afford; the cost of child care in the United States is \$917 per month, on average.²² According to the U.S. Department of Health and Human Services (HHS), child care is affordable if it is no more than 10 percent of a family's income. While prices of child care vary on several factors including location, age, and center-based vs. home-based care, average monthly costs certainly exceed what HHS deems affordable. Families in Southern states such as Mississippi spend 12 percent of their annual income on child care, 13 percent in Louisiana, and 14 percent in Alabama.²³

²⁰ Domina, Thurston, Andrew Penner, and Emily Penner. "Categorical Inequality: Schools as Sorting Machines." *Annual Review of Sociology* 43:311-30, 2017.

²¹ "Illinois ACEs Response Collaborative." *Health & Medicine Policy Research Group*, <http://www.hmprg.org/programs/illinois-aces-response-collaborative/>.

²² P, Kim. "Average Cost of Daycare Will Surprise You." *CreditDonkey*, 5 Dec. 2017, <https://www.creditdonkey.com/average-cost-daycare.html>.

²³ Marx, Ben. "These Maps Show the Average Cost of Child Care in Each State." *Fatherly*, 22 May 2019, <https://www.fatherly.com/news/maps-average-cost-childcare-us/>.

Access to high-quality child care improves family economic stability and increases educational attainment and job retention, yet low- and middle- income families are finding it difficult to afford. Parents without access to child care may struggle to keep a stable job, especially if that job has an unpredictable schedule. Many low-income mothers in particular are in a precarious position because they often are forced to choose between their economic security and their own health; currently, only 13 percent of American workers have access to Paid Family Leave (PFL) through their employers.²⁴ Unpaid family leave is an option for some low- and middle-income families, but taking advantage of the leave can disrupt family economic stability. The lack of public funding support for universal child care programs and broad lack of support for paid family leave in the private, public (state/local), and nonprofit sectors leaves low-income families unable to access quality early learning environments, and as a result, their children are falling behind their peers from the very beginning.²⁵

For parents who are unable to afford formal care, there are other options. One common alternative is known as Family, Friend, and Neighbor (FFN) care, which is informal child care provided in the child's or caregiver's home by a person who is typically a relative, friend, neighbor, babysitter or nanny.²⁶ These providers aren't licensed, and the quality of care varies as it does in licensed child care; we know less about it because it is not regulated.²⁷

Other supports have proven to be of strong value to parents with new babies. One safety net is voluntary home visiting programs such as Nurse Family Partnership (NFP) and Family Connects, which provide new and expectant parents with information, support, community resource referrals and in-home education and health care to women and children, particularly those who are “at-risk,” low-income, or socially disadvantaged.²⁸ While there are many different models for home visiting programs, the goal is similar: a two-generation support that reaches the parents and child. Visiting programs connect families to financial resources, provide crucial learning development experiences for infants and toddlers, and help mothers identify and address critical health risk factors such as maternal depression, domestic violence, and reducing tobacco use—the cost of which can negatively affect the mother's ability to work, hold a stable job, and achieve economic mobility.²⁹ Providing parents with strengths-based supports related to parenting, available supportive resources, and healthy child development enables them to create a brighter future for their children.³⁰

²⁴ Dusenbery, Maya. “How America's Lack of Paid Maternity Leave Worsens Inequality.” *Pacific Standard*, 16 Sept. 2015, <https://psmag.com/economics/cmon-america>.

²⁵ Aurelien, Martine, and Alexandra F. Sirota. *A Two Generation Approach to Early Childhood*. NC Justice Center, 2019, *A Two Generation Approach to Early Childhood*, <https://www.ncjustice.org/wp-content/uploads/2019/02/BTC-REPORT-Two-Generation-Early-Education.pdf>.

²⁶ “Family, Friend, and Neighbor Care.” *Family, Friend, and Neighbor Care* | *Childcare.gov*, <https://www.childcare.gov/consumer-education/family-friend-and-neighbor-care>.

²⁷ Susman-Stillman, Amy and Banghart, Patti. “Quality in Family, Friend, and Neighbor Child Care Setting.” National Center for Children in Poverty. 2011.

²⁸ Kitzman, Harriet. (2004). *Effective Early Childhood Development Programs for Low-Income Families: Home Visiting Interventions During Pregnancy and Early Childhood*. Encyclopedia on Early Childhood Development.

