



Chapter 3

Early childhood

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The middle-class squeeze in early childhood programs is real

- Child care is a major household expense, comprising 20 percent of the pay for moderate-income families.¹
- The estimated cost of a high-quality public preschool program ranges from \$6,500 to \$11,000 across the country—a price out of reach for many families.²
- Fifty-four percent of 3- and 4-year-olds attend preschool but children in the bottom three income quintiles are least likely to attend.³

Understanding how we got here

High-quality, early childhood programs are a critical component of ensuring that parents can access the workforce. Most children today have either a single working parent or two working parents,⁴ meaning that employment is difficult without access to affordable, consistent, high-quality child care. Unfortunately, early childhood programs are neither accessible nor affordable for many low-income and middle-class families.

The annual cost of child care exceeds the median rent costs in every state.⁵ Preschool programs are equally costly. Poor and low-income families spend the most on child care as a proportion of their income, making it difficult to put funds toward housing, retirement, and savings that we associate with the middle class. And despite the high cost of child care, quality is low, especially for children of color.⁶



For an example middle-class family of four paying for child care, child care costs rose by 37 percent in 12 years. See figure 1.3



More than half of families with an employed mother depend on parental or relative care for their young children, with one-quarter relying on child care centers. Multiple arrangements are common among families who often must piece together more than one child care provider to cover their work schedule.⁷ About half of families in the United States access preschool when their children are age 3 and 4, though there is considerable variation by income; the wealthiest families are more than 40 percent more likely to access preschool than the poorest families.⁸

Publicly funded early childhood programs reach few families and often do not provide access to high-quality programs. Most public programs target low-income families yet fail to reach a majority of the neediest population. And middle-class families often do not qualify for public programs or cannot access them due to underfunding.

Policy recommendations

High-quality, early childhood programs offer a two-generational approach to middle-class success; children gain additional learning and parents are better able to maintain employment or attend education programs to improve their economic situation.

Here are four things we can do today to address the middle-class squeeze:

- Provide high-quality preschool to all 3- and 4-year-olds
- Expand and reform the child care subsidy system
- Reform the Child and Dependent Care Tax Credit
- Expand Early Head Start-Child Care partnerships



Early childhood

For middle-class families—and those trying to get there—access to affordable, high-quality child care and early education programs can set them up for success. This is a two-generational approach: continuous access to affordable, quality programs supports employment for parents, while access to healthy development and early learning prepares children for school.

On an average day in the United States, 11 million children spend time in the care of someone other than a parent.⁹ Among children under age 6, 65 percent have either a single parent or two parents in the labor force.¹⁰ Child care is a daily reality for most families, without which they could not make ends meet. While child care is typically treated as a work support for parents, the reality is that children begin learning from their environment at birth. During the first few years of life, rapid growth and development lay the foundation for future learning and skills. It comes as no surprise then that researchers have found links between children’s developmental outcomes and the quality of child care.¹¹

Early learning programs, such as Head Start or public and private preschool programs, typically have the explicit goal of promoting early childhood development and preparing children for school. Many families also rely on these programs to care for children while parents work. These programs can range in quality, but typically have higher standards than what is available in child care programs.¹²

Historically, early childhood programs have been bifurcated, with programs like the Child Care and Development Block Grant focusing on supporting working parents and programs like Head Start and state-funded preschool focusing on child development and school readiness. However, given that we know children are constantly learning from their surroundings and most families need child care in order to work, it makes little sense to think of them separately. We also know that families want their children to be in high-quality settings—regardless of whether the program is called child care, Head Start, or preschool—and that parents want to better their economic situation by working and going to school. And since we have an interest in

both strengthening and growing the middle class, these programs need to be accessible to low-income parents. That means structuring programs so that they provide high-quality early learning environments, cover a full working day (including nontraditional schedules), provide continuous access, and are affordable to parents.

Why child care matters: A two-generational benefit

Children who attend high-quality preschool programs earn more money later in life and are less likely to rely on public assistance.

When families have consistent access to affordable, high-quality early childhood programs, parents and children benefit.

