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Equitable Compensation for the Child Care Workforce: Within Reach and Worth the Investment

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Equitable Compensation for the Child Care Workforce

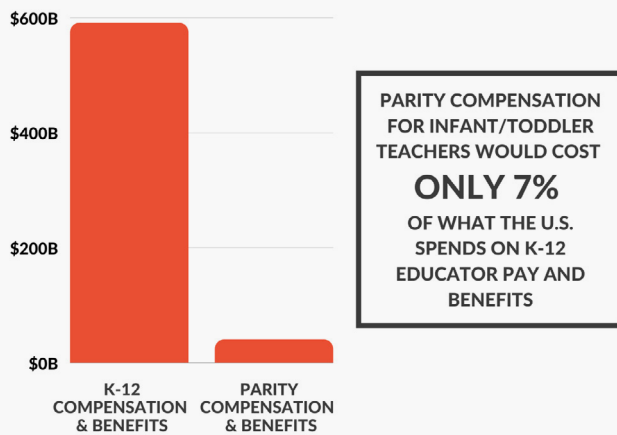
Within Reach and Worth the Investment

by **Emily Sharrock & Courtney Parkerson**
October 2020



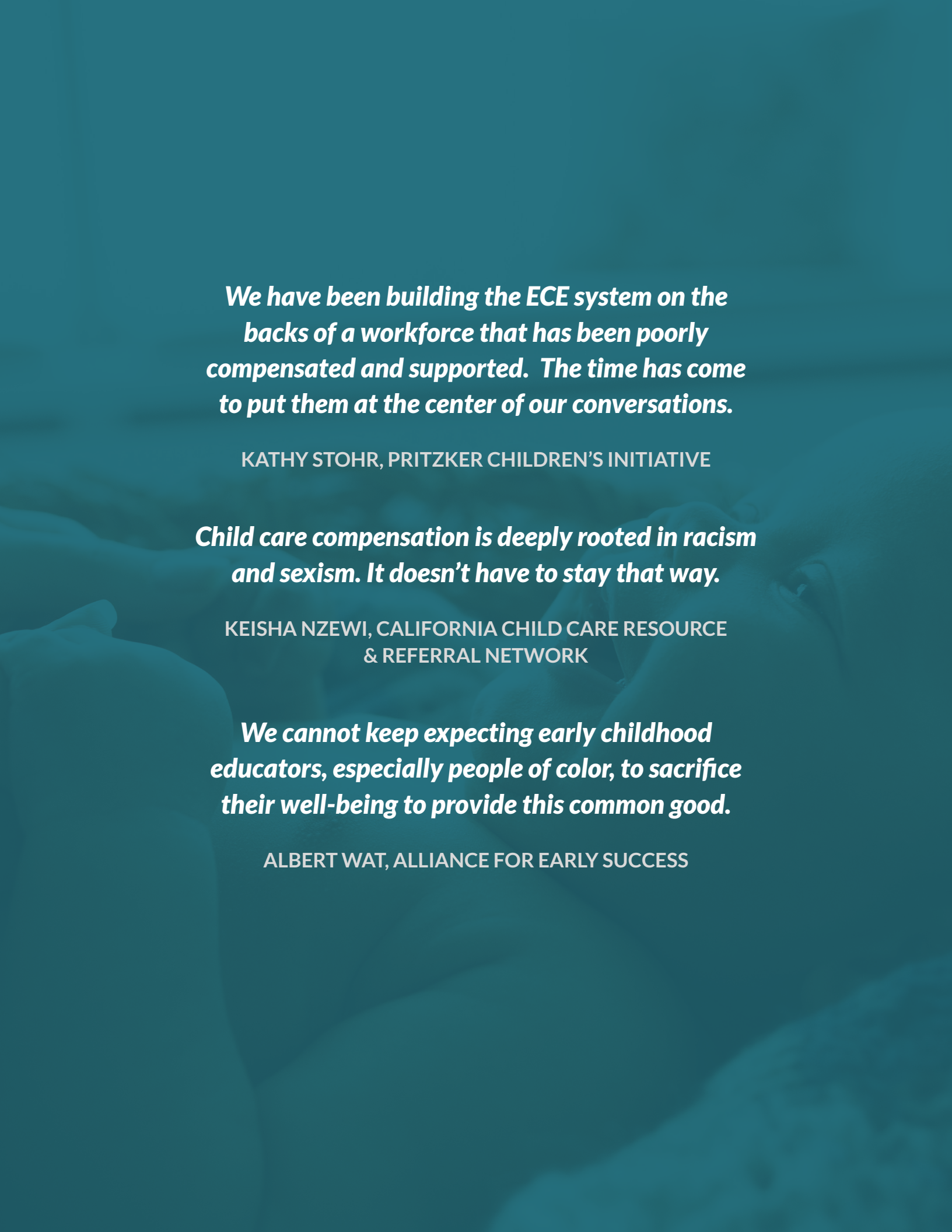
For too long the question of equitable compensation and benefits has been the obvious, but elusive lever to sustainably improving the quality of child care in this country.

