The Compensation Conundrum: What Needs to Happen?

NAEYC Annual Conference
Orlando, FL
November 2015
Overview

• Workforce compensation...what we know
• A review of compensation strategies at work
  • Wage supplementation
  • Wage mandates
  • Incentives for professional development
  • Higher payment rates (QRIS, subsidy, pre-k)
• Current opportunities
• Your efforts to move compensation forward
Compensation—Why Does It Matter?

- Economic justice
- Turnover’s effect on young children
- Need for an educated workforce
- Classroom and program quality
- Teacher’s health and well-being
- Professionalization of the workforce
National Study of Early Care and Education (NSECE)

- Conducted by the Office of Planning, Research and Evaluation in ACF
- Completed in 2012
- Represented about 1 million teachers working in 130,000 centers
- Learned teachers are worth the investment
  - 13 years of experience (median)
  - 53% with college degree
  - Wages tied to auspice, age and education
Educational Attainment of Center-Based Teachers by Age of Children Served

We found that more than half (53%) of center classroom teachers and caregivers had some level of college degree, with one-quarter (26%) having a four-year degree and 9 percent a graduate or professional degree.

Figure 5 shows the educational attainment of center-based teachers and caregivers by age of children served for the following age groups: birth to 3 years only and 3 through 5 years only.

We found that educational attainment was quite different for teachers and caregivers serving older and younger age groups. Education was higher for those serving children age three through five years (45 percent with at least a four-year degree) than for those serving younger children (19 percent with at least a four-year degree). At the low end, more than a quarter (28%) of teachers and caregivers serving children younger than three had a high-school diploma or less versus 13 percent of teachers and caregivers serving children age three through five years having at most a high-school diploma. There is interest in learning whether those with college degrees studied child development or early education or earned some form of teaching degree. Those data are expected to be reported in a later brief.

Figure 5. Educational Attainment of Center-Based Teachers and Caregivers by Age of Children Served

<table>
<thead>
<tr>
<th>Age Group</th>
<th>HS or less</th>
<th>Some college, no degree</th>
<th>AA degree</th>
<th>Bachelor's degree or higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 0 to 3 years only</td>
<td>28%</td>
<td>36%</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td>Age 3 through 5 years only</td>
<td>13%</td>
<td>24%</td>
<td>17%</td>
<td>45%</td>
</tr>
</tbody>
</table>

WAGES OF CENTER-BASED TEACHERS AND CAREGIVERS

NSECE questionnaires collected wages of center-based teachers and caregivers with reference to whatever pay period they chose to report: hourly, weekly, etc. We then converted these to hourly wage rates for 2012. We found that mean hourly wage rates were substantially higher than median hourly wage rates. This indicates that a minority of workers had substantially higher wages than the rest. We therefore report here the medians, which are a better representation of “typical” wages. Both medians and means are reported in Appendix Tables 11-28.
Median Hourly Wages of Center-Based Teachers by Education and Type of Sponsorship

Figure 8 shows the median hourly wages of center-based teachers and caregivers by education and type of sponsorship and funding of center-based program of employment for the following: school-sponsored, Head Start-funded, public pre-K funded, and all other ECE. We have omitted the "some college, no degree" category from the figure for simplicity, since those wages were close to those for teachers and caregivers with high-school diplomas or less; the data omitted from this figure are available in Appendix Tables 14-28.

It is clear that school-sponsored center-based programs paid the highest wages at each level of staff education. School-sponsored and public pre-K funded center-based programs also paid the greatest premium for four-year degrees—about $7 to $8 an hour more than for an AA degree, compared to about $3 an hour more for four-year degrees at Head Start–funded or other center-based programs. As a point of reference, Census data indicate that the average 4-hourly wage across all occupations for workers with a BA degree is about $27 an hour.

Figure 8. Median Hourly Wages of Center-Based Teachers and Caregivers by Education and Type of Sponsorship and Funding of Center-Based Program of Employment

<table>
<thead>
<tr>
<th></th>
<th>HS or Less</th>
<th>AA</th>
<th>Bachelor or Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>School-sponsored</td>
<td>11.80</td>
<td>13.00</td>
<td>20.60</td>
</tr>
<tr>
<td>Head Start Funded</td>
<td>8.00</td>
<td>12.20</td>
<td>15.90</td>
</tr>
<tr>
<td>Public Pre-K Funded</td>
<td>8.40</td>
<td>9.80</td>
<td>16.20</td>
</tr>
<tr>
<td>All Other ECE</td>
<td>9.60</td>
<td>11.00</td>
<td>13.90</td>
</tr>
</tbody>
</table>

Note: 'Head-Start funded' category excludes school-sponsored programs; 'Public pre-K funded' category excludes school-sponsored and Head Start-funded programs.