Given the value we place on economic mobility, we want all children—regardless of parents’ income levels—to have an opportunity to become part of the middle class. But many children today are starting school without the skills they need to be successful. More than half of poor children and 40 percent of near-poor children are not ready for school at kindergarten. This means they could lack early literacy and mathematical skills or they could have learning, behavioral, or physical health issues. Even among moderate- and higher-income families, 25 percent of children are not ready for school.¹³ This problem is particularly pronounced for low-income children of color who are most often victims of poverty,¹⁴ but is by no means limited to poor children. Children from middle-class families also lag behind their higher-income peers when it comes to school readiness.¹⁵ Much of the achievement gap that we see in later grades has its origins in the gap that exists at age 5.¹⁶

Fortunately, high-quality early learning programs can narrow the school-readiness gap. On average, children who attend high-quality preschool programs gain 4 months of additional learning and the highest-quality programs have produced learning gains of 6 to 12 months.¹⁷ While gains are particularly pronounced for children of color, English language learners, and low-income children, middle-class children also benefit.¹⁸ High-quality child care programs are also linked to better cognitive and social skills at kindergarten entry.¹⁹ Over the long term, children who attend high-quality preschool programs earn more money later in life and are less likely to rely on public assistance.²⁰ Nobel Laureate James Heckman finds that the life-cycle effects of early childhood programs create at least a 10 percent return on investment, which is a higher return than in almost any other policy area.²¹

Access to affordable, quality child care and early education programs also can promote parents’ economic well-being. Data from around the country demonstrate that the lack of child care adversely affects parents’ economic stability. A New York City study found that one-third of families on the waiting list for child care subsidies

either lost their job or were unable to work before they received a child care subsidy. In North Carolina, a similar study found that one-quarter of families waiting for child care assistance lost their job or quit, and in Minnesota, researchers found an increased reliance on public assistance programs among families on the waiting list.

For families trying to break into the middle class or struggling to stay in it, early childhood programs can promote access to the workforce. Child care assistance can help. The benefits of child care assistance are particularly strong for single mothers, who are nearly 40 percent more likely to maintain employment over two years compared to those who do not have help paying for child care.²²

The high cost of early childhood programs

Child care is one of the largest household expenses for most families, which makes it a key component of the middle-class squeeze. In fact, child care is more expensive than median rent in all 50 states. The average cost of child care varies considerably by the type of setting, age of the child, and geographic location, but constitutes a significant and often unaffordable expense. Child care for an infant costs the most, with the average annual cost by state ranging from \$5,000 in Mississippi to \$16,000 in Massachusetts. Child care for 4-year-olds, while slightly less expensive, still ranges from an annual average of \$4,000 in Mississippi to \$12,000 in New York.²³ It is important to note that these prices reflect the average cost of care, but that does not mean families are getting high-quality child care. On average, the quality of child care in the United States is mediocre to poor,²⁴ but there is certainly variation with some providers offering very high-quality programs.

Preschool costs, which are indistinguishable from child care costs in many cases, are also out of reach for many families. The estimated cost of a high-quality public preschool program ranges from \$6,500 to \$11,000 annually across the states—a price out of reach for many families.²⁵

The high cost of preschool and child care squeezes families at all income levels. On average, all families with children under age 5 spend approximately 9 percent of monthly income on child care. Among families living below the poverty level, 36 percent of income goes to child care expenses. Families hovering above the poverty level at 100 percent to 199 percent of poverty spend about 20 percent of their monthly income on child care.²⁶ The high cost of child care means that families have less money to allocate to housing, retirement, and savings—all of which they need to be firmly in the middle class.

Child care is more expensive than median rent in all 50 states.

