

# 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

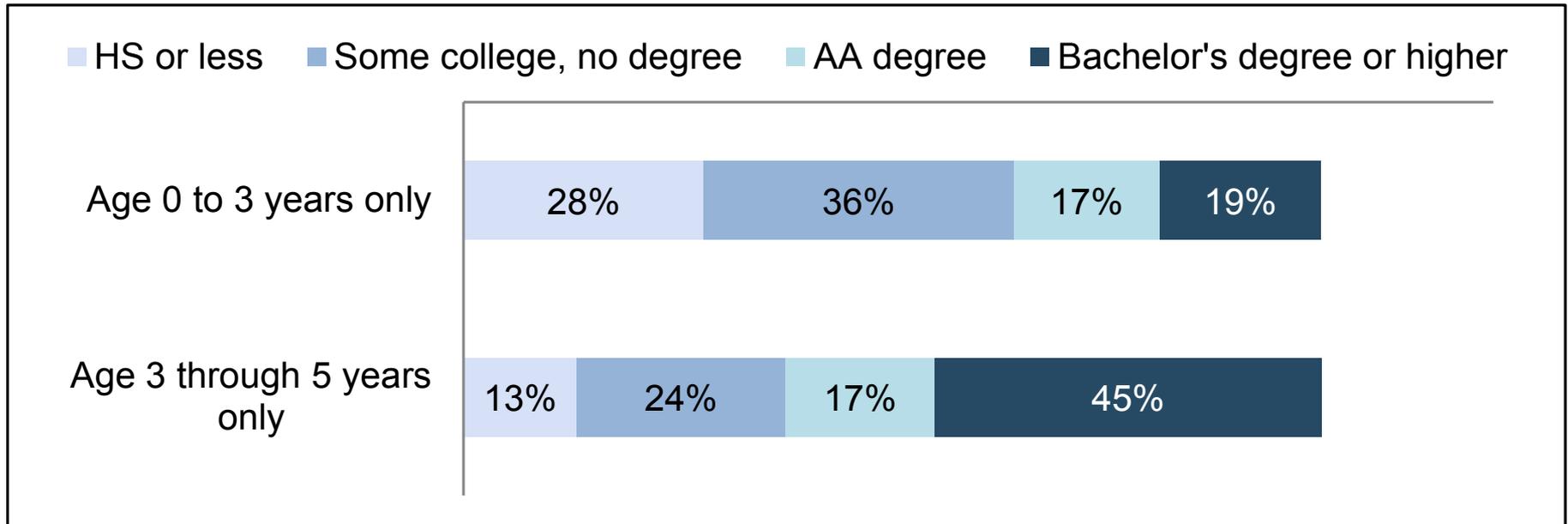


# National Study of Early Care and Education (NSECE)

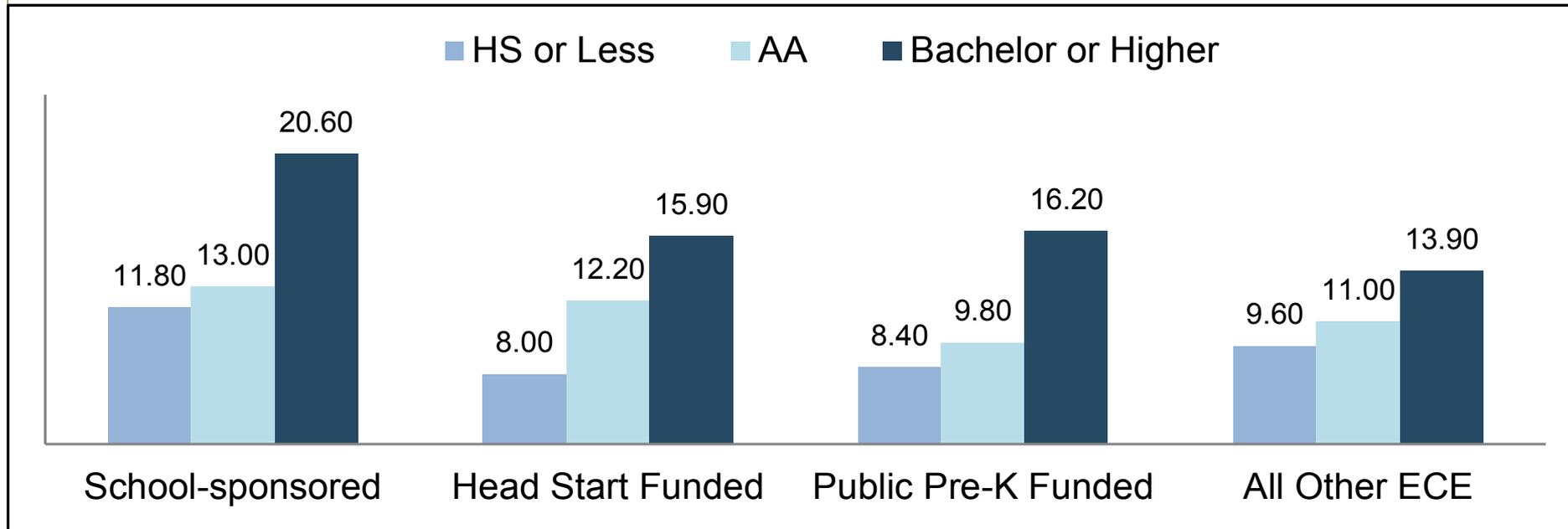
- Conducted by the Office of Planning, Research and Evaluation in ACF
- Completed in 2012
- Represented about 1 million teachers working in 130,000 centers
- Learned teachers are worth the investment
  - 13 years of experience (median)
  - 53% with college degree
  - Wages tied to auspice, age and education