It can be seen that center-based programs reporting Head Start funding put a relative premium on two-year/AA degrees, paying almost as much for teachers and caregivers with AA degrees as school-sponsored center-based programs did. This is consistent with the recent Head Start policy requiring and supporting the attainment of college degrees. In contrast, other types of center-based programs did not pay much more for an AA degree than for teachers and caregivers with no college degree—only about $1.40 an hour more for an AA degree than for high school or less.
Figure 6 shows the median hourly wages of center-based teachers and caregivers by age of children served for the following age groups: age 0 to 3 years only, age 3 through 5 years only, and both age groups. The median hourly wage for all center-based teachers and caregivers directly responsible for children age zero through five years, not yet in kindergarten, was $10.60. If they were employed full-time, for the standard 2,080 hours a year, that would translate to about $22,000 a year. Wages earned by teachers and caregivers serving children age three through five years were 28 percent higher than those for teachers and caregivers serving younger children. As will be explored below, this difference was related partly to differences in education level and partly to differences in the type of center sponsorship or funding. However, even when those differences were taken into account, teachers and caregivers serving the older children received higher pay.

Figure 7 shows the median hourly wages of center-based teachers and caregivers by educational attainment for the following levels of education: HS or less, Some college/no degree, AA degree, and Bachelor's degree or higher, and for all teachers and caregivers combined. We found that wages were lowest for those with no more than a high-school diploma or some college. They were substantially higher—about $2 an hour, or $4,000 more a year—for teachers and caregivers with two-year associate's degrees, and much higher for those with at least a four-year degree.
Child Care Workers Aren’t Paid Enough to Make Ends Meet

- Released by the Economic Policy Institute in November 2015
- Examined workforce data from the Current Population Survey found that
  1. Wages for child care workers are very low ($10.31/hr.), 23% below $17/ hr. for similar other workers.
  2. Child care workers are mostly women, more diverse than the workforce at large and more likely to have at least some college.
  3. Only 15% receive health insurance from their job and only 9.6% are covered by a pension plan, far less that similar other workers.
  4. Over 1/3 of child care workers live in families with income of less than 200% of poverty.
## Table 2

