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# Backgrounder on Compensation in Child Care

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## Purpose of Compensation Backgrounder

The purpose of this backgrounder on early care and education compensation is to provide an overview of policy levers that have been used by states to address compensation. Given the unprecedented federal investments in child care and the increased awareness of how essential early care and education programs are to US families and the economy, this is an important opportunity to address the gross under-resourcing of the early care and education workforce.

**This is a living document; it will be updated frequently** as we learn more about strategies to improve the compensation of the child care workforce. Currently, the backgrounder focuses on wages/salaries rather than benefits. If you have updates to share, feel free to email the authors or [info@buildinitiative.org](mailto:info@buildinitiative.org).

Most of the strategies noted are incremental in one or more ways. Typically, the strategies do not yield a living or middle-class wage; more often, they are geared to providing an increment of resources that will improve compensation but will not get the teacher to a living or middle-class wage. Typically, the strategies are not incorporated into the regular pay check for the teacher, which has advantages and disadvantages. Existing strategies are also often limited to certain segments of the child care market, i.e., focused on teachers/staff in one age band (i.e., preschool or infants and toddlers), teachers who are improving their credentials or degrees, or categories of personnel (lead teachers, assistant teachers, etc.), programs participating in the state's child care assistance program or the state's pre-K program. In short, it may be necessary to get beyond "what is" to new approaches to address improvements in teacher/staff compensation that 1) significantly increase compensation (more on a parity basis) and 2) work within the context of an entire program in which revenue is mixed between public payment (i.e., pre-K and child care assistance) and private payment (i.e., tuition paid by families). Some of the existing approaches could be adapted but new approaches can be considered.

Some questions that apply to compensation strategies, whether borrowing from existing approaches, or addressing new approaches are:

1. What is (are) the purpose(s) of the compensation strategy? For example, is the strategy designed to incentivize improved credentials? To create a "floor" for wages? To support a living wage? To increase the compensation for the workforce for certain subpopulations such as infants/toddlers or dual language learners?
2. What benchmark(s) the north star for improved compensation? Is it parity with PK teachers, K-12 teachers? A "living wage?" A minimum wage for all?
3. What level of predictability for the payments is needed? What is the desirable distribution for compensation improvements? For example, through regular paychecks? Through a bonus payment or supplement offered monthly, quarterly, semi-annually, annually?
4. Given the low wages of so many in child care, and the known reliance on public benefits, how does the proposed approach interact with access to public benefit programs?
5. Will the proposed strategy result in improvements for the teacher/staff? For example, merely increasing child care assistance rates does not necessarily translate into improved compensation since the providers can use the rates however they see fit. If child care assistance/subsidy programs become the vehicle for improved compensation, how is the payment structured to guarantee changes in teacher compensation?

## Defining Terms

The Center for the Study of Child Care Employment has tried to create a common vocabulary for issues regarding early educator compensation. Its glossary, which can be helpful in thinking about the work, follows.

### “What’s in a Name?” — A Glossary of Key Compensation Terms

Words like “compensation,” “parity,” and “living wage” have been gaining traction in early care and education circles, but there are different interpretations of what they mean. Here is a short guide to help bring clarity to the debate.

- **Compensation:** “A term used to encompass the entire range of wages and benefits, both current and deferred, that employees receive in return for their work,” as defined by the Bureau of Labor Statistics.
- **Living Wage:** Typically refers to a minimum threshold for affording basic necessities, which varies by household type and local cost of living. A [living wage calculator for various geographies has been developed by the Massachusetts Institute of Technology \(MIT\)](#).
- **Compensation Parity:** The state or condition of being equal, especially regarding status or pay. In current ECE debates, it typically refers to comparability between early educator pay and K-3 teacher pay.
- **Compensation Strategy/Initiatives:** Initiatives that increase workers’ base annual salaries or hourly wages and/or provide benefits such as health insurance or retirement plans.
- **Financial Relief Strategy/Initiatives:** Initiatives that provide additional income or financial relief outside a worker’s pay and benefits (compensation), based on eligibility, such as stipends or tax credits.
- **Stipend:** As used in the *Index*, a stipend refers to a supplemental or non-wage cash award that an educator may receive more than once (e.g., every six months or every year), often intended to support retention.
- **Bonus:** As used in the *Index*, a bonus refers to a cash award provided as a one-off recognition of a particular educational achievement (such as completion of a degree or credential).

