

# FOLLOW THE MONEY:

## An Interactive Guide to the Economics of Child Care

### FACILITATOR GUIDE

#### OBJECTIVE

Participants will step into the shoes of families, child care business owners, and educators to explore the economics of childcare from all angles. Through this exercise, it will become evident that the math just doesn't add up—families are paying too much, while teachers are making too little. This helps make the case for increased investment in child care as a public good.

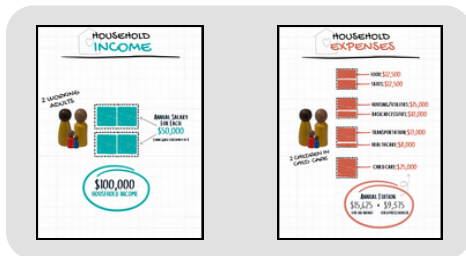
#### LOGISTICS

- Participants will work in groups of three.
- One individual will act as a **family**, another as the **child care business owner**, and the third as a **child care teacher**.
- If groups need to be larger than three, group members can share roles.

#### MATERIALS

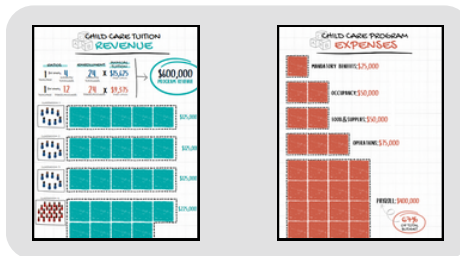
- Each group needs **26 blocks** (1 inch or less) or other objects like pieces of candy or coins. Each block or other small item represents \$25,000.
- Each group will also need the following worksheets:

##### FAMILY WORKSHEETS



Household Income  
Household Expenses

##### CHILD CARE BUSINESS OWNER WORKSHEETS



Child Care Tuition Revenue  
Child Care Program Expenses

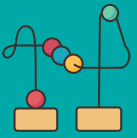
##### TEACHER WORKSHEET



Child Care Staff Wages

#### IMPLEMENTATION OVERVIEW

- The next four pages detail the stages of the game. Each page has notes on logistics, a script you can read or adapt, and key points to highlight.
- During the first three phases, you'll guide participants through hypothetical budgets for each of the different perspectives, helping participants track income and expenses by moving blocks.
- In the final phase, participants face tough decisions in their designated roles to illustrate some of the real-world challenges for families, child care business owners, and teachers.



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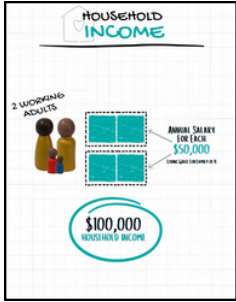
FACILITATOR GUIDE



## Phase 1: The Family Perspective

**Notes:** The participant representing the family should have a *Household Income* sheet, a *Household Expenses* sheet, and four blocks. Read the text below to participants and guide them as they move blocks from their income sheet to their expenses sheet.

### HOUSEHOLD INCOME

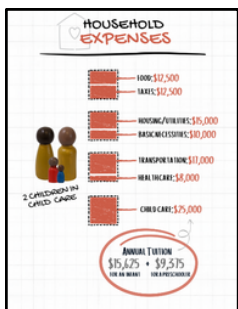


- Your family consists of two working adults, a preschooler, and an infant.
- Each adult earns \$50,000 annually, resulting in a combined household income of \$100,000 per year.
- Place four blocks (each representing \$25,000) on your household income sheet.

#### What to Highlight:

- In Michigan, an annual household income of \$100,000 is considered a living wage for a family of four.

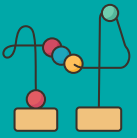
### HOUSEHOLD EXPENSES



- Now let's talk about your household expenses.
- For your family of four, you pay \$12,500 a year for food and another \$12,500 in taxes.
  - Move one block from your income sheet to cover these expenses.
- Next, the combined cost of your housing, utilities, and basic necessities such as clothing is another \$25,000.
  - Move another block over to your expense sheet.
- Transportation and health care costs total another \$25,000.
  - Move another block to cover these expenses.
- Finally, for an infant and a preschooler, the combined annual child care tuition is \$25,000. Move your final block.

#### What to Highlight

- Notice that child care is the single largest household expense.
- Although the federal definition of "affordable child care" is 7% of household income or less, child care is 25% of this family's budget, which is not uncommon.
- For single-income families, this proportion is even greater, forcing many parents to make difficult choices about which bills can be paid each month.