### Real median hourly wage, child care workers versus other workers, by demographic (2014 dollars)

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Child care workers</th>
<th>All other workers</th>
<th>Percent difference</th>
<th>Child care hourly wage penalty&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$10.31</td>
<td>$17.00</td>
<td>-39.3%</td>
<td>23.0%***</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Men</strong></td>
<td>$10.16</td>
<td>$18.46</td>
<td>-44.9%</td>
<td>32.0%***</td>
</tr>
<tr>
<td><strong>Women</strong></td>
<td>$10.31</td>
<td>$15.40</td>
<td>-33.0%</td>
<td>23.1%***</td>
</tr>
<tr>
<td><strong>Nativity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. born</strong></td>
<td>$10.31</td>
<td>$17.35</td>
<td>-40.6%</td>
<td>23.8%***</td>
</tr>
<tr>
<td><strong>Naturalized U.S. citizen</strong></td>
<td>$11.86</td>
<td>$17.86</td>
<td>-33.6%</td>
<td>17.1%***</td>
</tr>
<tr>
<td><strong>Non-naturalized immigrant</strong></td>
<td>$10.16</td>
<td>$12.37</td>
<td>-17.9%</td>
<td>18.5%***</td>
</tr>
<tr>
<td><strong>Race/ethnicity&lt;sup&gt;b&lt;/sup&gt;</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>White</strong></td>
<td>$10.31</td>
<td>$18.60</td>
<td>-44.6%</td>
<td>25.9%***</td>
</tr>
<tr>
<td><strong>Black</strong></td>
<td>$10.31</td>
<td>$14.21</td>
<td>-27.4%</td>
<td>16.8%***</td>
</tr>
<tr>
<td><strong>Hispanic</strong></td>
<td>$10.16</td>
<td>$12.96</td>
<td>-21.6%</td>
<td>17.3%***</td>
</tr>
<tr>
<td><strong>Asian</strong></td>
<td>$11.18</td>
<td>$20.00</td>
<td>-44.1%</td>
<td>26.4%***</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$10.31</td>
<td>$15.00</td>
<td>-31.3%</td>
<td>25.1%***</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Less than high school</strong></td>
<td>$8.89</td>
<td>$10.31</td>
<td>-13.8%</td>
<td>12.2%***</td>
</tr>
<tr>
<td><strong>High school</strong></td>
<td>$10.08</td>
<td>$14.00</td>
<td>-28.0%</td>
<td>15.5%***</td>
</tr>
<tr>
<td><strong>Some college</strong></td>
<td>$10.16</td>
<td>$15.04</td>
<td>-32.4%</td>
<td>20.0%***</td>
</tr>
<tr>
<td><strong>Bachelor’s degree</strong></td>
<td>$13.26</td>
<td>$24.04</td>
<td>-44.8%</td>
<td>39.8%***</td>
</tr>
<tr>
<td><strong>Advanced degree</strong></td>
<td>$15.64</td>
<td>$31.43</td>
<td>-50.2%</td>
<td>48.9%***</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>18–22</strong></td>
<td>$9.00</td>
<td>$9.28</td>
<td>-3.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>23–49</strong></td>
<td>$11.00</td>
<td>$17.28</td>
<td>-36.3%</td>
<td>27.3%***</td>
</tr>
<tr>
<td><strong>50+</strong></td>
<td>$11.31</td>
<td>$19.55</td>
<td>-42.1%</td>
<td>29.5%***</td>
</tr>
</tbody>
</table>
Direct Wage Supplementation
LA School Readiness Tax Credits

- Created refundable tax credit to supplement wages
- Must have worked in same child care center at least six months
- Linked to Pathways Levels
- Indexed annually against CPI
- Increased participation annually since inception
  - $1.5 million in 2008
  - $5.9 million in 2011
LA School Readiness Tax Credit for Directors and Teachers

<table>
<thead>
<tr>
<th>Director Levels</th>
<th>Refundable Tax Credit</th>
<th>Refundable Tax Credit</th>
<th>Teacher Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>$1,630</td>
<td>$1,630</td>
<td>I</td>
</tr>
<tr>
<td>II</td>
<td>$2,173</td>
<td>$2,173</td>
<td>II</td>
</tr>
<tr>
<td>III</td>
<td>$2,716</td>
<td>$2,716</td>
<td>III</td>
</tr>
<tr>
<td>IV</td>
<td>$3,260</td>
<td>$3,260</td>
<td>IV</td>
</tr>
</tbody>
</table>
Gains in Education Levels over Six Years

2008 vs. 2014

Level I  Level II  Level III  Level IV
## LA School Readiness Tax Credits

**Advantages**
- Uses tax code strategy
- Is annually indexed to inflation
- Rewards increased education
- Is a refundable tax credit regardless of tax liability
- Is universally available to qualified participants, regardless on earnings

**Disadvantages**
- Paid in annual payment
- Limited by availability of scholarship support
- Offers inequitable scale for achieved education
- Provides limited data on participants
- Provides incremental awards
Compensation Incentive Programs

- Available in localities or statewide in about 25% of states
- Provides periodic graduated supplements directly to eligible early childhood professionals
- Typically tied to retention and attained education/credentials
Child Care WAGE$®

• Operates in 5 states
• Provides direct, graduated supplements that are logical and sufficient
• Encourages continuing education
• Requires consistency within same program
• Maintains marketplace competition for better salaries
• Focuses on outcomes
Child Care WAGE$® Impact 2014-2015

$11.1 million invested in WAGE$ salary supplements

5,788 supplement recipients

11% average annual turnover rate

$952 average six-month supplement

99% women

2,323 early education programs with supplement recipients

61% of recipients are people of color

32% WAGE$ participants with education below AS/AAS ECE submitted additional coursework
# Compensation Incentive Programs