Source: 2020 Workforce Index, retrieved from <https://cscce.berkeley.edu/workforce-index-2020/state-policies-to-improve-early-childhood-educator-jobs/early-childhood-educator-workforce-policies/compensation-financial-relief/>

## Wage Scales, Plans, and Guidelines

According to the Center for the Study of Child Care Employment, no states have yet implemented required compensation standards for ECE settings outside of pre-K. The Center notes that the District of Columbia, Illinois, North Carolina, Oregon, Rhode Island, Vermont, and Washington have articulated compensation standards or guidelines for early educators beyond pre-K teachers. Several of these are referenced in the table that Minnesota prepared, and is discussed below. More information about this work in the [District of Columbia can be found here](#), and [in Vermont here](#).

Minnesota has just moved forward in this area and created the table on the next page that shows what states are doing in this area.

## Nationwide Early Care and Education (ECE) Wage Scale Comparison

Source: <https://mn.gov/deed/newscenter/publications/trends/march-2021/earlycare-wagescale.jsp>

Wage Rate	Minnesota	Illinois	Nebraska	Oregon	Rhode Island	Washington
Pay Levels	4	4 + 10 positions	4	3; Explicitly established for lead teachers	6	15
Minimum	\$15.00 hourly		91% of ECE I	Specific for each level and region	ECE I	\$15.21 hourly \$31,764 annual
ECE 1	\$18.20 hourly	\$15.00 hourly	81% of ECE II	\$24,087- \$31,313 annual	\$16.00 hourly \$33,280 annual	\$16.81 hourly \$34,965 annual
ECE 2	\$22.75 hourly	\$17.00 hourly	75% of ECE III	\$24,904- \$40,948 annual	\$19.00 hourly \$39,520 annual	\$20.36 hourly \$42,349 annual
ECE 3	\$28.44 hourly	\$24.00 hourly	100% of kindergarten teachers	\$33,721- \$48,174 annual	\$22 hourly \$45,760 annual	\$25.12 hourly \$56,035 annual
ECE +	N/A	\$53-57K	N/A	N/A	\$24.15 hourly \$50,240 annual	\$27.72 hourly \$57,660 annual
Annualized salary	2,080 hours/year	2,080 hours/year	Unclear	Unclear	12 month	2,080 hours/year
Parity?	Yes, at ECE + level, with licensed K-12 teachers	Yes, with licensed public school teachers (BA)	With Kindergarten teacher compensation	100% with BA, 85% with AA, 65% with DA	ECE+ w/ kindergarten teacher (2017-18)	With Seattle School District certified instructional staff
Calculator	DEED Living Wage Calculator	Labor statistics + minimum wage law	NC Kindergarten wages, set annually	Average of lowest and highest wage regions	Living wage calculator, note about increases with inflation	Based on existing Cost of Quality Phase 2 report
Regions?	Statewide	2 (Downstate, Chicago Metro)	Statewide	Statewide, with regionally specific minimums	Statewide	Statewide
Compensation Benefits	No	No	Partial*	No (only applies to 4 & 5 star rated programs)	No	Yes
Professional Supports	No	No	No	No, but included in QRIS	No	No
Health Benefits	No	No	Yes	No, but included in QRIS	No	Yes, plus access to life insurance
Retirement Funds	No	No	Yes*	No	No	Yes

\* 31% added to salaries to cover benefits

Note that not everything listed is a state adopted policy; hyperlinks are provided for more detail.

