Investing in Educators Pays Off: A New Analysis of DC's Early Childhood Educator Pay Equity Fund

UNDER3DC

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High-quality early childhood education depends on skilled educators to foster a child's development[1] during the early years of life - a period of rapid brain development[2] that lays the foundation for lifelong learning, health, emotional regulation, and economic success.

Despite the importance of their work and the skills and training required to perform it, early childhood educators have historically been among the lowest-paid workers[3] in the United States. Low compensation[4] contributes to educator turnover and staffing shortages, which can disrupt program operations, reduce available slots, and make it harder for families to access stable, high-quality care. To address this longstanding inequity, the District of Columbia launched the Early Childhood Educator Pay Equity Fund[5] in 2022.

The Pay Equity Fund is the nation's first dedicated public funding stream designed to close the pay gap between early childhood educators and public school teachers, reflecting a commitment to recognizing early educators—disproportionately women and women of color[6]—as essential to the education system. Because a strong early education system depends on recruiting and retaining a qualified workforce, educator compensation is central to child care access, program quality, and parents' ability to work.

New research from Mathematica[7] on the Pay Equity Fund's Economic Returns finds:

- **Strong return on investment:** In fiscal year 2024, the Pay Equity Fund—which implements a public school–based salary scale for child care educators and subsidizes health insurance—generated a **21% return on investment**, indicating that its economic benefits exceeded its costs.
    - Cost drivers: Total program costs included salaries, health insurance premiums, and administrative support at early learning facilities.
    - How benefits are generated: Higher educator compensation (salary and health insurance) supports recruitment, retention, and workforce capacity, which is expected to benefit educators, early learning facilities, and families.
- **Families are the primary beneficiaries:** **78% of total program benefits accrued to families** through increased access to child care and improved quality of care.
- **Higher costs, larger benefits:** Implementing the payroll-salary scale model of the Pay Equity Fund to better align salaries with public school teacher pay required greater investment than providing fixed-wage supplements directly to educators during the program's initial launch. However, the larger salary increases also increased the value of the program's estimated benefits, such that the program continued to generate substantial economic returns after implementation of its long-term structure.

How the Pay Equity Fund Works

The Pay Equity Fund increases compensation for early childhood educators working in licensed District of Columbia early learning facilities. It also supports access to health insurance through HealthCare4ChildCare (HC4CC),[8] which provides free or low-cost coverage to employees of early learning facilities (and their families, if they are District residents). In fiscal year 2024 (FY24), **4,028 educators received wage increases** and **1,607 early educators, ECE facility staff, and their dependents received free or low-cost health insurance** through HC4CC.

Evolution of the Pay Equity Fund

The Pay Equity Fund has evolved from providing direct payments[9] to educators in FY22 and FY23—$10,000 checks to assistant teachers and $14,000 checks to lead teachers—to a payroll-salary scale model[10] in FY24. Under this new structure—the program's intended long-term design—funds are allocated to participating early learning facilities,[11] which are required to pay salaries according to an educator's role and credentials.[12] These minimum salary requirements align with DCPS's Washington Teachers Union salary scales, aiming to achieve parity.

Comparison of Early Educator Earnings Before and After the Pay Equity Fund (*with FY24 Minimum Required Salaries)*

<table>
<tr><th>Median Educator Earnings Before the Pay Equity Fund (includes all early educators)</th><th>Role</th><th>Credentials</th><th>PEF Salary Scale's Minimum Salaries for FY24[13]</th><th>Change: Pre-PEF to FY24 Pay Level</th></tr>
<tr><td rowspan="6">$36,000*</td><td rowspan="3">Assistant Teacher or Associate Home Caregiver</td><td>Less than a Child Development Associate degree (CDA)</td><td>$43,865</td><td>+$7,865~22% increase</td></tr>
<tr><td>CDA</td><td>$51,006</td><td>+$15,006~42% increase</td></tr>
<tr><td>Associate degree or higher</td><td>$54,262</td><td>+$18,262~51% increase</td></tr>
<tr><td rowspan="3">Lead Teacher, Home Caregiver, or Expanded Home Caregiver</td><td>CDA</td><td>$54,262</td><td>+$18,262~51% increase</td></tr>
<tr><td>Associate degree</td><td>$63,838</td><td>+$27,838~77% increase</td></tr>
<tr><td>Bachelor's degree or higher</td><td>$75,103</td><td>+$39,103~108.6% increase</td></tr>
</table>

* Value from Schochet (2023),[14] adjusted to 2025 dollars.