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Focused on increased education</td>
<td>- Is limited to available dollars</td>
</tr>
<tr>
<td>- Provides semi-annual payments</td>
<td>- Provides incremental awards</td>
</tr>
<tr>
<td>- Can be equitable</td>
<td>- May offer inequitable scale for achieved education</td>
</tr>
<tr>
<td>- Can provide data on participants, programs and turnover</td>
<td>- Is limited by availability of scholarship support</td>
</tr>
<tr>
<td>- Can directly reward participant</td>
<td>- Limits eligibility by wages</td>
</tr>
</tbody>
</table>
Wage Mandates
Requirement for Wage Parity

- Two early state-funded Pre-K programs in NJ and NC required teachers in those states working in state-funded Pre-K programs were required to be paid on parity with teachers in public schools, including Pre-K teachers in child care and Head Start programs
- Additional states copied parity standard
- Expectation embedded in the RFP for the federal Preschool Development Grants
- Evidence that parity requirement benefitted non Pre-K teachers
Self Reported Wages of Preschool Teachers in Centers With and Without NC Pre-K Classrooms

- ECE Cntr: No NC Pre-k
  - $10.75
- ECE Cntr w/ NC Pre-K
  - $12.00
- Teaches NC Pre-K Class
  - $17.49
## Requirement for Wage Parity

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides a fair wage standard for identical work</td>
<td>Is only possible with third party payers supporting full cost</td>
</tr>
<tr>
<td>Encourages retention</td>
<td>Is often impossible to achieve parity in cash benefits</td>
</tr>
<tr>
<td>Allows teachers to work in desired setting</td>
<td></td>
</tr>
<tr>
<td>Drives compensation improvements for entire staff</td>
<td></td>
</tr>
</tbody>
</table>
Minimum Wage Efforts

• States, counties and/or cities across the country are raising mandatory minimal wages
• 29 states & DC have rates greater than federal minimum; 14 states & DC have rates of $8.00/hr. or more with indexing
• 9 states have localities (20) with separate minimum wage laws
• Requirements may be tied to size of employer and/or contractual relationship with governmental entity
• Wage increases may be over years and/or be indexed annually to the CPI (16)
• National effort being led by unions like SEIU and includes child care teachers
Economic Policy Institute
Minimum Wage Tracker
Increasing Minimum Wage

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recognizes need for living wage floor for everyone</td>
<td>• May depress wages for better educated and/or experienced teachers</td>
</tr>
<tr>
<td>• Ensures lowest-paid teachers get a raise</td>
<td>• May raise costs of child care for families</td>
</tr>
<tr>
<td>• Increase buying power for consumers, including parents</td>
<td>• May not include subsidy rate hike to cover wages</td>
</tr>
<tr>
<td>• Can help a lot of child care teachers, if small employers not excluded</td>
<td>• May not affect teachers in sites paying higher wages</td>
</tr>
</tbody>
</table>
Incentives for Professional Development
Develop and implement comprehensive pathways and multiyear timelines for transitioning to a minimum bachelor’s degree qualification requirement, with specialized knowledge and competencies, for all lead educators working with children from birth through age 8.

We have work to do to achieve this goal.
Professional Development Incentives

- Widely used to subsidize attainment of credentials and degrees
- Needed to support increasing professional and program standards in Head Start, Early Head Start, state-funded Pre-K and state/local QRIS
- Generally supports all or part of training or tuition costs
- Includes some models with comprehensive support for tuition, books, travel and release time and offer a compensation incentive
- Typically targets the individual and may include teachers, directors and family child care educators
- Provides education, compensation and career pathways
Median Hourly Wage of Teachers in NC Early Childhood Centers, by Level of Education, 2015

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No College Courses</td>
<td>$8.91</td>
</tr>
<tr>
<td>HS &amp; 1-11 Courses</td>
<td>$9.00</td>
</tr>
<tr>
<td>HS &amp; 12-24 courses</td>
<td>$9.00</td>
</tr>
<tr>
<td>HS &amp; 25+ courses</td>
<td>$9.88</td>
</tr>
<tr>
<td>AA non-ECE</td>
<td>$10.00</td>
</tr>
<tr>
<td>AA in ECE Field</td>
<td>$10.67</td>
</tr>
<tr>
<td>BA non-ECE</td>
<td>$12.50</td>
</tr>
<tr>
<td>BA in ECE Field</td>
<td>$14.25</td>
</tr>
<tr>
<td>MA non-ECE</td>
<td>$14.18</td>
</tr>
<tr>
<td>MA in ECE Field</td>
<td>$14.85</td>
</tr>
</tbody>
</table>