Oregon provides one example of a pre-K approach. Its current pre-K manual provides the [salary requirements starting on page 22](#). OR identified a target and a minimum wage given that the pre-K rate is statewide and not geographically differentiated, which allows for variation by program (e.g., by region but also by setting given OR's mixed-delivery pre-K program). This [OR Early Learning Council packet](#) (starting on page 4 of the PDF), shows some of the state's thinking on and rationale for how it came to its salary requirements – this could be adopted for child care.

Montana, as part of its Quality Recognition/Rating and Improvement System, requires resources to be directed towards practitioners. Amounts for programs range from \$625 per quarter to \$5,000 per quarter depending on license type and size. A certain percentage of money at each level must be directed towards practitioners but there do not appear to be specifications about compensation levels or improvements in compensation within these resources. Information retrieved from [Quality Compendium](#). The incentive chart can be found at <http://dphhs.mt.gov/hcsd/ChildCare/STARS/incentives>.

## Wage Stipend/Supplements/Bonus Payment

According to the Center for the Study of Child Care Employment, 11 states have a statewide stipend program, such as WAGE\$ or something similar, and two states (Louisiana and Nebraska) offer ECE teacher tax credits. Nebraska offers both a stipend (WAGE\$) as well as a tax credit, for a total of 12 states with either a stipend or a tax credit program. One state (North Carolina) offers two separate stipend programs: WAGE\$ and Infant-Toddler Educator AWARD\$®; the latter program was introduced in fall 2018 as a means of addressing low pay for infant/toddler teachers specifically.

According to the Center for the Study of Child Care Employment, 32 states offer statewide bonus programs; 23 of these bonus programs are linked to a T.E.A.C.H. Early Childhood® scholarship program. Seven states have multiple bonuses (Montana, Ohio, Oklahoma, South Carolina, Utah, Vermont, and Washington).

To review which states fall where according to the Center for the Study of Child Care Employment, please look at [TABLE 3.7A](#) in the Center's most recent report.

Some examples follow:

- [Minnesota](#): The R.E.E.T.A.I.N program provides bonuses, available for both center and family care educators, to encourage well-trained child care professionals to remain in the field. Bonuses range from \$1000 to \$3,500 and are dependent on education levels. The hyperlinked document provides a report on this program produced by Child Trends; [Child Care Aware of MN](#) provides information as well. Awardees receive half of their bonuses after maintaining employment for six months and the remainder after another six-month period. According to the website, the bonuses are awarded annually but they cannot be awarded two years in a row. In addition, they do not seem to be guaranteed even if the conditions are met. It appears that approximately 40 percent of all eligible applicants are awarded a bonus.
- [New Mexico](#) has a wage supplement strategy. The program is open to teachers and teacher-assistants who work in a New Mexico state licensed or registered child care program as well as Head Start and pre-K. Applicants must meet these additional requirements: have five credit hours of early childhood education classes or have 70 credit hours of well-rounded coursework from a higher education institution; earn less than \$16.00 an hour; and work 20 hours a week or more in an approved program. The program only pays out two times a year: January and June. There is also a Bilingual Incentive Payment: current scholarship and/or wage supplement recipients may be eligible to receive a one-time incentive payment of \$1,500 if they are certified bilingual.