Pay and benefit parity between early childhood and elementary school educators is critical to reducing turnover, improving job quality, and achieving a more equitable child care system.¹ However, given the gap between current and fair, equitable compensation, it often seems like a fantasy. We have been afraid to talk about what it might cost. The result: incremental policy change that continues to shortchange our youngest learners and their caregivers. Bank Street's cost modeling estimates that pay parity, including comprehensive benefits for all birth-to-three educators nationwide, would cost \$40.2 billion per year.² To put this investment in context, we spend \$591 billion on compensation and benefits for K-12 public school teachers.³



Due to a gross underinvestment of public resources, less than 10 percent of child care programs are considered high quality.⁴ Half of the child care workforce relies on public assistance, 86 percent make less than \$15 per hour, and only 15 percent receive employer-sponsored health insurance.^{5 6 7} This is a workforce made up almost entirely of women, 40 percent of whom are people of color.⁸ As a comparison, K-12 teacher

salaries average \$59,420 and include comprehensive benefits packages.⁹ Eighty-four percent of the K-12 workforce is White.¹⁰ These trends are even more significant when we examine wage disparities within the field. Nationally, on average, Black female educators working full time in settings that serve children ages 0-5 make 84 cents for every \$1 earned by their White counterparts.¹¹ While some states have made progress increasing the compensation of pre-K teachers through increased public funding, those working in child care settings are almost universally left behind because parents are expected to shoulder much of the cost of child care. Already families pay more in monthly child care fees than their mortgages in 35 States.¹² As the Alliance for Early Success writes in their recently released **roadmap** to transform the child care sector, “instead of allocating adequate public funding for child care and providing it as a public good to all families, we have decided to run this system on the backs of families and educators, especially economically vulnerable women, and women of color.”¹³



We have been building the ECE system on the backs of a workforce that has been poorly compensated and supported. The time has come to put them at the center of our conversations.

KATHY STOHR, PRITZKER CHILDREN'S INITIATIVE

Child care compensation is deeply rooted in racism and sexism. It doesn't have to stay that way.

KEISHA NZEWI, CALIFORNIA CHILD CARE RESOURCE
& REFERRAL NETWORK

We cannot keep expecting early childhood educators, especially people of color, to sacrifice their well-being to provide this common good.

ALBERT WAT, ALLIANCE FOR EARLY SUCCESS

Now is the time to make the investment.

The COVID-19 pandemic has forced a majority of American families and their employers to witness what life would be like without access to child care.

What has emerged from this immense challenge is a widespread public awakening about where child care should fall in terms of public investment priorities. The results of a recent bipartisan poll indicate that “nearly nine in 10 voters want child care providers at the front of the line for Congressional relief, prioritizing the industry above hotels, cruise lines, and real estate developers, and virtually tied with K-12 public schools.” Even a price tag as high as \$50 billion dollars (the amount needed to stabilize the child care industry for the next five to six months), had virtually no bearing on voter support.^{14 15} This unprecedented level of public commitment presents an opportunity to move beyond discussions of stabilization and secure the levels of financial investment truly needed to redesign a system that guarantees developmentally meaningful experiences for every child—and that values the workforce entrusted to deliver them with the dignity and respect they deserve.