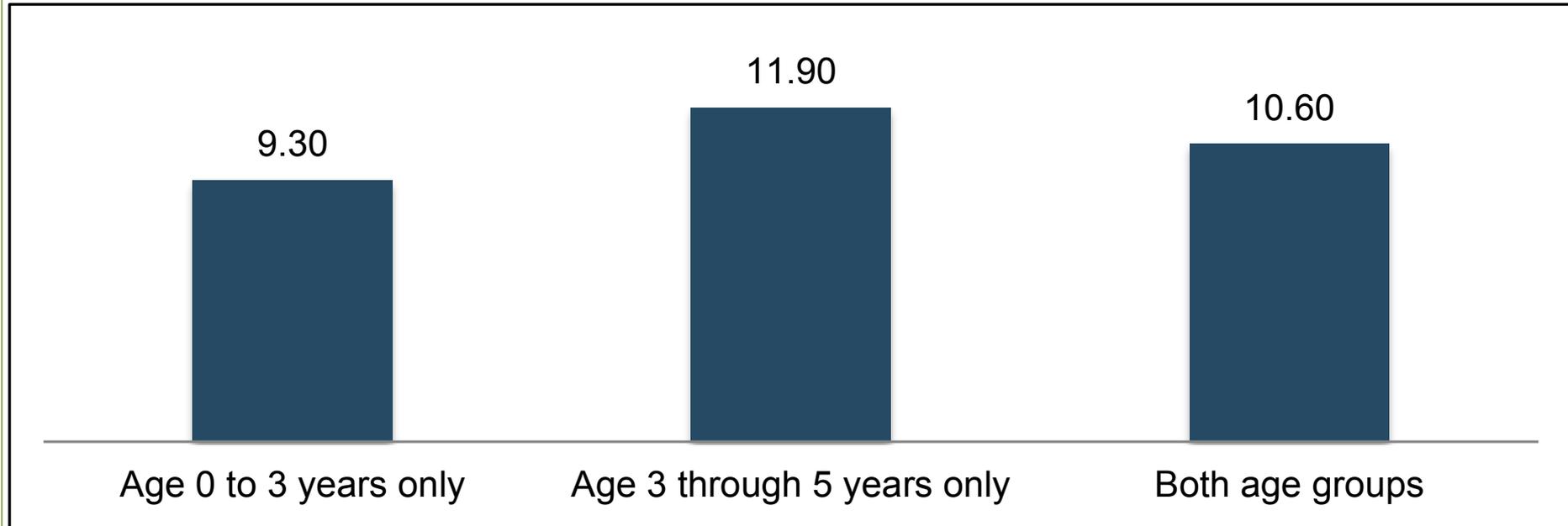
# Educational Attainment of Center-Based Teachers by Age of Children Served



