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Compensation Matters Most

Why and How States Should Use Child Care Relief Funding to Increase Compensation for the Early Childhood Education Workforce

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Early childhood educators' work is complex. But the crisis they face is stark, and the consequences of inaction are clear: either we increase compensation for the early childhood education workforce, or we will be left with no workforce at all.

Due to the chronic and systemic underfunding of our nation's early childhood education (ECE) systems, early childhood educators have a long history of leaving child care centers and family child care homes, sometimes for public school settings, where they have been able to earn more money and benefits for doing the same kind of work. This well-worn journey, which reflects rational economic decision-making and still frequently benefits children within the 0-8 developmental age span, has nevertheless systematically increased inequities and contributed to disparities between early childhood education settings, age bands, and funding streams. Some early childhood educators, however, leave not for public school settings, but for retail or warehouse jobs entirely outside the realm of education, where they can also make more money; get access to benefits; and (while subject to other sets of challenges) avoid the indignities of being paid less than minimum wage for a job that requires extensive and complex knowledge, skills, competencies and experience.

Many who are leaving wish they could stay—they spent years building their skills and accessing professional development; they love the children and families with whom they work; they poured their hearts and funds into turning their home into a safe, quality space for children to learn—but they too have to meet the needs of their own children, families, and futures. In NAEYC's November 2020 survey of child care providers, 69% of respondents said recruiting and retaining qualified staff is more difficult now than it was before the pandemic. As a recent article noted, "child care programs are contending with massive and unprecedented staffing shortages, leading to fewer spots and long waiting lists." It is clear that staffing challenges are real and getting worse, and that compensation is both the problem and the solution.

Increasing Educators' Compensation Increases Families' Options for Safe, High-Quality Child Care

We can all agree that children should be safe in child care settings, no matter which setting a family chooses. Health and safety regulations, such as ratio and qualification requirements, reflect what we know about children's safety and development, providing important safety protections for children across settings, and upholding the quality of early education and care. Some states may be tempted to look to address the challenges of staffing and supply not by raising compensation but instead by lowering the bar on health and safety regulations and requirements, particularly those related to ratios and educator qualifications. This is both misguided and dangerous. First, research has found no correlation between the strictness of state regulations and state levels of child care supply. Second, reducing regulations will lead parents to be forced to choose between safety, quality, and affordability, deepening inequities and creating a permanent two-tiered system between parents who can afford to pay for quality and safety, and those who can't. These forced trade-offs will harm children and families in both the short- and long-term. Too much is known about the importance of children's development in the early years—and what tragedies can happen when children are left in unsafe environments—to have a market that compromises on health and safety regulations instead of investing in the workforce to safely increase the supply of child care.

Similarly, some states may be convinced they cannot address the challenges of staffing and supply by raising compensation in the context of emergency relief dollars. This, too, is misguided. The ECE field is in the process of receiving an infusion of more than $50 billion in relief, including a permanent increase of $633 million, plus the ability to access potentially allowable funds via state and local relief dollars; funding for higher education; and support for K-12. While these dollars are insufficient to change the whole ECE system for everyone, forever, they are sufficient enough to begin to make important, foundational, and structural changes.

States Can Take Action Today

To help ensure families have child care choices that meet their needs, and to increase equity, access, and quality, states should spend as much money as possible on the education and compensation of the ECE workforce, jumpstarting the changes that are needed for our nation's child care and early learning systems to survive and thrive.

Early childhood educators and families have sacrificed and struggled for more than a year; with substantial funding in child care relief through the Child Care and Development Block Grant and stabilization grants, as well as a permanent increase in mandatory dollars that provide additional security and stability for states over the long-term, the urgent needs of educators and families can and must be met.

Bonuses, hazard pay, and premium pay for early childhood educators are meaningful, and multiple states have, will, and should require, for example, that certain percentages of stabilization grant funds be spent on compensation for the workforce (which can come in the form of bonuses, increases in baseline pay, paying for a portion of retirement funds, etc). In Connecticut, for example, the state's stabilization grant formula is set up such that 25% of total funding for center-based and group home providers is contingent on their agreeing to allocate this portion of funding for increasing staff compensation; for family child care home providers, staff wages and compensation are automatically included in the funding formula.[1] In another example, Maine has outlined a plan to provide stipends to child care providers per staff member that will be required to be spent on wages, benefits, and/or bonuses.