- **North Carolina:** The Child Care WAGE\$® Program provides education-based salary supplements to low-paid teachers, directors, and family child care providers working with children between the ages of birth to five. Bonuses are education-dependent. Find an analysis of its overall compensation reports here. According to Allison Miller, VP Compensation Initiatives at Child Care Services Association ([allisonm@childcareservices.org](mailto:allisonm@childcareservices.org)), based on the way the WAGE\$ payments/stipends are made, they are best categorized as a lump sum payment which should not be counted as part of a recipient's income. Thus, these funds would not be counted in determining eligibility for public benefit programs such as Medicaid or SNAP. Upon review of the IEM, lump sums (non-recurring) are considered non-countable income for the other eligibility programs. (T.E.A.C.H. is seen as a companion program to WAGE\$ and it provides bonus payments or wage increases upon completion of educational credentials. To learn more, <https://teachechnationalcenter.org/t-e-a-c-h-early-childhood/>.)
- **North Carolina:** North Carolina has the Infant-Toddler Educator AWARD\$® (AWARD\$), which provides education-based salary supplements to low-paid early educators working full-time with children birth through age two. To be eligible for AWARD\$, applicants must: work at least 35 hours/week with infants, one-, or two-year-olds; earn at or below \$19/hour (bonuses from the employer will be included in calculations to determine hourly rate); work in a licensed child care center or home with at least three stars; have at least an associate degree plus/or including 24 birth-to- five focused semester hours. Amounts ranging from \$2,000 to \$4,000 per year are available.
- **Illinois:** The Great START wage supplement is available to those employed in licensed, full-day, full-year child care programs, including family child care providers and assistants, center-based directors, teachers, and teacher assistants. Supplements are paid semi-annually for those practitioners who meet employment requirements. To be eligible for a Great START wage supplement, an individual must: be employed in licensed, full-day, full-year child care program, including family child care providers and assistants, center directors, teachers and teacher assistants; have completed college coursework in early childhood education, credentials, or degrees as outlined on the Great START wage supplement scale; and work year-round, at least 15 hours per week for at least 12 consecutive months. The details of the model are found here: <https://www.ilgateways.com/financial-opportunities/great-start/wage-supplement-scale/file> and further details are here: <https://www.ilgateways.com/index.php/financial-opportunities/great-start>
- **Wisconsin:** The REWARD Stipend Program provides salary supplements to eligible child care professionals. Individuals must meet all eligibility requirements to participate. If a person is found to be eligible, a stipend, the amount of which corresponds to the individual's Registry Level, will be awarded. The stipend comes with a six-month contract outlining the child care professional's agreement to continue to meet program eligibilities. Once that agreement ends, the individual can reapply as long as eligibility requirements continue to be met.
- **Iowa:** Child Care WAGE\$® IOWA (WAGE\$) is a salary supplement program offered by Iowa AEYC. As with T.E.A.C.H. IOWA, WAGE\$ is a licensed program of Child Care Services Association. WAGE\$ offers salary supplements (also called stipends) to the early care and education workforce, based on the individual's level of formal education and commitment to its program. Its annual report provides some evidence that this program was a motivating factor in educators increasing their education levels.

## Tax Credits

- **Louisiana:** Louisiana's School Readiness Tax Credits (SRTC) help to improve the quality of child care and increase access for low-income children. The SRTC represents a \$16 million state investment in child care that helps Louisiana secure more than \$80 million in federal funding through the Child Care

Development Fund (CCDF). There are five School Readiness Tax Credits which became law in 2007, including one for early childhood teachers and directors that requires working in a publicly funded program.

- [Nebraska](#): A nonrefundable income tax credit is available to owners or operators of an eligible child care program serving children who participate in Nebraska’s child care subsidy program. The credit ranges from \$250 to \$750 and is only available for programs rated Step 3 in the QRIS. A refundable income tax credit is available to staff members who are employed with an eligible child care program for at least six months during the taxable year and are classified in the Nebraska Early Childhood Professional Record System (NECPRS). Staff members receive tax credits ranging from \$500 to \$1,500 based on their classification.
- [Colorado](#): Colorado proposed an income tax credit in 2019 to eligible early childhood educators who hold an early childhood professional credential and who, for at least 6 months of the taxable year, are either the head of a family child care home or are employed with an eligible early childhood education program or a family child care home. However, this proposal has not been enacted.