# Median Hourly Wages of Center-Based Teachers by Education and Type of Sponsorship



# Median Hourly Wages of Center-Based Teachers by Age of Children Served



NSECE

# 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 than 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)

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

# Direct Wage Supplementation



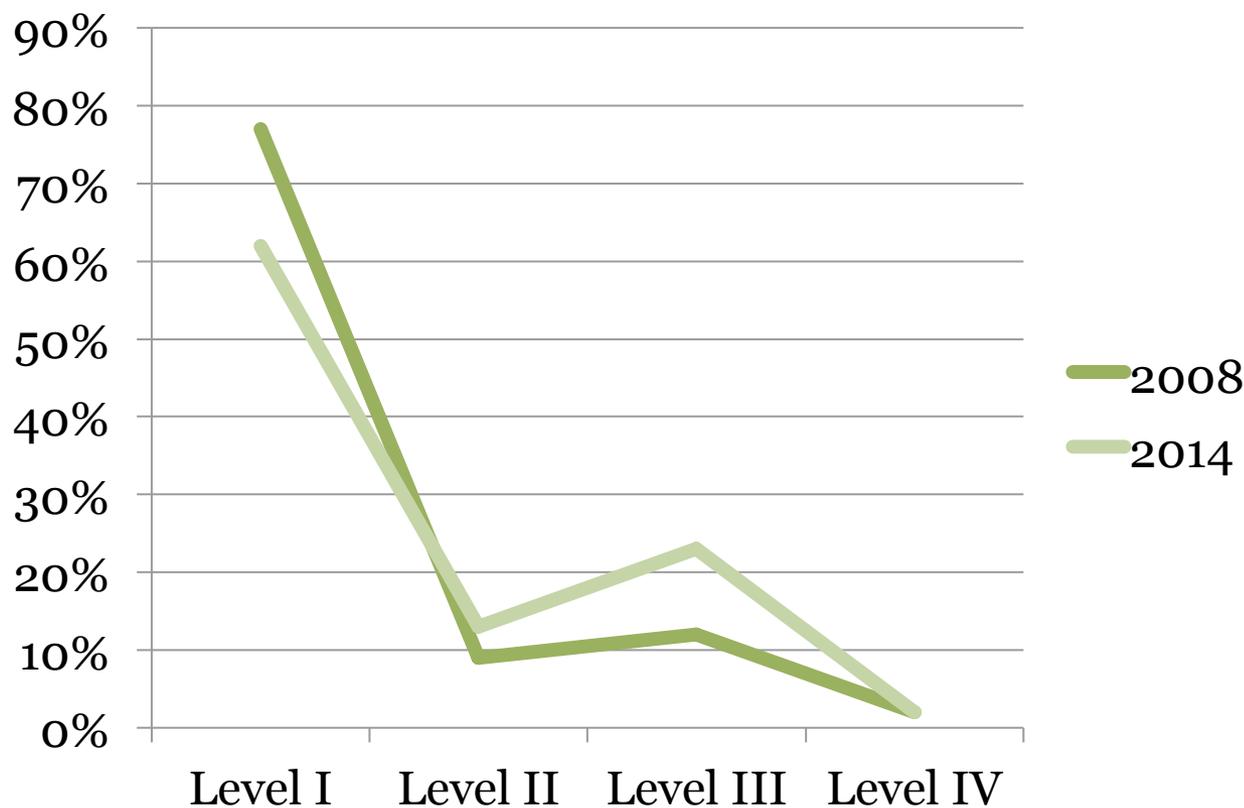
# LA School Readiness Tax Credits

- 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

Director Levels	Refundable Tax Credit	Refundable Tax Credit	Teacher Levels
I	\$1,630	\$1,630	I
II	\$2,173	\$2,173	II
III	\$2,716	\$2,716	III
IV	\$3,260	\$3,260	IV

# Gains in Education Levels over Six Years



# 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

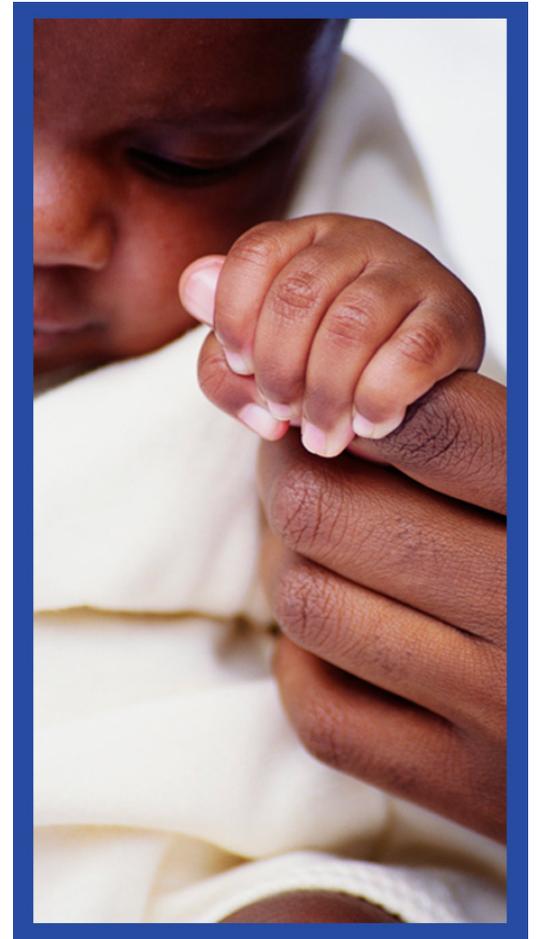
- Paid in annual payment
- Limited by availability of scholarship support
- Offers inequitable scale for achieved education
- Provides limited data on participants
- Provides incremental awards