States should take advantage of the opportunities outlined in ACF's guidance on child care relief funds to address compensation, including by making direct payments to the workforce in the forum of bonuses (including recruitment bonuses, as needed). The bonuses, and the act of explicitly carving out compensation for the workforce in grants made to programs, are part of a progression towards longer-term change. They signal priority and accountability for workforce compensation, and they put an emphasis on paying programs upfront, instead of by reimbursement.

Yet direct payments should also be the minimum that all states do to increase educator compensation in the short term. The deep need for increased investment to address educator compensation cannot come on the backs of families or early childhood educators themselves, whose poverty-level wages have subsidized the system for far too long. There is clear bipartisan support from the public for increasing investments in early childhood education and educators, and a substantial need and appetite for states to do more than the minimum to increase educator compensation.

Guidance on child care stabilization funds from the Administration for Children and Families is unequivocally supportive of increasing compensation. As they write, "Raising the wages of child care staff is a central part of stabilizing the industry, and lead agencies are strongly encouraged to prioritize this use of funds."

Critically, the guidance ensures that lead agencies can base their grants on cost estimation, enrollment and capacity formulas, or survey data. This is helpful in two ways:

- First, it promotes equitable access, and increased ease of access.
- Second, it means that states and programs are able to focus on the true cost of quality instead of being constrained by current low wages when quantifying "current operating expenses."[1]

Further, the guidance is clear that states can offer multiple, targeted avenues for funding that can explicitly address the need for increased compensation. As they write,

- "A lead agency may make a second funding amount available for providers to apply for funds for a specific purpose such as recruiting and retaining early childhood educators."
- "Lead agencies could also designate a portion of subgrant funds dedicated to covering increased wages and health benefits for provider staff."

1 From the guidance: "Lead agencies have several options for determining the operating costs of providers and the grant amounts, but should take into account the true cost of providing high-quality child care, including the costs of attracting and retaining a qualified and skilled workforce and the challenges of stable operations under the changing pandemic landscape."

1 Providers will select on the application whether they are willing to spend 25% of their funding to increase staff compensation. If a provider "opts in" to the staff compensation, the program will receive 100% of their total funding. If a provider does not "opt in" to the staff compensation, the program will receive 75% of their total funding.

Given the need, the movement, and the momentum in the present and for the future, here are three categories of options that states can act on today, using existing child care funds, federal relief funding, and state funding:

- **Increase Access to Benefits**
- **Create Stability and Accountability**
- **Prepare for Mixed-Delivery Success**

These efforts should build on top of direct payments to the workforce, thereby investing in expenditures that can primarily happen over the next two years, while simultaneously helping to create sustainable change and set the stage for the transformation that permanently increased public funding can bring.

Increase Access to Benefits

Any effort to increase early childhood educators' access to benefits should not detract from an equally necessary focus on raising wages. However, states can take the opportunity afforded by relief dollars to address the abysmal access early childhood educators have to basic benefits such as health insurance, paid leave (including time off to receive a COVID vaccine, which ACF has explicitly included as an allowable use of ARP CCDBG supplemental funds), and retirement benefits. Access to these benefits will improve the health, well-being, and stability of early childhood educators, which are important outcomes in their own right, and will also lead to better outcomes for children.

› Subsidize the Costs of Health Insurance

States can use relief dollars to support their state's health care exchange in implementing a health care insurance premium assistance program for employees who work in licensed child care facilities (Washington state is an early adopter of this strategy). States could also subsidize, reimburse, or pay upfront costs of health insurance to educators. Another opportunity is for states to pay for health care navigators who understand both health care and child care systems, and could directly support early childhood educators in center-based and family child care homes to access the health insurance options that work for them.

› Establish and Expand Substitute Pools

While not traditionally conceptualized as a benefit, increasing access to substitute pools is a critical and often overlooked strategy that can provide support and resources to early childhood educators as they pursue professional development or take advantage of paid leave time. States can utilize CCDBG relief dollars, and/or targeted stabilization grants promulgated as part of an effort to retain the workforce, and/or the set-aside for administrative expenses to establish or expand substitute pool strategies. States are encouraged to address the portability of background checks, and build on existing substitute pools that are anchored by shared service or family child care networks. Partnerships with institutions of higher education may be particularly fruitful as well, because a substitute pool that is built around students can serve both as a grow-your-own strategy and a support for field experiences, while assuring a level of competence and safety.