Access to high-quality early childhood programs

Child care

While child care centers might be perceived as the most common source of care for working parents, the reality is that, as of 2011, just 25 percent of children under age 5 whose mothers work are primarily cared for in centers. About half of these families use a parent or relative as the primary source of child care. A smaller group—13 percent—use a home-based provider, including family child care and care in the child’s home. Ten percent of these children have no regular child care arrangement, which likely reflects the fact that many families have to piece together a patchwork of arrangements in order to work. Nearly 30 percent use multiple arrangements, further indicating that some families struggle to cover their workday.²⁷

Most center- and home-based child care in the United States is low to medium quality. A 2005 study measured child care environments and found that just 35 percent of centers and 9 percent of homes were of high quality. Children of color are much less likely to be in high-quality centers and homes.²⁸

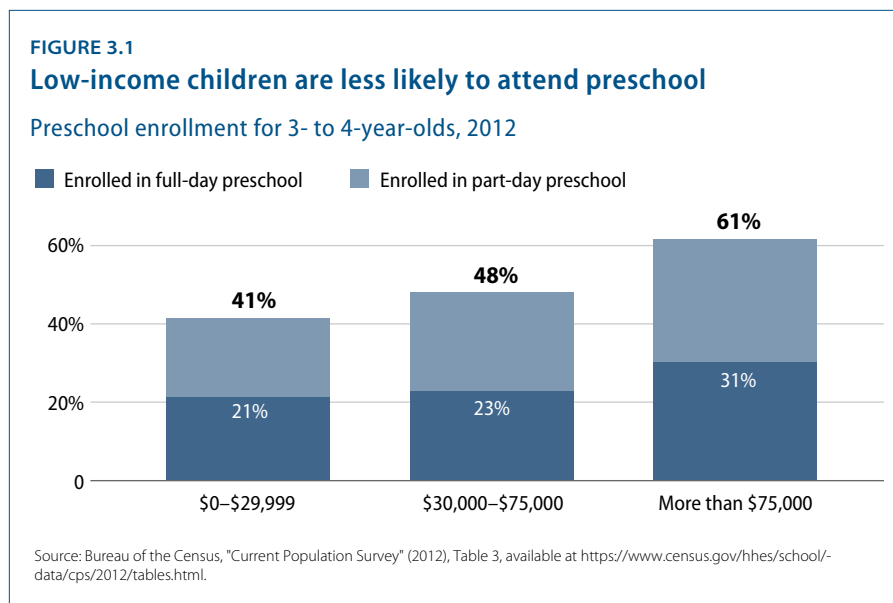
About 1.5 million children in the United States receive child care subsidies, which provide assistance to families who are working or enrolled in education or training programs.²⁹ The program reaches just one in six eligible families,³⁰ and 19 states have waiting lists or frozen intake.³¹ Technically, middle-class families are eligible for the program, which caps out at 85 percent of state median income and averages around \$60,000 across the 50 states.³² However, the reality is that states can only afford to serve the lowest-income families. Even among the families served, subsidy rates are typically too low to provide access to high-quality programs. Additionally, families tend to cycle on and off the subsidy system every few months, which can jeopardize parents’ employment stability.

Families may also lose eligibility for child care assistance when they earn slightly more money, risking their access to child care altogether. Many families also need child care during periods of unemployment to allow parents to quickly pursue new employment opportunities. In some states, parents cannot receive child care assistance while they search for a job. When families lose a job and child care at the same time, it only prolongs unemployment and can mean that they lose their place in the middle class.

Some middle- and higher-income families benefit from the Child and Dependent Care Tax Credit, which allows families to claim up to \$3,000 in child care expenses for one child and \$6,000 for two or more children.³³ The tax credit is nonrefundable and primarily benefits middle- to higher-income families, with 60 percent of tax expenditures going to the top two quintiles.³⁴

Preschool

Fewer low-income and middle-class families have access to preschool, compared to families earning more than \$75,000, who have the highest access rate. (see Figure 1) These families are also most likely to access full-day preschool. Differences by race and ethnicity emerge as well, such that Hispanic children are least likely to have access to preschool and least likely to attend full-day programs.³⁵



Access to public programs that are free to families are limited in scope, reaching a small proportion of low-income 4-year-olds. The majority of families eligible for Head Start are below the poverty level, and within this population, only about half of eligible children access the program.³⁶ The situation is even worse for Early Head Start, which serves infants, toddlers, and pregnant women and reaches less than 5 percent of eligible children.³⁷