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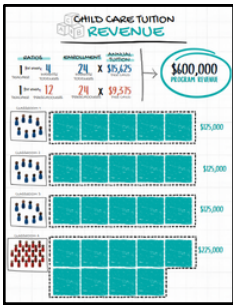
FACILITATOR GUIDE



## Phase 2: The Child Care Business Owner Perspective

**Notes:** The participant representing the child care business owner should have a *Child Care Program Revenue* sheet, a *Child Care Program Expenses* sheet, and 23 blocks to start. The family representative will give the business owner one additional block to symbolize their tuition payment, bringing the total to 24 blocks.

### CHILD CARE PROGRAM REVENUE

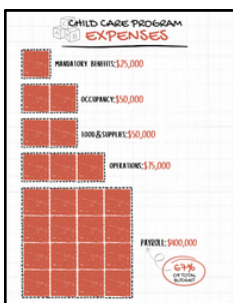


- Now we'll talk about a child care business' budget.
- To keep it simple, imagine you serve 24 families, each with an infant or toddler and a preschooler.
- Collect \$25,000 (one block) from the family in your group.
- Then fill in all the squares on your revenue sheet with a total of 24 blocks, or \$600,000 in annual revenue.

#### What to Highlight

- Infant/toddler classrooms serve fewer children than preschool classrooms because younger children need more attention to support their development and safety.
- To accommodate lower ratios, infant/toddler tuition would need to be three times the preschool rate to cover equivalent staffing and other costs.
- Despite high demand for infant/toddler care, this is too expensive for families so many programs operate at a loss or rely on preschool tuition revenue to offset the costs of serving younger children.
- This underscores how initiatives like universal pre-K affect the entire 0-5 system.

### CHILD CARE PROGRAM EXPENSES



- Of this \$600,000 annual program revenue, \$25,000, is spent on mandatory benefits like workers' compensation and social security. Move one block from your revenue sheet here.
- \$50,000 is spent on occupancy costs (e.g., rent, lease, mortgage). Move two blocks here.
- Another \$50,000 (two blocks) goes to food and supplies.
- \$75,000, or three blocks, is spent on operations expenses (e.g., insurance, permits, office supplies, utilities, etc.)
- But all of that is only one-third of the budget. The remaining \$400,000 goes to staff wages.

#### What to Point Out

- On average, 60-80% of a child care program's budget goes to staff compensation.



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## Phase 3: The Child Care Teacher Perspective

**Notes:** The participant representing the teacher should have a *Child Care Staff Wages* sheet. The child care business owner will give them a total of 16 blocks from the payroll section of their budget.

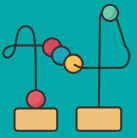
### CHILD CARE STAFF WAGES



- Although most of a program's budget is spent on personnel, child care is labor intensive and costs spread out quickly.
- From their payroll allocation, the child care business owner should give the teacher representative six blocks to cover salaries for the director, assistant director, and part-time administrative assistant.
- The last 10 payroll blocks go to teacher salaries: two teachers per classroom plus two "floater teachers" to support teacher breaks and proper teacher-child ratios during the program's 10 hour-day.
- So each teacher gets one block, or \$25,000 annual salary.
- Family representatives, can you remind us of the salary for one adult to contribute to a living wage for a family of four? (\$50,000)

### What to Highlight

- Child care teachers make poverty-level wages and child care is one of the lowest paid professions in the country.
- A significant percentage of child care teachers struggle to afford housing, experience food insecurity, and rely on public assistance to make ends meet.
- Economic insecurity and stress contribute to high rates of burnout, with up to 40% of child care teachers leaving their jobs each year.
- This high staff turnover affects young children, who thrive on consistent caregiving relationships, and makes it difficult for child care business owners to operate at full capacity amidst staffing shortages.



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## Final Phase: The Math Doesn't Add Up

**Notes:** To wrap-up, participants will try to remedy teachers' low wages, but will find themselves facing a series of tough choices affecting everyone in the child care system.

### DIFFICULT DECISIONS

#### For Teachers

- Teachers, you're making only half of what is considered a living wage. This is unacceptable, especially given your vital role in supporting children's brain development, families' ability to work, and our overall economic prosperity.
- You have a choice. Tell your child care business owner if you are going to:

**Option A:** Pursue a higher-paying job in a different field **OR**

**Option B:** Ask them to increase teacher salaries to a living wage.

#### For Childcare Business Owners

- Regardless of your teachers' decisions, you want to raise salaries to \$50,000 to retain and/or attract staff.
- To do this, you need to add 10 more blocks, or \$250,000 to your payroll.
- But this is more than all your other expenses combined. You'll need to increase your revenue by at least 42%.
- You also have two choices:

**Option A:** Convert all infant/toddler classrooms to preschool slots (thus decreasing the already limited infant/toddler care in your community) **OR**

**Option B:** Raise tuition by \$10,417 for each current family.

- Tell the family in your group whether they'll need to find other care for their infant or pay an additional tenth of their income.