› Ensure Child Care Providers Have Access to Child Care Subsidies for Their Own Children

"I can't even pay for my own children to attend the child care program where I work," is a common refrain among educators who are also parents of young children. While raising eligibility rates for subsidy overall could allow an increased number of early childhood educators to qualify, a more targeted approach could be for states to establish categorical eligibility for early childhood educators working in licensed and regulated settings to ensure they have access to child care subsidies for their own children.

› Put Income Disregards in Place

Routinely used in areas such as housing, income disregards ensure that individuals do not have to turn down salary increases or avoid bonuses because accepting them would result in a loss of public assistance that is crucial to their families' well-being. States should apply this strategy through legislation, regulation, or executive order in order to ensure that early childhood educators working in centers and family child care homes who are receiving increased and emergency financial support do not find themselves in a worse-off situation. Wisconsin provides an example of this strategy in action, ensuring that up to $10,000 of direct care workers' earnings are disregarded when they apply for public assistance programs.

Create Stability and Accountability

The child care market is fundamentally a broken one, which is not a reflection on programs, providers, nor families themselves. Rather, our national approach to child care as a market is itself unstable and unsustainable. The stability of child care is fundamentally about the stability of the workforce—and the pandemic exacerbated every pre-existing instability. Needed now are investments that will keep and advance a stable, qualified, supported, compensated workforce that is less likely to turnover and more likely to stay in the profession. That means moving towards paying for the actual cost of quality that reflects fair compensation for early childhood educators working in all settings, which will result in significant economic benefits to the state and its workers. This will also benefit children's social and emotional, cognitive, and academic development, as they will be supported by a consistent, diverse, and high-quality early childhood education workforce.

› Raise Eligibility and Payment Rates to Increase Access to Subsidy and Create Scale

The challenge of raising compensation is further exacerbated because payment rates are far below the actual cost of care, which depresses the wages of early childhood educators, perpetuates inequalities, disincentivizes participation in the system, and stymies progress towards quality. In recognition of the importance of early childhood education to states' current and future workforce goals, states should use relief dollars to increase their eligibility rates so more families can participate, and increase their subsidy rates so more providers can participate, all of which will contribute towards the effort to meet the true cost of providing quality child care, which by definition must include compensation.

- **Pay Programs Using Licensed Capacity Rather Than Attendance**

  Subsidy structures not tied to stable payments lead to inconsistent revenue and negatively incentivize programs against raising wages. States should change subsidy payment structures, as they did during the height of the pandemic, to be based on licensed capacity (or at least on enrollment) so that providers have a reliable and predictable level of revenue not subject to the fluctuating attendance rates of any individual child.

- **Use Contracts and Grants to Support the Workforce**

  Contracts and grants can be used to increase program stability, and also can be designed specifically to hold programs accountable for how they compensate educators, including solely operating family child care providers, who are paying themselves. States should increase their utilizations of contracts and grants and create equitable procurement processes that provide accountability for increasing compensation and reaching programs of all sizes and settings. In particular, grants and contracts should require programs to meet minimum standards for compensation and provide data about salary and benefits, disaggregated by race, gender, age, and role.

- **Invest in Integrated Provider-Level Data Systems**

  In part to support equitable participation in contracts and grants, in which additional layers of accountability may be needed, and in part to make investments that support programs in building business capacity, states may consider purchasing, implementing, and providing training for the increased usage of child care management systems at the provider level and linking them to state data systems, including those housed in child care resource and referral agencies. States may also want to consider using third-party intermediaries that can support these efforts, and address the need for real-time data that supports full enrollment to the benefit of both families and providers.

It can take an early childhood educator working full time six to eight years to earn an associate degree. Policies that institute educational requirements must account for these types of timelines [and] explore changes to the structure of course offerings and/or program plans to allow educators to navigate the process more efficiently. With additional investments in degree program infrastructure and supports for early childhood educators working to complete their degrees, we can streamline this process and lessen the time early childhood educators take to finish their programs. —"Increasing Qualifications, Centering Equity: Experiences and Advice from Early Childhood Educators of Color." NAEYC and The Education Trust, 2019.

