MISSOURI EARLY CHILDHOOD WORKFORCE COMPENSATION ISSUES

A White Paper for the Missouri Coordinating Board for Early Childhood

By Jamie Kilpatrick, Public Consulting Group

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EXECUTIVE SUMMARY

Improving compensation in early care and education (ECE) has been and will continue to be an extremely difficult policy issue. This white paper details the issues associated with this policy need. The white paper presents the broad approaches to improving compensation, and identifies recommended strategies for increasing awareness about low child-care wages. The paper indicates that the greatest challenge to addressing low compensation is developing proposals that are realistic, can be implemented, and will result in measurable successes. Two broad approaches are presented: (1) raising wages directly; and (2) launching campaigns to affect wages by more indirect means, such as unionizing/organizing the early childhood workforce. More specific recommendations are highlighted as a guide to action, including:

- Studying ongoing state efforts;
- Anticipating the need for both state and federal strategies;
- Investigating the feasibility of expanding state spending for prekindergarten – given the current administration's ambitious goals of early childhood expansion;
- Defining the population of dependent caregivers;
- Developing and disseminating outcome measures associated with care;
- Encouraging and implementing community-level demonstration projects; and
- Understanding why there is market failure in dependent care.

The paper concludes by asserting that improving compensation for ECE caregivers requires interdisciplinary approaches that bring together experts from diverse backgrounds.

INTRODUCTION

More than half of mothers with infants/toddlers and preschool-age children work outside of the home, creating a high demand for quality childcare at an affordable cost. Although the demand for child care is high, the supply of quality child care is limited and costly. This situation defies the classic economic model of supply and demand and has confounded attempts to secure better compensation. Well-trained and experienced child care workers are relatively few in number. Recruitment and retention is difficult. Wages for child care workers are among the lowest paid in the U.S. labor force, and there generally are few employee benefits. Both economically and politically, the issue of child care worker compensation has been difficult to advance because of the potential expense associated with assuring good quality care and the dearth of suitable policy or market mechanisms for achieving improvements in work force compensation. The issue has lost momentum that was gained in the past because of tight labor markets and a struggling economy that has resulted in federal and state government budget constraints. However, some positive signs are emerging in many state budget situations. To take advantage of this improving situation child advocates are re-energizing the idea of better compensation for child care workers. It is important to note that as state administrations and key leadership changes across the Nation heightened scrutiny of early childhood spending has occurred at Even states that have been heralded as industry leaders are experiencing unprecedented evaluation and scrutiny.

Advancing the issue of child care worker compensation can be facilitated through strong and skillful political leadership. Even if policymakers decide to promote this issue, difficult political choices about which initiative to pursue must be made. The direct and indirect strategies offer different options but available research is limited and does not definitively define outcomes of who directly benefited from raising child care worker compensation and by what amount.

BACKGROUND

For more than 30 years, child advocates have fought for improvements in the quality, accessibility, and affordability of child care in the United States. While these issues have been the cornerstone of the child care debate, a small group of advocates has also sought to increase the compensation of child care workers. The success of their advocacy efforts, however, has been modest at best. As a result, child care workers remain among the lowest paid workers in the U.S. labor force.

The information gained to develop this report was obtained from a variety of sources. Numerous website searches were conducted and direct conversations were held with early childhood leaders in leading states. Key leading states were defined as states that over the past decade have implemented strategies to affect early childhood workforce compensation. Policy interventions were classified as either indirect or direct attempts to raise child care worker compensation levels.

Understanding the Problem

Since the mid-1960s when women began entering the paid labor force in large numbers, child care has been an important social, economic, and political issue. Although the demand for child care has risen, the supply of quality child care remains both limited and costly. This situation has defied the classic economic model of supply and demand and has confounded attempts to secure better compensation for child care workers. Although the demand for child care remains high, the supply of well-trained and adequately compensated workers remains low.