#### For Families

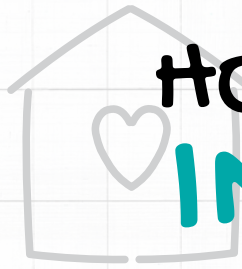
- Look at your household expenses sheet and consider if you will:

**Option A:** Find a way to increase your child care allocation (e.g., cut other expenses, take on an additional job to increase income) **OR**

**Option B:** Have one parent leave the workforce to stay home with the children.

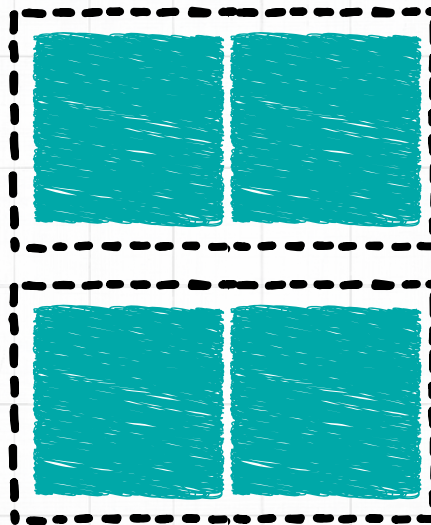
### CONCLUSION

- We tried to balance this equation with financial security for both families and teachers, but the math just doesn't add up. Our current system fails everyone.
- As child care advocates have observed, "Parents can't afford to pay, teachers can't afford to stay. There's got to be a better way."
- This "better way" will need to come in the form of increased investment from both the public and private sectors.



# HOUSEHOLD INCOME

2 WORKING  
ADULTS



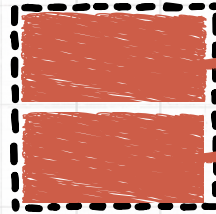
ANNUAL SALARY  
FOR EACH  
\$50,000

LIVING WAGE FOR FAMILY OF 4

**\$100,000**  
HOUSEHOLD INCOME

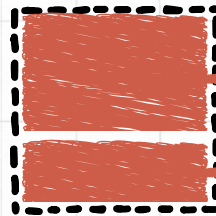


# HOUSEHOLD EXPENSES



FOOD: \$12,500

TAXES: \$12,500



HOUSING/UTILITIES: \$15,000

BASIC NECESSITIES: \$10,000

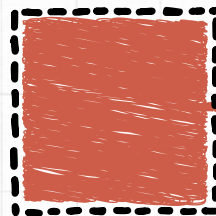


TRANSPORTATION: \$17,000

HEALTHCARE: \$8,000



2 CHILDREN IN  
CHILD CARE



CHILD CARE: \$25,000

ANNUAL TUITION

\$15,625 + \$9,375

FOR AN INFANT

FOR A PRESCHOOLER

# CHILD CARE TUITION REVENUE

**RATIOS**  
 1 for every 4  
 TEACHER INFANTS/  
 TODDLERS

**ENROLLMENT**  
 24  
 INFANTS/  
 TODDLERS

**ANNUAL TUITION**  
 \$15,625  
 PER CHILD

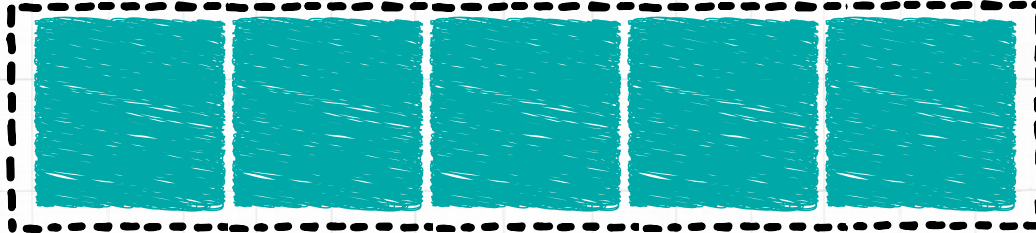
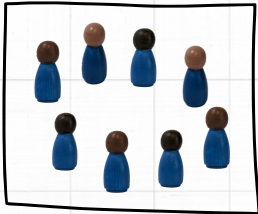
1 for every 12  
 TEACHER PRESCHOOLERS