# 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\$<sup>®</sup>

- 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



IMPACT

## Child Care WAGE\$<sup>®</sup> 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

IMPACT

# Compensation Incentive Programs

## Advantages

- Focused on increased education
- Provides semi-annual payments
- Can be equitable
- Can provide data on participants, programs and turnover
- Can directly reward participant

## Disadvantages

- Is limited to available dollars
- Provides incremental awards
- May offer inequitable scale for achieved education
- Is limited by availability of scholarship support
- Limits eligibility by wages

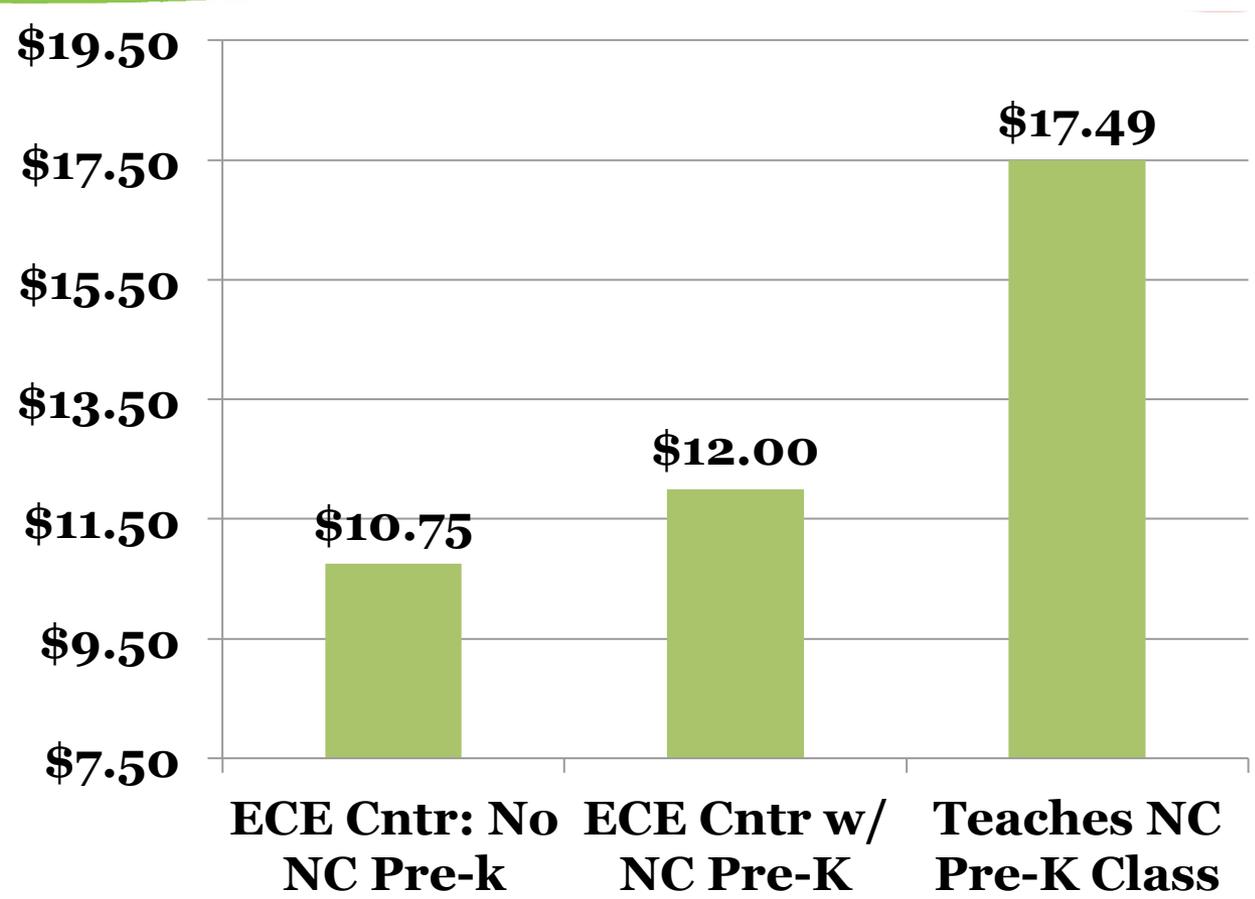
# Wage Mandates



# 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



# Requirement for Wage Parity

## Advantages

- Provides a fair wage standard for identical work