## Child Care Assistance Contracts and Grants

- Contracts and grants can be structured to impact compensation, e.g., including required compensation as a condition of the contract or they can provide more resources with guidance that these resources should be used to increase compensation. The latter approach seems more common. In its contracted-slots program pilot for infants and toddlers, [Pennsylvania’s](#) evaluation assessed impact on teacher compensation and learned that the increased rate did result in improved compensation for the staff. The contract for the Oregon Baby Promise child care assistance program does not require compensation levels to be reached. The program manual states the following: “Salary. To support the retention of highly qualified staff, Early Education Programs are encouraged to strive for compensating Early Educators at \$40,000 - \$45,000 annually based upon education and qualifications.”
- Oklahoma has a public-private partnership that provides resources to selected infant/toddler programs in a variety of locations with a focus on quality supports to the participating programs. Payments for child care assistance are made separately. However, the contracts that support this effort suggest improvements in compensation but do not require them.

## Apprenticeships

The US Department of Labor defines apprenticeship as: “...an employer-driven, ‘learn-while-you-earn’ model that combines on-the-job training, provided by the employer that hires the apprentice, with job-related instruction in curricula tied to the attainment of national skills standards.” Apprenticeships have five primary components:

- Employer involvement
- Structured on-the-job learning
- Related instruction
- Rewards for skill gains
- An industry-recognized credential

Some examples follow:

- Pennsylvania has an apprenticeship program operated through the 1199c Training and Upgrading Fund that focuses on CDA to AA degree attainment. The apprenticeship includes onsite job coaching, competency assessment, and incremental wage increases as skills, competencies, and knowledge



progress. It is a career pathway option within the state's system. See <https://1199ctraining.org/ECEapprentice> or <https://www.pakeys.org/get-professional-development/credentials-degrees/early-childhood-education-apprenticeship/>.

- [The West Virginia Apprenticeship for Child Development Specialist \(ACDS\)](#) registered apprenticeship program is a partnership between the US Department of Labor, River Valley Child Development Services (RVCDS), and early childcare programs throughout the state. The program is designed as a blend of classroom instruction and work experience.
- Colorado has the [Red Rocks Community College Child Care Innovations Apprenticeship Program](#). Additional details are found here: <https://www.rrcc.edu/sites/default/files/u3708/Child%20Care%20Development%20Specialist%20Federal%20Registered%20Apprenticeship%20CCI%2010.19%20FINAL%202019-20.pdf>. The Child Care Development Specialist Apprenticeship allows job seekers and early learning professionals to choose their own path to become early childhood teacher/director-qualified while learning on the job skills with on-site support. Apprentices can participate in an expedited pathway to Early Childhood Teacher Qualifications (Colorado Shines level 3-5.) Employer Requirements: 1) Willingness to sign Employer Sponsor Agreement stating the employer will follow all Child Care Development Specialist federal standards and requirements; and 2) Agree to provide progressive wage increases as apprentices complete benchmarks within the program.

## Earlier Rounds of Federal Relief (CARES)

Some states leveraged initial (CARES) federal relief to address compensation. Two examples follow:

- New Mexico set up an incentive pay program with differential payments between full-time and part-time workers. To learn more, <http://www.newmexicokids.org/coronavirus/wage-program.php>
- North Carolina created a bonus pay program for all child care employees working on-site for April and May 2020 with staff bonus payment at regular employee pay periods, applicable to center- and home-based programs. Details are found here: [https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/F/FINAL\\_COVID-19\\_Child\\_Care\\_Payment\\_Policies\\_07-21-2020.pdf?ver=2020-07-22-110715-657](https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/F/FINAL_COVID-19_Child_Care_Payment_Policies_07-21-2020.pdf?ver=2020-07-22-110715-657)

## Pre-K Parity

According to the Center for the Study of Child Care Employment's 2020 Workforce Index, here is where states are on pre-K parity, as excerpted from the Index. (Retrieved from <https://cscce.berkeley.edu/workforce-index-2020/state-policies-to-improve-early-childhood-educator-jobs/early-childhood-educator-workforce-policies/compensation-financial-relief/>)

The number of states that met the criteria for pre-K salary parity in all settings/programs doubled from three to six between 2018 and 2020. Hawaii, Nevada, New Jersey, and Rhode Island were added, while Tennessee was removed as it no longer met pre-K salary parity. As of the 2018-2019 school year, just six states met these criteria for pre-K salary parity in all settings/programs (Alabama, Hawaii, Nevada, New Jersey, Oklahoma, and Rhode Island), while another 18 required salary parity for some pre-K teachers (e.g., in public schools only or only in some pre-K programs, if the state had more than one).