²⁹ Novoa, Cristina, and Jamila Taylor. “Home Visiting Programs Are Vital for Maternal and Infant Health.” *Center for American Progress*, 12 Sept. 2017

³⁰ “About Us - Nurse-Family Partnership.” *Nurse*, <https://www.nursefamilypartnership.org/about/>.

A thriving workforce: Supporting educators and caregivers

Attention to the early childhood workforce is an important component of a holistic approach to improving upward economic mobility. In addition to caring for the community's children, early childhood workers are often consumers of care themselves, which is difficult to afford on very low wages.

The high cost of child care does not translate into high wages for caregivers. Quality child care requires settings and conditions that value adults as well as children. Compensation is one way our systems communicate value; however, pay rates for those who work with our youngest children make it hard for the working adults to make ends meet. In 2010, the projected annual salary for a person working in the child care industry was \$17,210³¹ and child care workers are almost twice as likely than the average American worker to rely on public assistance (46 percent vs. 25 percent). In fact, even though child care wages have recently increased after along period of stagnation, the average hourly wage for child care workers is still only \$10.72.³²

The compensation, degree requirements, and professional development opportunities look vastly different for child care workers than for those working in the K-12 school system. Unlike K-12 teachers, pre-kindergarten teachers do not have clear job requirements (as they vary depending on location and center type—public v. private), professional development opportunities are scarce, and compensation fails to pay a living wage or keep up with changing job requirements and qualifications.³³ Preschool teachers also have a high turnover rate—about 25-50 percent per year, with nearly one-fifth of staff leaving the early childhood field altogether, which is not surprising given the primary reasons preschool teachers change jobs³⁴:

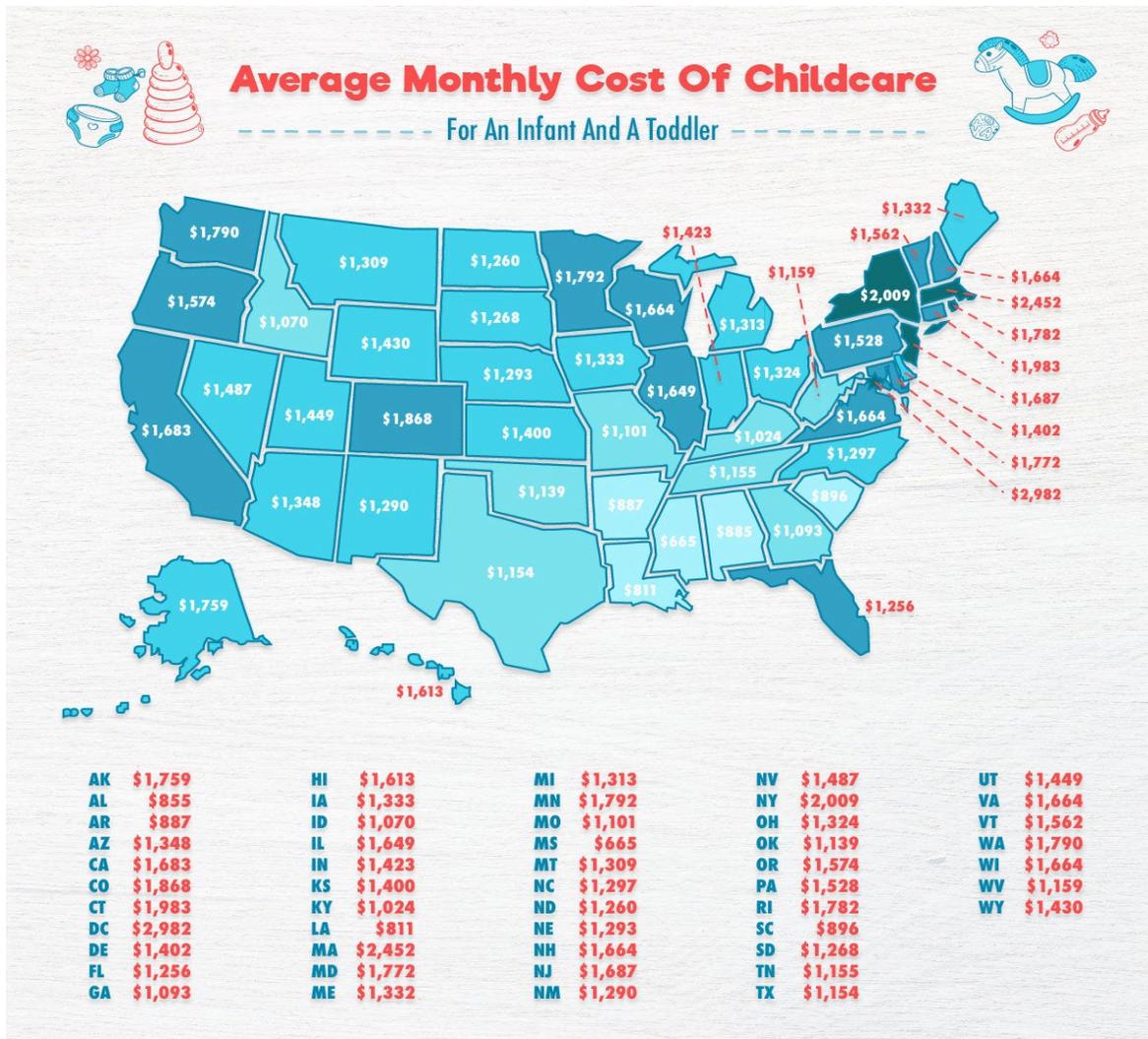
- low pay, low job satisfaction, and lack of benefits
- difficult coworkers, feeling unheard in the workplace
- poor working conditions, high stress, exhaustion, high demands