- Encourages retention
- Allows teachers to work in desired setting
- Drives compensation improvements for entire staff

## Disadvantages

- Is only possible with third party payers supporting full cost
- Is often impossible to achieve parity in cash benefits

# 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

## Advantages

- Recognizes need for living wage floor for everyone
- Ensures lowest-paid teachers get a raise
- Increase buying power for consumers, including parents
- Can help a lot of child care teachers, if small employers not excluded

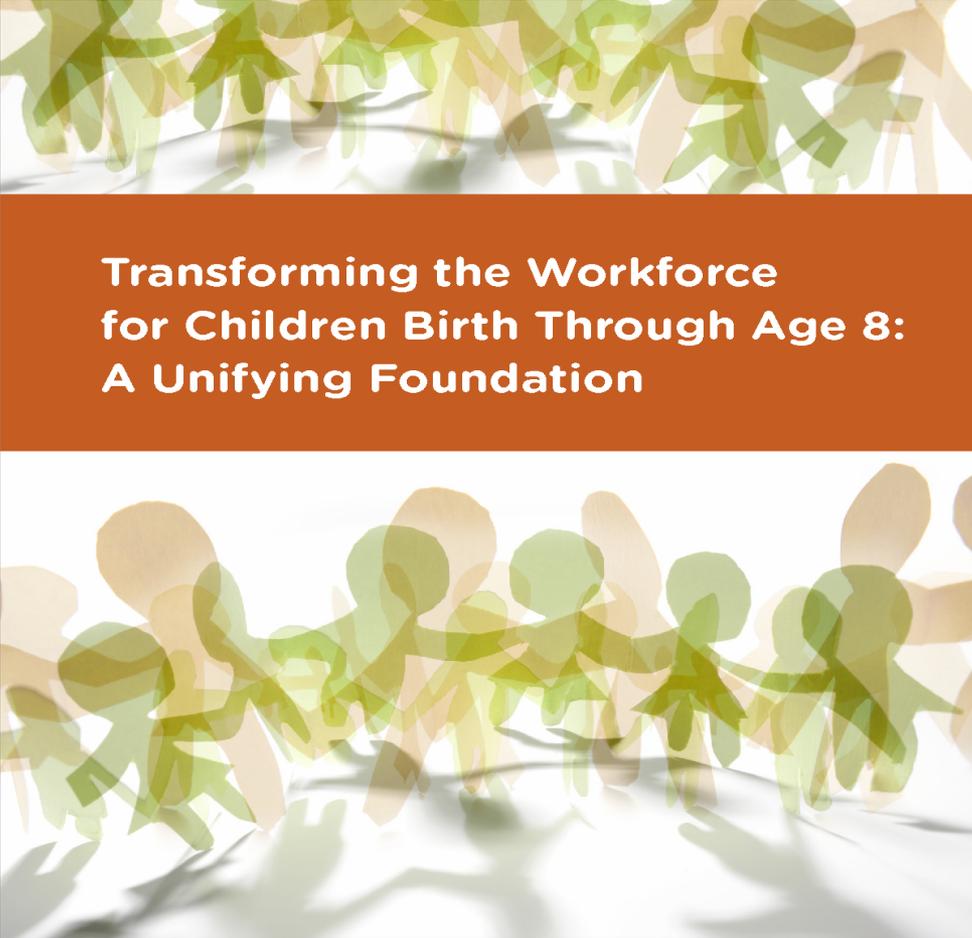
## Disadvantages

- May depress wages for better educated and/or experienced teachers
- May raise costs of child care for families
- May not include subsidy rate hike to cover wages
- May not affect teachers in sites paying higher wages

