T.E.A.C.H. Early Childhood® National Center
Blog from the Executive Director

Minimum Wage Increases – Who Will Pay this Bill in Child Care?

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I just heard on the radio that the city of Oakland, CA raised its required minimum wage to $12.25 per hour, beginning on March 2, with ongoing requirements for annual cost of living increases. And the city is also requiring employers to provide employees with 5-9 days of paid sick leave, depending on the size of the business. The impact of this is significant. Even in a high wage state like California, half of the teachers in child care earn less than $11.10 an hour. Not only will the wages for more than half of the workforce increase, but for the first time many will be able to have paid sick days for themselves or to care for their children. My first response was to applaud. Oakland is an example of communities and states across the country trying to address poverty. What a great thing for our early childhood workforce. But then I thought about all of the implications of this decision.

In child care, who will pay this bill? There are really only two choices: raise rates for families or cut teacher-child ratios. Personnel costs make up the vast majority of a program's budget. If we believe that teacher-child ratios matter to the quality of care being provided, then this should not be the first option.

And, what about raising rates for families? The two biggest payers for child care are parents and our federal- and state-funded child care assistance programs. Middle and upper middle class parents are already struggling with child care costs. Child care for an infant or toddler can easily exceed $14,000 a year. For a family with gross earnings of $70,000 a year, that is 20% of their gross, not net, pay. This wage increase could result in a sizable rate increase, because child care wage scales in centers are often indexed from the bottom. Wages for all teaching staff in child care centers will likely be increased. However, this family's earnings will not necessarily increase as a result of this decision. How can we help them?

We need to look at strategies that can bring more revenue into child care settings to pay the workforce what it deserves without compromising ratios or asking families to pay more than they can afford. Many states and the federal government have child and dependent care tax credits. These need to be increased and indexed, at some level, to the real cost of child care. High quality child care is a public good with a real return on investment. If we want the quality to remain high and we want better quality teachers who earn a fair wage, increasing the child and dependent care tax credits can be a part of the solution.

For programs receiving child care subsidy payments for families, the rates on which payments are based are critical. In most states rates do not reflect the market. And this type of mandated compensation increase will have a big effect on costs. States have failed to keep up with market rates because it would mean fewer children could be served. But without some type of rate increase, children on child care assistance may have fewer options for care because providers can no longer carry the loss. Obviously, our larger federal and state child care systems need more money to help adequately fund the need for and quality of child care for low income children. That should happen now, but realistically will take time and public will.

In the meantime, can anything be done to increase rates within the limited resources that are available? For many families receiving subsidies, their incomes will increase as a result of this same legislation. As a result of their increased incomes, they will be required to pay a larger co-payment mandated for most families receiving child care assistance. This potentially results in a lower payment cost for communities and states. More children could be served with those savings, but I would argue, instead, that all of those "saved" dollars need to be targeted to rate increases. Communities and states need to calculate the amounts of those savings and use them as part of the funds needed for fairer rates, helping those child care businesses pay their teachers the compensation they deserve. It is only fair.

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