³¹ Ackerman, Debra. (2006). The Costs of Being a Child Care Teacher. *Educational Policy*. 20. 85-112.

³² "Early Childhood Workforce Index, 2018." Center for the Study of Child Care Employment. <https://cscce.berkeley.edu/files/2018/06/3-Earnings-Economic-Security.pdf>

³³ Ibid.

³⁴ Wells, M. B. (2015). Predicting preschool teacher retention and turnover in newly hired Head Start teachers across the first half of the school year. *Early Childhood Research Quarterly*, 30, 152-159.



Source: <https://www.fatherly.com/news/maps-average-cost-childcare-us/>

The low wages of child care workers make it difficult for teachers to pay for coursework leading to a bachelor's degree³⁵ and disincentivizes them from remaining in the sector or improve their credentials. There have been nationwide changes to job requirements and qualifications requiring early child care workers to receive additional educational experience, but compensation fails to reward this effort. In many circumstances when early childhood educators do improve their credentials, they are more likely to work in a more highly paid private center or pursue work in the K-12 school system, exacerbating teacher turnover and affecting the quality of the programs they are leaving.

Investing in the early childhood workforce can not only improve economic mobility odds for the workers while contributing to better outcomes for children, but also ensure that the education our youngest children are receiving is high quality and inclusive. Studies show that stressed and

³⁵ Ackerman, 2016.

financially insecure teachers are less likely to use practices that support those high quality and inclusive environments.³⁶ This also leaves children in their care more likely to experience ACEs, with greater anxiety and elevated cortisol levels, negatively affecting their ability to learn.

Salary and education interventions are key, but not the only place for improvement. As we consider approaches to improving the job quality of the early childhood workforce, research offers guidance on where to start. For example, a Head Start teacher retention study³⁷ shows that ways to reduce turnover in the field are to:

- hire staff with a strong commitment to a career in the early childhood education field
- improve teachers' satisfaction by listening to and addressing issues they identify as problematic
- develop stronger relationships with other school staff (e.g., via a teacher mentoring program)
- hire staff with a relevant postsecondary credential and avoid hiring those with only a high school diploma
- create a formal pay scale that accounts for inflation and is based on teacher's educational attainment and experience

Acting at the systems level

Improving the early childhood ecosystem requires action at the intersection of systems, leadership, and culture. When evaluating where to invest time and action, it's important to remember that community habits, attitudes, and values influence the appetite for change and shape individual and system behavior. The institutions that make up the ecosystem—and those that support it, from transportation to health care—are part of systems that are perfectly designed to get the results they produce. In order to see change in those systems, leaders must act to close the gap between current reality and the desired future.



MDC continues to work at this intersection in addressing the early childhood systems change challenge in Forsyth County, NC, and as we advance Family Economic Support in Guilford County, NC. Our learnings in these places inform our work across the South.

³⁶ Phillips et al

³⁷ Wells, M. B. "Predicting preschool teacher retention and turnover in newly hired Head Start teachers across the first half of the school year." *Early Childhood Research Quarterly*, 30, 152-159. 2015.



307 West Main Street
Durham, NC 27701-3215

Phone: 919.381.5802
Fax: 919.381.5805

www.mdcinc.org
www.stateofthesouth.org