# Incentives for Professional Development



# We have work to do to achieve this goal



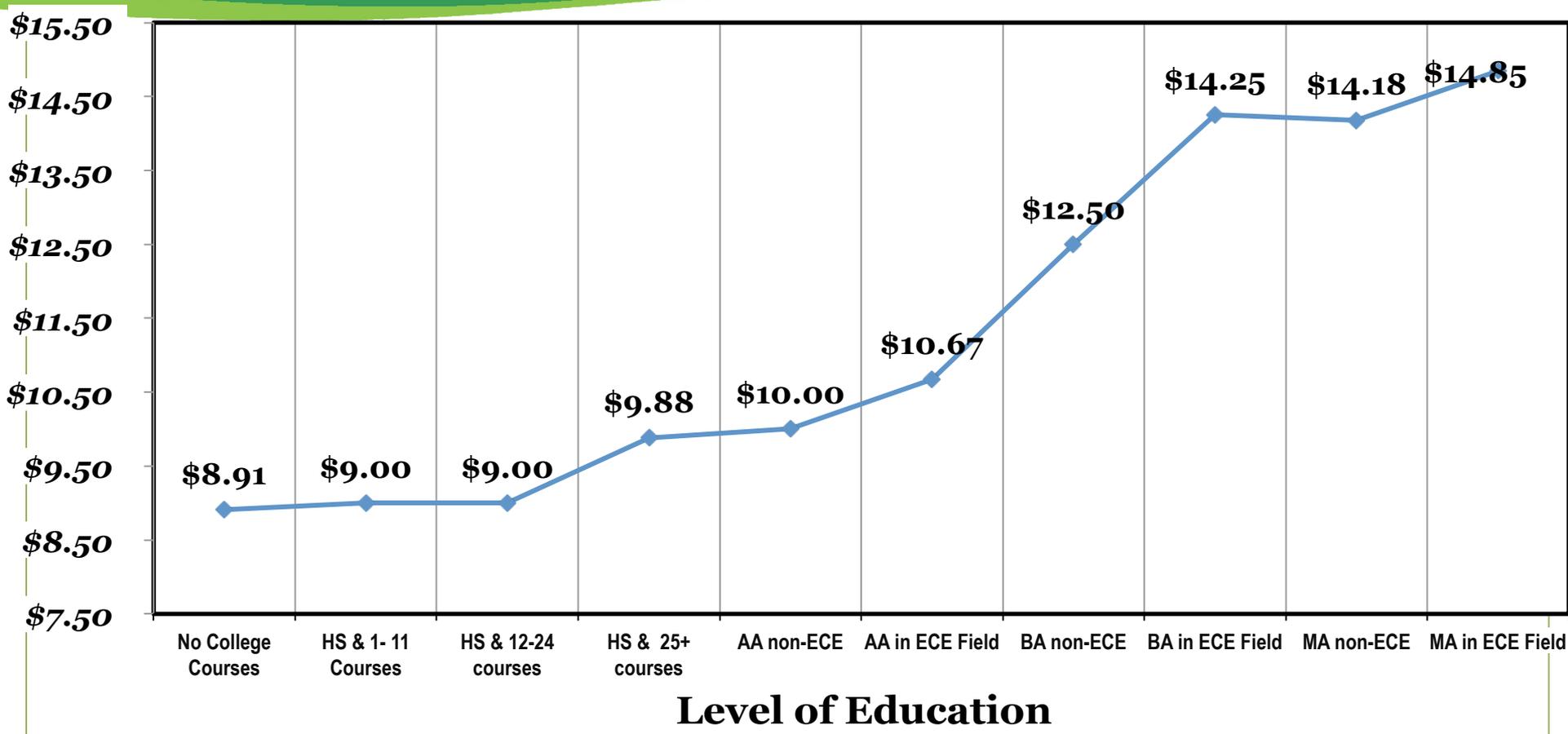
**Transforming the Workforce  
for Children Birth Through Age 8:  
A Unifying Foundation**