Demand for Care

Over the past four decades, the number of mothers who work outside the home has more than tripled. In 2008, there were 32.6 million mothers in the paid labor force, up from 8.1 million in 1960. Even mothers with very young children work outside of the home. Two of every three mothers with preschool children (10.7 million women) currently are employed, compared with only one in three in 1970 (U.S. Bureau of the Census 2010, table 659). Employed mothers have created a persistent demand for safe, reliable, and affordable child care. But the demand for child care is not just fueled by working mothers. Increasingly, both employed and stay-at-home mothers view out-of-home child care as a way to enhance and enrich their children's development.

While almost everyone agrees that quality child care is desirable, it also is expensive. One estimate is that, on average, it costs $5,928 per year for a four year child and $8,580 per year for infants to attend a child care center in Missouri. Fees in family child care arrangements are lower than childcare center based care, $4,836 for a four year old and $5,564 for an infant.[1]

The typical child care worker is paid per hour. Relatively few workers receive benefits. Despite high exposure to illness, less than one-third of child care centers provide partially paid health insurance. Although some child care centers provide partial coverage, anecdotal evidence suggests that many workers do not participate in these plans because they cannot afford the employee share of the premium. Based on interviews with key child care stakeholders it was evident that very few child care employers offer pension plans.

Low wages result in high staff turnover in child care centers. National data indicate that more than one-third of child care workers leave their jobs each year to seek better employment opportunities in other professions. A Missouri survey in August 2011 documented a 28% turnover rate. Some of those that leave the child care field find employment in preschool elementary schools where pay scales are higher, hours more regular, and benefits more generous. Child care also left the field for higher paying jobs in industries such as food service, retail or manufacturing.

[1] *http://www.naccrra.org/sites/default/files/default_site_pages/2012/missouri_060612-3.pdf*

INTERVENTION STRATEGIES

States generally have followed two trajectories to raise compensation levels for child care workers: Indirect and direct policy approaches. By far, the most common approach is indirect programs. Initiatives to provide mentoring, professional development, and improve reimbursement rates for child care providers are considered indirect approaches because they sidestep the issue of low wages in the child care industry. Instead, these strategies focus broadly on quality of care and access to care, particularly for lower-income families. Reimbursement rates in states' child care fee assistance programs, in particular, are generally designed to encourage providers to accept children from lower-income families by providing full- or partial coverage of the costs of care. None of these aforementioned approaches, however, directly addresses wage and benefit issues for the early childhood employees. Indirect strategies often function on the "trickle down" principle, that is, wages or employee benefits may accrue to child care workers over time, but the connection between the implementation of the strategy and improved compensation is not immediate.

In contrast, direct strategies address the issue of child care worker compensation in a less circuitous fashion. These strategies have become somewhat stalled during the downturn in the economy. Progress was made in the early 2000's with a number of states reporting initiatives to increase wages or provide benefits to child care workers. Direct strategies are predicated on two premises: 1) better wages and benefits are linked to the recruitment and retention of competent workers, and 2) a more qualified and stable workforce will deliver higher quality child care. PCG was unable to identify any states that have initiated direct strategies since 2008. Indirect initiatives include training and mentoring initiatives and professional development programs, which broadly focus on expanding the skills and qualifications of child care workers. They also include increased reimbursement rates for child care providers, which can reduce the cost of child care services for low-income families. Each of these strategies is discussed below.

Training and Mentoring Programs

Designed as policy initiatives to improve the quality of child care services, training and mentoring programs for child care workers are beginning to receive more attention from the states. These programs help recruit new workers into the child care industry and often team them with experienced child care workers who provide advice, counseling, and sometimes assist them efforts to become qualified as head teachers. For experienced child care workers, participation in a mentoring program is viewed as a professional development opportunity. These programs often have wage incentives as one component of the model. Several initiatives provide mentors with stipends in return for their participation in the program. It is hoped that this added stipend will improve the retention of experienced workers in the child care work force. Mentoring programs are supported through a variety of methods. Examples include funding initiatives from government programs such as the Temporary Assistance for Needy Families (TANF) while others are funded by private or corporate foundations. At least two factors have combined to provide states with pools of money to fund mentoring and training programs: 1) federal block grants for the TANF program; 2) state funding through the Maintenance of Effort provision of the 1996 welfare reform legislation, in which Mentoring programs also are used as part of broader state strategies to encourage certification and licensing of new workers. Some critics of the current child care system argue that the child care labor market contains a large pool of low-skilled workers who gain entry into the system because of inadequate regulatory or licensing requirements. To address this concern, at least 19 states require pre-service training or mentoring programs before issuing a child care license.