An additional three states (Alaska, Minnesota, Missouri) met the criteria for partial or sub-parity, at least for some pre-K teachers. Compared with 2018, there was a net increase of eight states requiring salary parity for some pre-K teachers only. In some cases, these differences may reflect changes in how state pre-K administrators reported their policies to the NIEER State of Preschool survey, rather than actual changes in the policies themselves.

Individual cities have also been moving forward with implementing their own pre-K programs, and some (e.g., New York City, San Antonio) have actively addressed compensation parity.

Some examples follow:

- [Alabama](#): Alabama's First Class Pre-K program was designed to pay teachers across settings the same starting salary; pre-K teachers receive annual raises designed to be in line with K-12 teacher levels, though on a different [schedule](#).
- [Georgia](#): Pre-K teachers in public and private settings receive the same minimum salary based on equivalent education; ongoing raises were recently introduced through the state budget. Parity is determined with a state average salary and does not provide for a local supplement. For example, a pre-K teacher in Atlanta is making the state average for a kindergarten teacher, which may not be commensurate with the salary of a kindergarten teacher in [Atlanta](#). [Here is additional information](#).
- [Oregon](#): Preschool Promise, as well as Oregon's Pre-K program, which is a Head Start and Early Head Start model, are impacted by the recently passed Student Success Act HB 3380 as well as the authorizing legislation for Preschool Promise, which directs Oregon's Early Learning Council to establish minimum salaries and target salary requirements for lead preschool teachers employed in Preschool Promise classrooms, regardless of setting. The legislation originally specified that "target salary requirements shall be comparable to lead kindergarten teacher salaries in public schools," which in practice have been set based on the median salary of kindergarten teachers.

#### Cities

- San Antonio: Has moved beyond pre-K parity to set salaries deliberately above market rates, including making them higher than those of K-3 teachers. This applies to the teachers participating in the four model programs for the San Antonio pre-K initiative.
- New York City: Public school teachers are part of the city's teacher union and paid on the same salary scale. Funds are budgeted to increase salaries in community-based settings, but a substantial gap remains despite equivalent education levels. More information on this can be found here: <http://www.centrernyc.org/salary-parity-in-nyc>.

## Minimum Wage

[This paper](#) from Center for Labor Research and Education (UC Berkeley), Center for the Study of Child Care Employment (UC Berkeley), and COWS (UW-Madison) looks at the impact of minimum wage across multiple caring professions including child care. Minimum wage increases have a large impact on child care.

One state example follows:

- [Massachusetts](#): With Massachusetts increasing its minimum wage to \$15/hour by 2021, advocates successfully made the argument that the state's lowest-educated workforce (aka those with jobs that do not require a high school credential) could not have the same salary as the higher educated child care workforce. This led to increases that put teacher salaries in the \$40k range. Thus, the Legislature included language in the state budget specifically targeting increases for the child care system to be used for salaries, benefits, and stipends for professional development. Anecdotally, much of the funding has been used to support benefits so that the ECE workforce does not face the cliff effect, i.e., lose other public benefits (e.g., SNAP) as a result of these increases.

### A final note—Power to the Profession

[Power to the Profession](#) goes beyond public school parity (citing the low wage of K-12 teachers) and is an entire Birth-8 strategy. Its recommendations can be found [here](#). Pages 23-24 and [Decision Cycles 3,4,5, and 6](#) are rich with compensation-related ideas.

### Newest Related Resources:

Center for the Study of Child Care Employment (2021). *The American Rescue Plan: Recommendations for Addressing Early Educator Compensation and Supports*. Berkeley, CA: Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/arpa-recommendations-ece-workforce/>.