**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.**

# 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

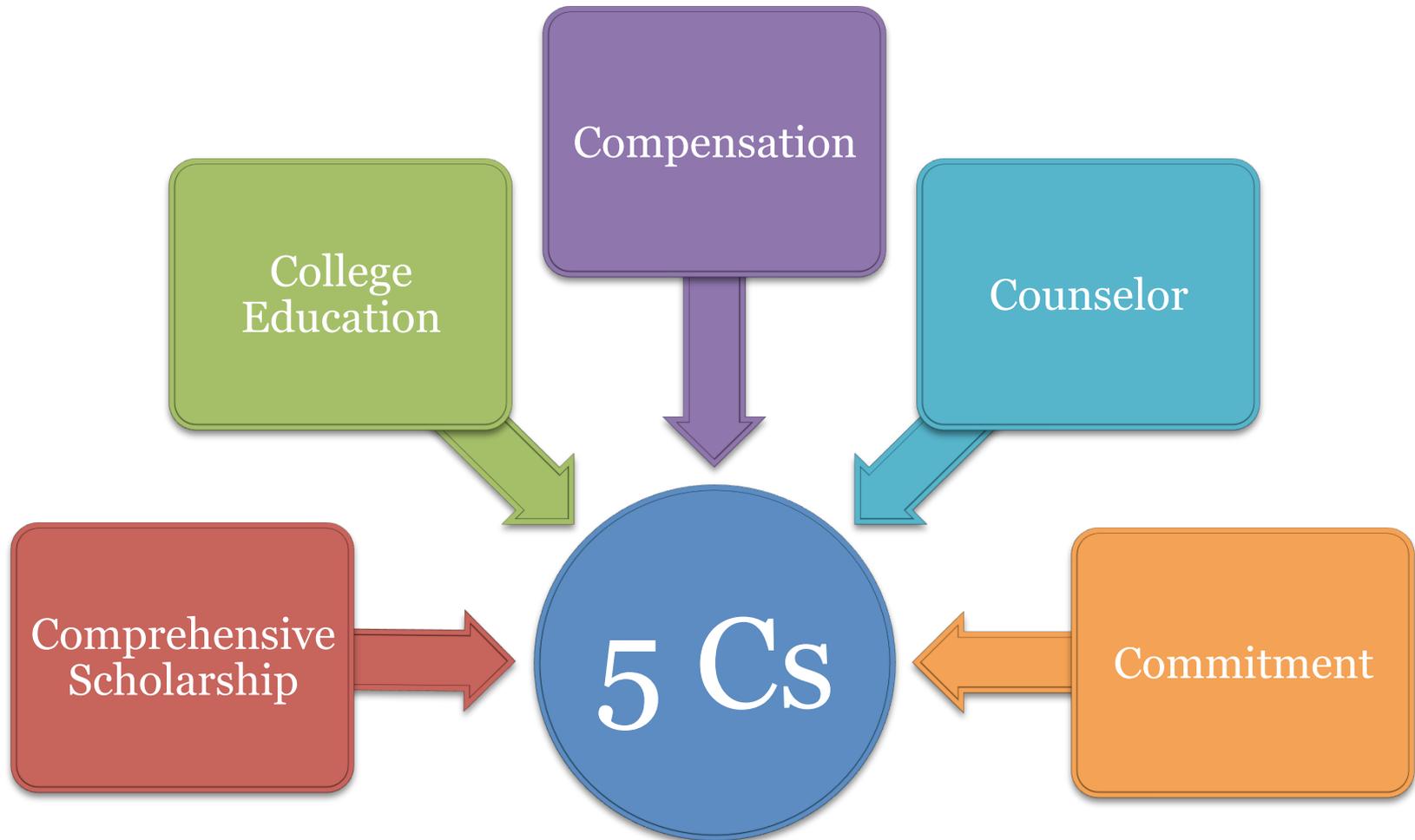


# T.E.A.C.H. Early Childhood®

## 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



# IMPACT

## T.E.A.C.H. Early Childhood® Impact 2014-2015

**\$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  
benefitting

**100,907**  
credits  
earned

**8,111** employer  
sponsors

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

# IMPACT

# 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

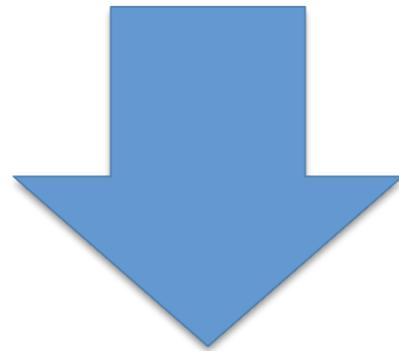
## Disadvantages

- 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

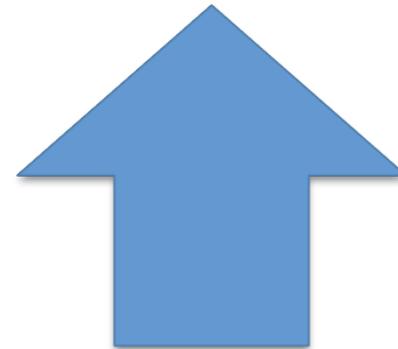


# Affordability vs. Compensation



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