Access to quality, state-funded preschool varies considerably by state, with 28 percent of 4-year-olds and 4 percent of 3-year-olds served nationally.³⁸ A handful of states, including Oklahoma, Georgia, and the District of Columbia, offer preschool to most 4-year-olds. However, 10 states do not provide a program.³⁹

Both Head Start and state preschool programs vary in quality. A 2005 study found that 40 percent of Head Start programs were high quality, whereas 57 percent were medium quality and 3 percent were low quality. African American children were much more likely to be in a medium- or low-quality program, with 74 percent in a medium- or low-quality program, compared to 52 percent of white children.⁴⁰ Similarly, just five states have a preschool program that meets all 10 quality benchmarks established by the National Institute for Early Education Research. Of the 1.3 million children enrolled in state preschool programs, more than 40 percent are in programs that do not meet half the standards.⁴¹

Policy recommendations

We know that expanding access to high-quality early childhood programs is a two-generational strategy that helps families enter the middle class and stay there. To provide access to high-quality care and fully realize the potential of early childhood programs, we need policies to:

- **Provide access to high-quality preschool for all 3- and 4-year-olds.** The federal government should partner with states to expand access to preschool that includes well-compensated teachers who hold a bachelor's degree, small class sizes and low teacher-to-student ratios, and a strong curriculum rooted in evidence. Passing the Strong Start for America's Children Act, which was introduced by Sen. Tom Harkin (D-IA), Rep. George Miller (D-CA), and Rep. Richard Hanna (R-NY) in November 2013 is a good first step toward this goal.⁴² The bill would build on bipartisan support for preschool at the state level by investing federal dollars upfront and slowly shifting responsibility to states over the long term.
- **Expand and reform the child care subsidy system.** Funding levels for the Child Care and Development Block Grant, which provides resources to states for child care subsidies, are insufficient to reach even a majority of low-income parents, let alone those struggling to stay in the middle class. And even among families who receive child care assistance, amounts are typically too low to allow access to most high-quality child care programs. The child care subsidy system needs additional resources to help families access high-quality child care and quality standards that reflect children's development needs and the importance of the first few years of life.⁴³ In addition, child care assistance should decline gradually as parents earn more money rather than be cut off abruptly, which could jeopardize employment stability.⁴⁴
- **Reform the Child and Dependent Care Tax Credit.** Under current law, families may claim up to \$3,000 in child care expenses for one child and \$6,000 for two or more children. The tax credit is nonrefundable, meaning that it can reduce a families' tax liability but families that owe nothing or very little in taxes cannot

take advantage of the credit. In addition, the average cost of child care far exceeds the credit amount. Making the tax credit refundable and raising the amount that can be claimed to cover more of the actual cost of child care would defray expenses for middle-class families and those trying to access the middle class.

- **Expand Early Head Start-Child Care Partnerships.** The Early Head Start, or EHS, program provides high-quality, early childhood programs, in addition to comprehensive services that provide developmental screenings, referrals to health care providers, and resources to parents. To receive federal funds, programs must meet quality standards and participate in a federal monitoring process. Congress recently provided funding for EHS expansion through partnerships with child care programs, which will bring the high-quality standards of EHS to child care settings and ensure that they provide an enriching environment for children well beyond custodial care. This initiative offers an opportunity to bring together the best of both worlds: high-quality early learning programs that also meet the needs of working parents. In 2014, Congress provided \$500 million for this initiative.⁴⁵ Congress should sustain and expand funding for Early Head Start-Child Care Partnerships in the coming years.

Conclusion

To better prepare children for school and to promote parents' economic well-being, we must increase access to affordable, high-quality child care and early education programs for low- and middle-income families. Policies such as the Strong Start for America's Children Act, expanding and reforming the child care subsidy system, reforming the Child and Dependent Care Tax Credit, and expanding Early Head Start-Child Care Partnerships would help middle-class families. It would also help families trying to access the middle class to overcome cost barriers, gain access to higher-quality care, and loosen the grips of the intergenerational middle-class squeeze.

Endnotes

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