In evaluating the Pay Equity Fund's FY24 payroll-salary scale model, Mathematica calculated that average wage payments per educator increased by approximately 50% between FY23 and FY24, reflecting the transition to a salary scale designed to achieve pay parity (see table below).

Fiscal Year	Payment Model	Average Pay Increase per Educator*	Total Program Cost*
FY23	Direct to educator payments	$10,260	$54.22 million
FY24	Payroll-salary scale model	$15,190(50% higher than FY23)	$76.42 million

*Average pay increase per educator and total program costs are calculations from Mathematica's FY24 benefit-cost analysis on the Pay Equity Fund.[15]

What the FY24 Study Covers and How it Builds on Earlier Findings

Because the Pay Equity Fund represents a significant public investment, Mathematica researchers[16] have conducted cost-benefit analyses to estimate the program's broader economic returns by comparing its total costs and the total economic value of its benefits for the District. An earlier analysis of the program's economic returns in FY23[17]—when funds were distributed as direct payments to educators and HC4CC began enrolling participants—found that benefits exceeded costs, generating a 23% return on investment.

Building on this prior work, the new study focuses on estimating the economic returns of the Pay Equity Fund in FY24[18] following the transition to the payroll-salary scale model.

Costs, Benefits, and Return on Investment in FY24

The Pay Equity Fund produced a 21% return on investment, meaning that for every $1 invested, the program generated about $1.21 in total benefits.

- Total program cost = $76.42 million
- Total value of benefits = $92.54 million

This finding demonstrates that the Pay Equity Fund continues to deliver meaningful economic value under the payroll-salary scale model.

The total cost of the Pay Equity Fund in FY24 was $76.42 million, which included direct services and administrative expenditures related to wage payments and subsidized health insurance.

- About 89% of total costs were spent on wage payments.
  - Nearly all (99%) of these costs went to facility awards, including funds to increase wages for 4,029 educators (90%) and to help facilities implement the program (9%).
  - Less than 1% of these costs were incurred by OSSE to operate the program.

- About 11% of the total cost was spent on subsidized health insurance through the HC4CC program.
  - Nearly all (95%) of these costs went toward health insurance premiums for 1,286 educators and 288 of their dependents.
  - About 5% of health insurance spending went toward overhead costs to administer HC4CC through the Health Benefit Exchange (HBX).

**Program costs are based on OSSE and HBX written responses to performance oversight hearing questions submitted to the DC Council as well as Mathematica correspondence with agency staff.*

The total estimated economic benefits of the Pay Equity Fund in FY24 were $92.54 million and distributed across families, child care facilities, and educators.
**Unless otherwise noted, Mathematica determined benefit parameters using evidence from broader research literature and related benchmark values when direct evidence was unavailable.*

- **The Pay Equity Fund delivers the majority of its benefits to families - 78%** - through increased access to child care and improved program quality.
  - In addition to the benefit-cost analysis, Mathematica researchers conducted a separate study focused on the Pay Equity Fund's impact on the labor market.[19] In valuing benefits to families, the study draws this on direct evidence that the Pay Equity Fund increased the size of DC's early childhood workforce[20] by about 11% relative to the start of the program. The workforce growth from the Pay Equity Fund is estimated to have helped create as many as 2,200 additional child care slots for families.
  - The benefit-cost analysis estimates that, with increased salaries and access to health insurance from the Pay Equity Fund, educators likely experienced greater retention and productivity, which, in turn, may support greater continuity of care, deeper knowledge of children's needs, and stronger educator-family relationships.
- **The Pay Equity Fund delivers 13% of total program benefits to child care facilities.** These benefits are estimated to be driven by reduced recruitment and hiring costs as employee turnover declines.
  - The analysis estimates that the Pay Equity Fund reduced the annual turnover rate among educators from 35% to 5%. Reductions in turnover are modeled to yield cost savings from hiring and training new staff.
- **The Pay Equity Fund delivers 9% of total program benefits to educators**, reflecting the estimated value of improved financial stability and well-being. With higher income directly from wage payments and indirectly from subsidized health insurance, educators may miss fewer days of work, accumulate more work experience, and rely less on public benefits. Educators may also directly benefit from greater access to health insurance through HC4CC, including cost savings from lower out-of-pocket health care expenses.

