Compensation Strategies

101

T.E.A.C.H. Early Childhood® National Center
A Review of Compensation Strategies

- Direct Wage Supplementation
- Wage Mandates
- Higher Payment Rates
- Compensation Incentives for Professional Development
- Other Strategies
Direct Wage Supplementation: 
*Two Examples*
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
  - $5.7 million in 2014
# 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>$1,658</td>
<td>$1,658</td>
<td>I</td>
</tr>
<tr>
<td>II</td>
<td>$2,210</td>
<td>$2,210</td>
<td>II</td>
</tr>
<tr>
<td>III</td>
<td>$2,762</td>
<td>$2,762</td>
<td>III</td>
</tr>
<tr>
<td>IV</td>
<td>$3,315</td>
<td>$3,315</td>
<td>IV</td>
</tr>
</tbody>
</table>
Eight Year Gains in Education Levels

- 2008:
  - Level I: 77%
  - Level II: 9%
  - Level III: 12%
  - Level IV: 1%

- 2015:
  - Level I: 71%
  - Level II: 11%
  - Level III: 17%
  - Level IV: 1%
# 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 Supplement Programs

- Are available in localities or statewide in about 25% of states
- Provide 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 2015 - 2016

- $9.1 million invested in WAGE$ salary supplements
- 5,355 supplement recipients
- 12.6% average annual turnover rate
- $891 average six-month supplement
- 99% women
- 2,108 early education programs with supplement recipients
- 62% of recipients are people of color
- 36% WAGE$ participants with education below AS/AAS ECE submitted additional coursework

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Compensation Supplement Programs

Advantages
- Focuses on increased education
- Provides semi-annual payments
- Can be equitable
- Provides data on participants, programs and turnover
- Directly recognizes and rewards 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 earnings
Wage Mandates:  
*Two Examples*
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 to be paid on parity with teachers in public schools, including Pre-K teachers in child care and Head Start programs.

- A few 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 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

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; 27 states + DC have rates of $8.00/hr. or more + indexing
- 11 states have localities (34) with separate minimum wage laws
- Requirements may be tied to size of employer and/or relationship with governmental entity
- Wage increases may be over years and/or be indexed annually to the CPI (17+DC)
- National effort being led by unions 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/experienced teachers</td>
</tr>
<tr>
<td>Ensures lowest-paid teachers get a raise</td>
<td>May raise child care costs for families</td>
</tr>
<tr>
<td>Increases buying power for consumers, including parents</td>
<td>May not include subsidy rate hike to cover wage increases</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>
<tr>
<td></td>
<td>May affect teachers’ eligibility for public benefits</td>
</tr>
</tbody>
</table>
Higher Payment Rates—Untargeted and Targeted
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

- Subsidy payment rates have consistently not kept up with inflation.
- States/communities are paying providers more for higher levels of care offered through QRIS, but rates may not be adequate.
- States/communities are paying providers higher rates for meeting state-funded pre-k standards, but rates may not be adequate.
- Some states are paying the full-cost for a pre-k classroom, not tied to individual children.
# Higher Payment Rates

## Advantages
- Have the potential to recognize the true cost and value of service
- Allow more choice for consumers
- Can target and reward best programs

## 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
- Difficult to track translation of rates to compensation
Percent Increase 1992-2002: Comparison Between State Subsidies and Real Wages

Percent Increase:
- Subsidy Rate: 38%
- Asst. Teacher Wage: 20%
- Teacher Wage: 18%
- Director Wage: 19%

Comparison Subsidies and Real Wages.
Incentives for Professional Development
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
T.E.A.C.H. Early Childhood®
A Comprehensive Scholarship Strategy

- Provides debt-free college education with comprehensive supports for the working early childhood professional
- Links completion of coursework to bonuses and/or raises
- Includes retention component
- Requires employer-employee partnered dollars linked with public and/or private funds raised in each state
- Is evidenced-based scholarship model that produces measurable results

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Funding Invested</td>
<td>$31.1 million</td>
</tr>
<tr>
<td>Total T.E.A.C.H. Scholarship Recipients</td>
<td>15,523</td>
</tr>
<tr>
<td>Average GPA for AA/AAS &amp; BA/BS</td>
<td>3.27 &amp; 3.49</td>
</tr>
<tr>
<td>8% Average Compensation Gain</td>
<td></td>
</tr>
<tr>
<td>Total T.E.A.C.H. Programs</td>
<td>24</td>
</tr>
<tr>
<td>Total Two-Year College Partners</td>
<td>353</td>
</tr>
<tr>
<td>Total Children Benefitting</td>
<td>608,238</td>
</tr>
<tr>
<td>Total Employer Sponsors</td>
<td>7,872</td>
</tr>
<tr>
<td>Total Credits Earned</td>
<td>95,042</td>
</tr>
<tr>
<td>Percentage of Women</td>
<td>99%</td>
</tr>
<tr>
<td>Percentage of Recipients People of Color</td>
<td>46%</td>
</tr>
<tr>
<td>Retention Rate for T.E.A.C.H. Recipients</td>
<td>94%</td>
</tr>
<tr>
<td>Percentage of 1st Generation College Students</td>
<td>Over 50%</td>
</tr>
<tr>
<td>Total Four-Year University Partners</td>
<td>186</td>
</tr>
</tbody>
</table>
Professional Development Incentives

Advantages

+ May fully subsidize courses with currency and degrees
+ 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 low compensation
- May require additional work and commitment
- Tied to participation and stops when participation is over
Additional Wage and Benefit Strategies
C-WAGES

- Must participate in QRIS, QI activities & ECMH and health consultation & enroll 25% low income children
- Must report on child enrollment and staff (compensation) & receive 2+ site visits yrly.
- Must use funds to retain or increase wages, secure, retain or increase health insurance or retirement benefits
C-WAGES

- 85 licensed centers/234 licensed homes reaching about 1,000 child care employees
- Competitive grants to centers, including % for administrative expenses
- Competitive grants to homes based on # of children and FCCRS scores; may include hourly stipend for paid employees
Early Childhood Career and Wage Ladder

- About 65 centers, Seattle, WA
- Funding required centers to pay both incremental wages tied to education and experience and benefits
- Funding became a part of teacher’s paychecks each pay period.
- Participation and evaluation data available with positive impact
- Funding eliminated in 2010
- Programs and participants financial viability hurt
T.E.A.C.H. Early Childhood® Health Insurance Program

- Partnership with ECE programs to pay part of cost of health insurance
- Participation in T.E.A.C.H. scholarship initiative required
- Requirement of children of participants to document their children
- 200 staff benefited from program in FY13
- Life of program from FY99-FY13
- Positive outcomes included increased numbers insured, lower program turnover, continuing teacher education and increased number of children insured
Going Forward

- Be specific in your goals
- Collect baseline data aligned with goals
- Collect data on strategy participants from beginning and throughout strategy implementation
- Measure impact of intervention (quantitative and qualitative)
- Ensure compensation enhancement is sufficient to attain goals
- Pay attention to market forces and their impact on strategy
What Are Possible Goal Targets?

- Increased wages or wage enhancements
- Access to health insurance
- Access to retirement
- Access to paid sick leave and paid leave for professional development and vacation
- Salary schedules tied to role, education and experience
- Paid ongoing professional development
- Paid planning time
References

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

• National Survey of Early Care and Education

• Louisiana School Readiness Tax Credit for Child Care Teachers and Directors
  http://www.qrsloouisiana.org/child-care-staff/faqs
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- Worthy Work, STILL Unlivable Wages
  

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  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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