24  
 PRESCHOOLERS

X \$9,375  
 PER CHILD

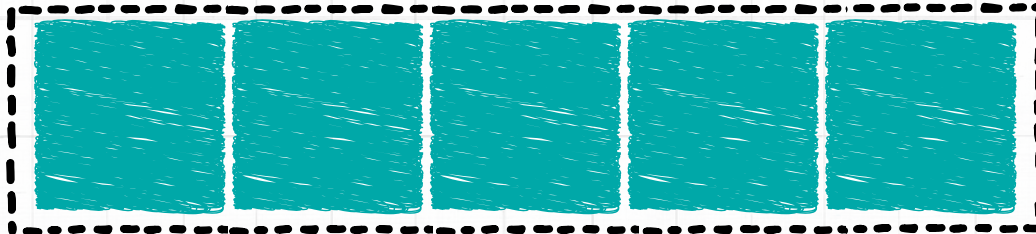
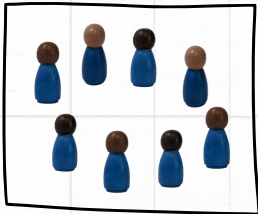
**\$600,000**  
 PROGRAM REVENUE

CLASSROOM 1



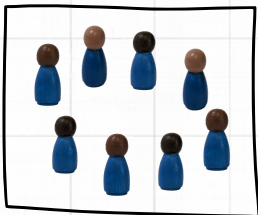
\$125,000

CLASSROOM 2



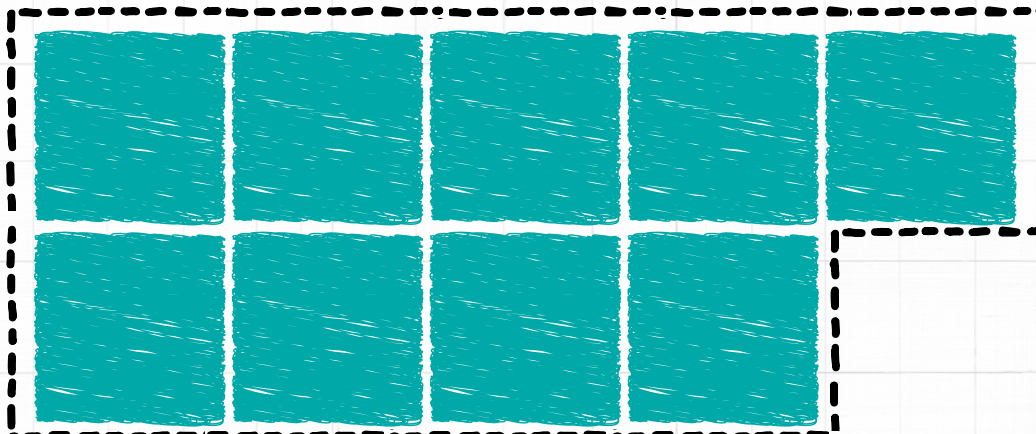
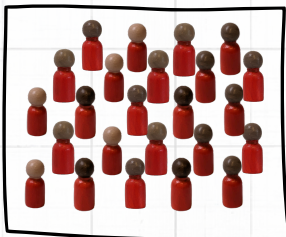
\$125,000