Prepare for Mixed-Delivery Success

This period of time is a crucial moment in ensuring that early childhood educators, particularly those working in child care centers and family child care homes, are set up for success in an expanded universe of mixed-delivery preK, so that they can unlock the comparable compensation that is attainable with comparable qualifications. States, professional preparation programs, and early childhood education programs can use this time to invest substantially in removing fiscal and structural constraints that impede the achievement of a diverse and equitable early care and education workforce in all roles and across settings, and in increasing equitable access to and availability of pathways and professional preparation programs, as well as ongoing professional learning, that results in equal opportunity for educators and programs.

- **Invest Heavily in Scholarships and Apprenticeships with Built-in Wage Increases**

  States should fund apprenticeships and comprehensive scholarship models, such as T.E.A.C.H. Early Childhood, and Step Up to T.E.A.C.H., to support early childhood educators in earning credits, credentials, and degrees with compensation steps and strategies built in. These strategies should not reinforce professional development that articulates into nothing that an educator can build on, but rather align towards the ECE I, II, and III designations outlined in the *Unifying Framework for the Early Childhood Education Profession*.

- **Spur Innovation in Higher Education to Increase Equitable Access**

  Building off innovative and responsive changes made by many institutions of higher education to serve students over the course of the pandemic, new scholarship investments in cohorts of students can be used in combination with additional supports for professional preparation programs to continue to expand access to coursework that is high-quality, flexible, accessible, and available in multiple languages, both online and on-site, with classes held at or near the places where they work or live. To increase equitable access and unlock future compensation, states can fund the development and implementation of courses that embed early childhood content into remedial math courses; invest in advisors and student-teacher supervisors who are culturally and linguistically competent to provide support for navigating the higher education process and effectively support field experiences; and develop a process for the use of credit for prior learning (CPL) and prior learning assessments (PLA) to recognize and award credits for students' previously demonstrated competencies through prior work experience.

› Build Supply in Underserved Communities and Settings

States can incentivize quality supply building in places where it is particularly needed, and where programs may be impacted by expanded mixed-delivery preK through targeted compensation strategies. Using CCDBG, stabilization dollars, and state and local funds, states can increase compensation for educators working in programs that respond to the needs to rebuild the capacity of family child care, increase supply in child care deserts, create slots for dual language learners and infants and toddlers, and respond to community-identified needs in low-income neighborhoods.

› Establish and Implement a Compensation Schedule that Leads to PreK Parity

Many states have minimum salary schedules that govern how public K-12 teachers are paid. Similar schedules have been established in several states for early childhood educators, and should be used more widely to establish minimum salaries, incentivize credential attainment and high-quality early childhood education, and serve as an anchoring tool for equitably and comparably increasing compensation.

Conclusion

With any and all of these options, state leaders, research institutions, and others should **establish evaluations and impact studies** now to help identify positive practices, and in support of future funding. These evaluations should build in the capacity for disaggregated data, so that they are able to quantify the extent to which increased compensation resulted, for example, in decreased turnover, disaggregated by race and setting; or increased investments in higher education scholarships resulted in a certain number of educators earning a degree in ECE, and, for example, the creation of new online ECE credit-bearing coursework in a language other than English.

As it stands now, the poor compensation across the ECE workforce is disproportionately experienced by educators from communities of color, including those who are penalized with low wages for working with infants and toddlers. So as not to deepen these disparities, and so as to increase families' access to quality in the settings of their choosing, this is the time for our nation to work towards an early childhood education system in which early childhood educators working with children birth through age 8 are members of a diverse, effective, equitable, well-prepared and well-compensated profession, who are valued and supported, regardless of where they work. While the federal government can and must serve as the financing backbone to ensure quality, equity, and equality across states, states must also increase their own investments; this is not the time for states to reduce their own commitments to children and families by disinvesting or backing away from the importance of high-quality child care and early learning. Early childhood educators perform complex, demanding, and valuable work that is essential to the public good, in addition to which, research confirms that better-paid teachers provide better-quality care. Early childhood educators have earned—and the public should demand—fair compensation, and our nation must move in that direction today.

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