Like mentoring programs, job training programs are promoted as a mechanism to raise the quality of child care. Apprenticeship programs are an example of a job training program. Using TANF funds, several states have instituted job training programs to increase the pool of qualified child care workers. These states target their child care training initiatives at current TANF recipients. From the states' perspective, training TANF recipients as child care providers not only helps remove these welfare clients from the public assistance rolls, but also increases the supply of trained child care providers. Advocates for welfare recipients question if this strategy will actually help former welfare recipients become self-sufficient because of the traditionally low wages and poor compensation in the child care field. Job training programs are not viewed as direct avenues to improve worker compensation.

Professional Development Programs

The most common indirect strategy used by states is professional development programs to improve the skills and qualifications of current child care workers. In contrast to training and mentoring programs, which aim to broaden the supply of child care workers, professional development programs attempt to improve the qualifications of individuals already in the child care field. The goals of both strategies are geared improving the quality of child care.

In part, because of low wages, many child care workers cannot afford to seek additional education or pursue other professional opportunities. Professional development initiatives are designed to overcome these obstacles by providing child care workers with access to scholarships, student loan forgiveness programs, and continuing educational opportunities. Building the skills of the existing child care labor force through these programs is regarded as one way of improving the quality of child care services.

Three states, California, Minnesota and Pennsylvania, were identified during this project because they developed student loan assumption or forgiveness programs for child care workers. Proposals to reduce student loan debt are generally tied to a worker's annual earnings, with the income ceiling set by individual states. The benefits of such programs may be conditional. For example, workers may be required to remain in the child care field for a predetermined period of time following the completion of the degree program. If the worker leaves the child care labor force, then the student loan assumption may be revoked. Most initiatives to decrease student loan debt among child care workers are tied to other child care program strategies. For example, the Loan Forgiveness Program in Pennsylvania is part of a broader state plan that includes the T.E.A.C.H. scholarship model.

Other states initiated programs that provide financial incentives to individuals who build their skills and enter (or stay in) the child care labor market. Connecticut, for example, uses public and private sector funds to support the Early Childhood Training and Resource Academy, which seeks to broaden the skills of new workers in the child care field programs.

Programs to Improve Reimbursement Rates

A third indirect strategy to improve worker compensation in the child care labor market is through programs designed to raise reimbursement rates for center-based and home-based family child care providers. In an effort to ensure equal access to child care services for subsidized and unsubsidized children, reimbursement plans that offer higher reimbursement rates do not necessarily increase worker compensation. While states generally pay higher rates for child care programs accredited by the National Association of Education of Young Children (NAEYC), the accreditation process does not guarantee higher wage rates or better benefits for child care workers. Many states have implemented these efforts in conjunction with Quality Rating and Improvement Systems, whereas tiered reimbursements have been tied to center/classroom ratings. These efforts have been targeted on the notion that these tiered reimbursements will improve teacher compensation over time.

Two Direct Approaches

Historically, policymakers have been reluctant to take action on legislation or programs that directly relate to the wages and benefits of a specific group of workers. Yet continued concern over the poor quality of many child care programs, the limited qualifications and training of many child care workers, and the inaccessibility of quality care for lower-income families has led to innovative efforts to address worker compensation issues more directly. By the end of 2000, 12 states and the District of Columbia had initiated programs that either provided better access to employee benefit programs, particularly health insurance, or improved wages. Each of these approaches is discussed below.