Interpreting the Findings

Taken together, these findings indicate that the Pay Equity Fund continues to generate economic benefits that exceed its costs. In FY24, total estimated benefits increased to $92.54 million, up from $66.76 million in FY23, while total program costs in FY24 rose to $76.42 million, up from $54.22 million in FY23. Although costs increased over time, benefits increased alongside them, resulting in a broadly consistent positive return on investment across years. From an economic perspective, these results suggest the program remains a socially efficient investment.

Growth in both costs and benefits is closely tied to higher educator compensation under the long-term program design. As wage payments increased, program costs rose, while also strengthening the mechanisms through which benefits are generated. In particular, the labor market analysis[21] indicates that the Pay Equity Fund is estimated to have increased the size of the early childhood workforce by 4 percentage points, from 7% to 11%, between FY23 and FY24. This represents an increase of more than 50%, broadly in line with wage payments over the same period. **These patterns suggest that as the program scaled, labor market responses also scaled, with the majority of social benefits flowing to families through increased access to high-quality child care.**

Despite findings that the Pay Equity Fund continues to yield a 21% return on its investment as it has scaled and evolved, it is also important to remember that calculable economic value is not the only thing that matters. From an equity perspective, these results also matter. The Pay Equity Fund is built on the principle that early educators should be compensated in line with their training, experience, and ongoing professional learning, and in a manner more comparable to similarly credentialed roles in the public education system. Further, decisions about compensation levels also reflect questions of equity, workforce value, and how the District chooses to invest in the educators who teach its youngest children. These factors sit alongside, but are not fully captured by, the estimated economic impacts presented in this analysis.

Endnotes

1 https://acf.gov/sites/default/files/documents/opre/%232023-226%20Benefits%20from%20ECE%20Highlight%20508.pdf

2 https://www.zerotothree.org/why-0-3/

3 https://cscce.berkeley.edu/workforce-index-2024/the-early-childhood-educator-workforce/early-educator-pay-economic-insecurity-across-the-states/

4 https://www.minneapolisfed.org/article/2022/examining-teacher-turnover-in-early-care-and-education

5 https://osse.dc.gov/ecepayequity

6 https://cscce.berkeley.edu/workforce-index-2024/the-early-childhood-educator-workforce/about-the-early-childhood-workforce/

7 https://www.mathematica.org/publications/early-childhood-educator-pay-equity-fund-do-economic-returns-change-over-time

8 https://www.dchealthlink.com/healthcare4childcare

9 https://osse.dc.gov/ecepayequity

10 https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/FY24%20Child%20Development%20Funding%20Payroll%20Funding%20Formula.pdf

11 https://osse.dc.gov/pef

12 https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/FY24%20Minimum%20Salaries%20and%20Salary%20Schedule%20for%20Early%20Childhood%20Educators.pdf

13 *Ibid.*

14 https://www.mathematica.org/publications/jobs-in-the-balance-the-early-employment-impacts-of-washington-dcs-early-childhood-educator-pay

15 https://www.mathematica.org/publications/early-childhood-educator-pay-equity-fund-do-economic-returns-change-over-time

16 https://www.mathematica.org/projects/washington-dc-early-childhood-educator-pay-equity-fund-impact-and-cost-effectiveness-study

17 https://www.mathematica.org/publications/early-childhood-educator-pay-equity-fund-benefits-costs-and-economic-returns

18 https://www.mathematica.org/publications/early-childhood-educator-pay-equity-fund-do-economic-returns-change-over-time

19 *Ibid.*

20 https://www.mathematica.org/publications/three-year-labor-market-impacts-of-washington-dcs-early-childhood-educator-pef

21 https://www.mathematica.org/publications/three-year-labor-market-impacts-of-washington-dcs-early-childhood-educator-pay-equity-fund