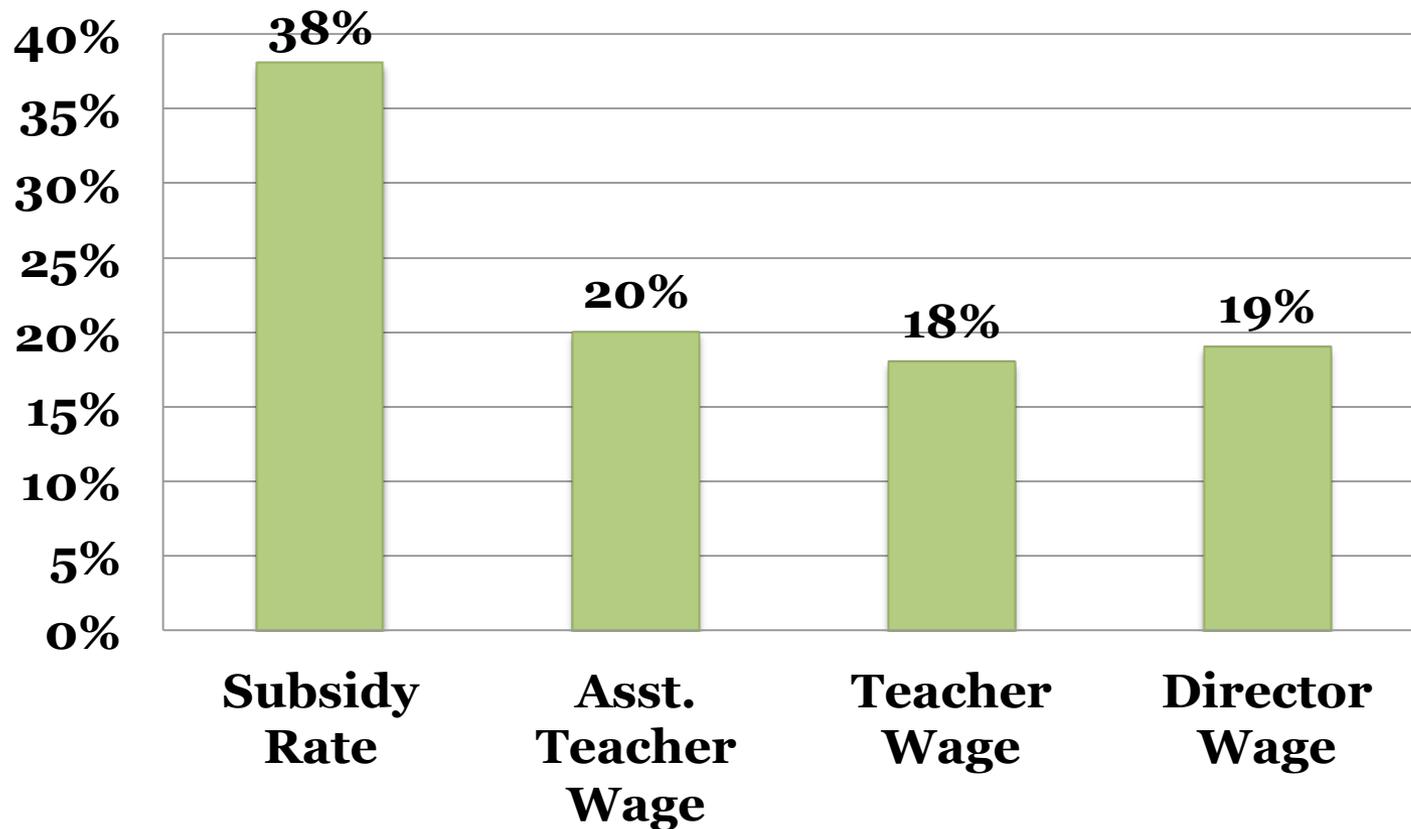
**Standards for and  
Investments in an  
Educated, Well-  
Compensated and  
Stable Workforce**



# 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



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



# 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  
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- National Survey of Early Care and Education  
<http://www.acf.hhs.gov/programs/opre/resource/number-and-characteristics-of-early-care-and-education-ec-teachers-and>

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<http://www.irle.berkeley.edu/cscce/2014/report-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](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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