CLASSROOM 3



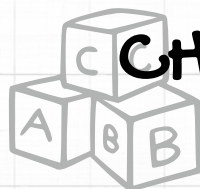
\$125,000

CLASSROOM 4



\$225,000

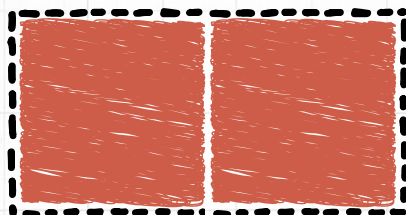




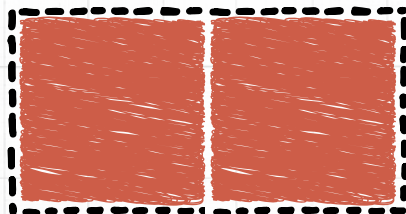
# CHILD CARE PROGRAM EXPENSES



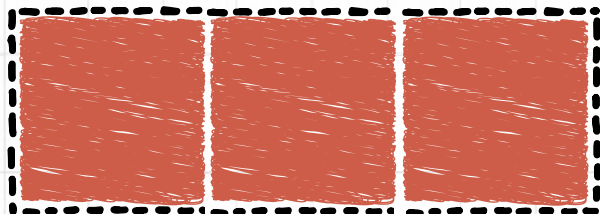
MANDATORY BENEFITS: \$25,000



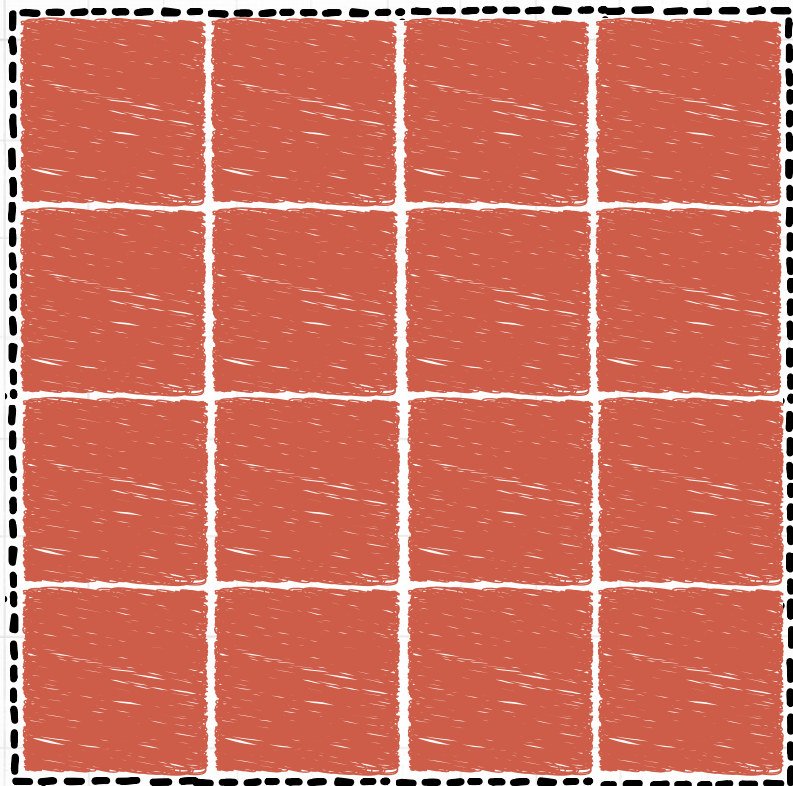
OCCUPANCY: \$50,000



FOOD & SUPPLIES: \$50,000



OPERATIONS: \$75,000



PAYROLL: \$400,000

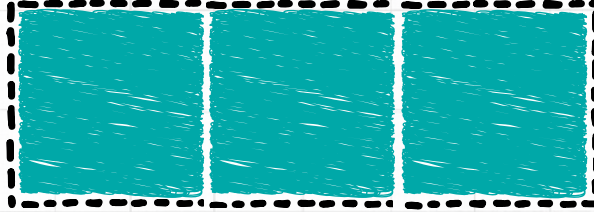
67%  
OF TOTAL  
BUDGET



# CHILD CARE STAFF WAGES

## ADMINISTRATIVE STAFF

PROGRAM  
DIRECTOR



ASSISTANT  
DIRECTOR

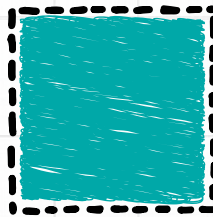
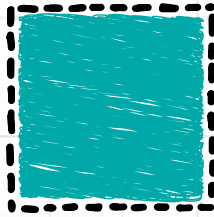
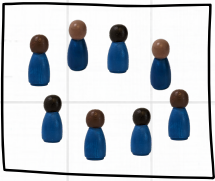


ADMIN  
ASSISTANT



## TEACHING STAFF

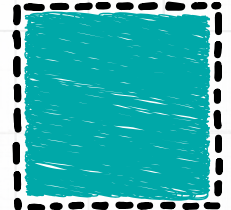
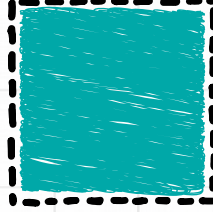
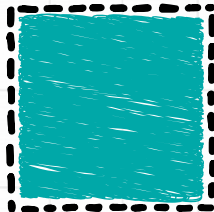
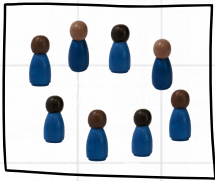
CLASSROOM 1



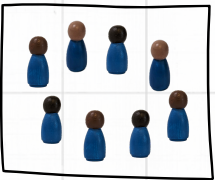
FLOATER  
TEACHERS



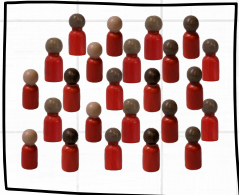
CLASSROOM 2



CLASSROOM 3



CLASSROOM 4



**\$25,000**  
TEACHER SALARY

ONLY 1/2 OF  
LIVING WAGE

FOR FAMILY OF 4