Employee Benefit Programs

Like many low-wage workers, child care workers often do not have access to employee benefits such as pension plans, sick leave, or health insurance programs. Health insurance is a particularly desirable benefit for child care workers because they are exposed to numerous illnesses and hazards while on the job. Advocates on behalf of child care workers have begun to make some progress in securing this benefit for workers. Four states — California, Michigan, North Carolina and Rhode Island — make health insurance benefits more accessible and affordable for child care workers. Each of these states uses a slightly different programmatic approach. California's program, for example, is designed to provide free or low-cost health insurance to qualified child care providers through state-affiliated Health Maintenance Organizations (HMO). PCG was unable to identify any states that are utilizing flexible insurance pool options under the Affordable Care Act (ACA) to improve early childhood workforce benefit issues. Additionally, there is an emerging movement to utilize a shared services approach to benefits. Like many other industries dominated by small business owners, the childcare industry is seeing small pilots of shared services models whereas benefits are offered.

Wage Initiatives

Public initiatives to provide employee benefits to child care workers are still relatively limited; advocates have been largely unsuccessful in persuading states to implement incremental wage reforms.

However, success has been seen in the North Carolina-Child Care WAGE$® Project. The program awards education-based salary supplements to child care professionals to address the key issues of under-education, poor compensation and high turnover within the early childhood workforce. The WAGE$ supplements make the early childhood arena a more affordable and attractive professional option, thus reducing turnover rates. Higher financial awards are offered as more education is obtained, providing an important incentive to return to school. Many levels of education are funded on a temporary basis and ongoing awards are contingent upon completion of more coursework. In FY12, the Child Care WAGE$® Project provided salary supplements to 4,744 child care professionals for education earned and for their commitment to their child care programs. These teachers, directors and home providers worked in 1,995 different programs serving approximately 70,192 children.

- 68% of the WAGE$ participants were awarded for having an Associate's Degree in Early Childhood Education (AAS ECE), its equivalent or higher on the supplement scale.
- 49% of active participants with education below an AAS ECE submitted education documentation to show progress in school.
- Only 14% of the WAGE$ participants left their child care programs.
- 98% of recipients indicated that WAGE$ either encourages them to stay in their current child care programs or to pursue further education.
- 77% of the WAGE$ participants earned less than $12 per hour from their employers.
- 53% of the WAGE$ participants are people of color.
- WAGE$ recipients earned an average six month supplement of $876, or approximately $1,752 more per year, as a result of their participation.
- 97% of survey respondents stated that receiving a WAGE$ supplement helps ease financial stress, with 77% saying they need the funds to pay bills and 71% explaining that they are more able to address the basic needs of their families (food/housing).

WAGE$ recipients with higher education showed a particular commitment to staying in the field. Many directors share concern that teachers leave once they obtain higher education, but those receiving the WAGE$ supplements did not support that trend. It appears that if teachers are more fairly compensated those with higher education may not leave a higher rate, which means better outcomes for young children.

The Child Care WAGE$® Project is currently licensed and operating in three additional states, Florida, Kansas and New Mexico showing similar positive results. Of particular note, none of these initiatives have seen budgetary increases since 2008[2].

IMPLICATIONS FOR MISSOURI

PCG suggest the following specific recommendations as a guide to action for Missouri: (1) continuing to study ongoing efforts of other peer states, considering a multi-state strategy session; (2) seeking guidance for future state and federal strategies; (3) investigating the feasibility of expanding state spending for encouraging and implementing community-level demonstration projects to study child outcomes coupled with earmarked direct workforce wage increases; (4) developing and disseminating outcome measures associated with care. If Missouri seeks to improve compensation for early childhood caregivers it will require interdisciplinary approaches that bring together experts from diverse backgrounds.

[2] *http://www.childcareservices.org/ps/wage.html*

PUBLIC CONSULTING GROUP

148 State Street, Tenth Floor
Boston, Massachusetts 02109
tel: (800) 210-6113

www.pcghumanservices.com