Level of Education
T.E.A.C.H. Early Childhood®
A 25 State Comprehensive Strategy

- Debt-free college education with comprehensive supports for the working early childhood professional
- Systemic driver that leverages a more accessible, responsive higher education system to support an education and career pathway for the early childhood workforce
- Multi-state collaborative and accountable strategy to increase the knowledge, skills, compensation and career commitment of a diverse early childhood workforce
- Employer-employee partnered dollars linked with public and/or private funds raised in each state to support early childhood workforce development
- Evidenced-based scholarship model that produces measurable results
T.E.A.C.H. Scholarship Components

5 Cs

- Compensation
- Counselor
- Commitment
- Comprehensive Scholarship
- College Education

- **$28.6 million** invested in **16,071** T.E.A.C.H. scholarship recipients
- **3.23 avg. GPA** for AA/AAS & **3.47 for BA/BS**
- **8% average compensation gain**
- 25 T.E.A.C.H. Projects
- **323 two-year college partners**
- **620,433 children benefiting**
- **100,907 credits earned**
- **99% women**
- **46% of recipients are people of color**
- 6% or less turnover rate for T.E.A.C.H. recipients
- **Over 50%** 1st generation college students
- **175 four-year university partners**
## Professional Development Incentives

### Advantages
- May fully subsidize courses with currency
- Provides opportunity for education, wage and career mobility
- Improves teacher knowledge and skills
- Encourages retention in field, at the very least
- May provide incentives

### Disadvantages
- May not support courses with currency
- Does not immediately address compensation inequity
- Requires additional work and commitment
- Tied to participation and stops when participation is over
Higher Payment Rates
Affordability vs. Compensation

Standards for and Investments in an Educated, Well-Compensated and Stable Workforce

Investments in Subsidies to Make Work and High Quality ECE Accessible for Low Income Families and their Children
Higher Payment Rates

- In virtually all states payment rates tied to individual children receiving child care assistance have consistently not kept up with inflation.
- States/communities are paying providers more for higher levels of care offered through QRIS, although the rates may not completely cover the added costs.
- States/communities are paying providers higher rates for meeting state-funded pre-k standards, although the rates may not completely cover the added costs.
- Some states are paying the full-cost for a pre-k classroom, not tied to individual children.
Percent Increase 1992-2002: Comparison Between State Subsidies and Real Wages

<table>
<thead>
<tr>
<th></th>
<th>Subsidy Rate</th>
<th>Asst. Teacher Wage</th>
<th>Teacher Wage</th>
<th>Director Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Increase</td>
<td>38%</td>
<td>20%</td>
<td>18%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Data from presentation by John Burbank, Economic Opportunity Institute, Seattle, Washington
# Higher Payment Rates

## Advantages
- Have the potential to recognize the true cost and value of service
- Allow more choice for consumers

## Disadvantages
- No guarantee for increased wages and benefits
- Typically tied to per child payments by type of early learning program
- May increase tuition for unsubsidized families
Current Opportunities
Increased attention on the early childhood workforce AND compensation and increased efforts to raise the minimum wage across the country are leading to opportunities to:

• Leverage these in your blogs, tweets, websites, facebook, letters to the editor and Linkedin efforts

• Weigh in on CCDF state plans—Where is workforce compensation in your plan? Are state subsidy rates adequate to support the workforce?

• Weigh in on state-funded Pre-K—Is parity in education and compensation of teachers a priority in your plan? Are Pre-K rates adequate to support adequate teacher compensation?

• Get involved in upcoming elections—What do your candidates for local, state and federal office know about early childhood workforce issues?
What You are Doing to Raise Compensation in Your States
References

• Child Care Workers Aren’t Paid Enough to Make Ends Meet, Economic Policy Institute

• National Survey of Early Care and Education
References

• Worthy Work, STILL Unlivable Wages

• T.E.A.C.H. Early Childhood® National Center
  http://teachecnationalcenter.org

• Minimum Wage Tracker, Economic Policy Institute
  http://www.epi.org/minimum-wage-tracker/?utm_source=Economic+Policy+Institute&utm_campaign=a9ef8c7944-EPI_News_10_30_1510_30_2015&utm_medium=email&utm_term=0_e7c5826c50-a9ef8c7944-58040465#/min-wage
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