It is time to demand the public funding truly necessary to redesign our child care system into one that delivers on its potential. The investment is worth it. Compensation is a primary driver of quality, and research has proven that thoughtful investment in high-quality early care and education, followed by consistent high-quality early elementary education, can have lasting positive impacts on child outcomes.^{16 17 18} Every dollar invested in quality early childhood programs yields a \$4-9 return in individual and community outcomes—and the earlier these services begin, the higher the return on investment.¹⁹

As a field, we have a responsibility to seize this moment to advocate and plan for an investment in high quality care, not simply rebuilding a sector that has too often failed children and families, as well as educators. Developing and funding compensation reform policy must become central to our plans. Increasing compensation is not only key to quality improvement, it's essential to building an equity-centered system that values the lives and work of early childhood educators who are disproportionately women of color.



***We have to flip our understanding about quality
and put the educator in the center.***

LEA AUSTIN, CENTER FOR THE STUDY OF
CHILD CARE EMPLOYMENT (CSCCE)

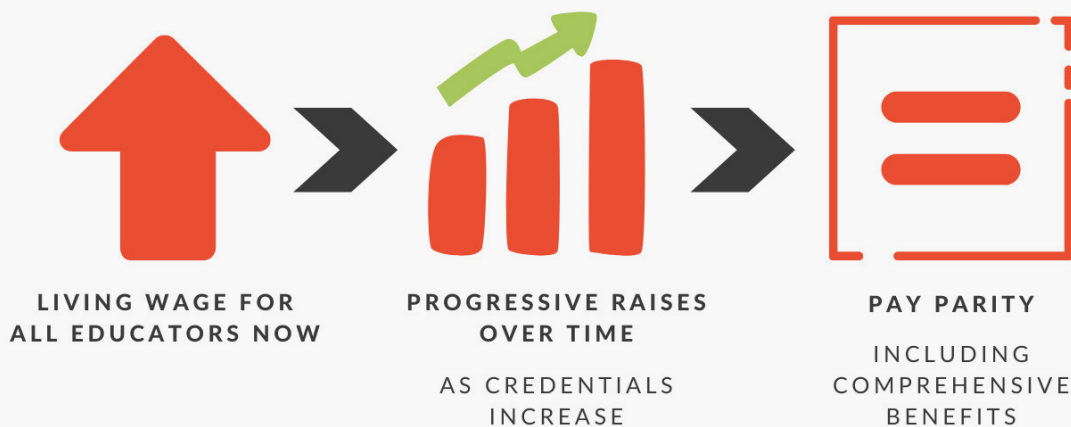


Professional training and equitable compensation is within reach and worth the investment.

In order to attract, prepare, and retain a highly skilled workforce, we must continue to create accessible pathways to meaningful professional learning that are then tied to increases in compensation for existing educators, as well as for those new to the field.

As we note in *Investing in the Birth-to-Three Workforce*, to fundamentally transform the quality of early learning experiences, we must develop flexible pathways to earn meaningful credentials (ultimately, BA degrees) through job-embedded learning experiences that are fully covered through scholarships and enable educators to earn a living wage while they learn. These professional learning experiences must be tailored to the needs of the existing workforce and be designed to preserve the racial and ethnic diversity that currently exists across the mixed-delivery system. And, importantly, these professional learning programs must lead to salary and benefit parity (including paid leave) with similarly credentialed public elementary school teachers. Our model estimates the cost of this approach, which we name a **residency program**, to be approximately \$25,000 per educator after federal and state aid packages and scholarships are applied.²⁰ These costs not only include coursework, but also include the costs of coaching, site support, and salaries for up to a third of participants for whom paid positions in high-quality placement sites may not be available. On a national scale, this would cost about \$2.2 billion annually. Funding pay parity and comprehensive benefits at full implementation as part of this program would cost \$40.2 billion each year (at current levels of access).^{21 22} It is important to note that pay parity will not be achieved overnight. Our model assumes that earning credentials and the associated salary steps will occur over a 10-year period of time.

Pathway to Parity



What It Would Cost

Before additional credential requirements set in, our model **starts with an increase in salary to a living wage for all educators (regardless of the age of children they teach and including assistant teachers) and follows with a set of progressive raises for graduates that move toward pay parity with similarly credentialed teachers in elementary school.** It is critical that we begin with an increase to a living wage for all educators (our model uses the **MIT living wage calculator**) to put an end to the racial and gender inequities that currently exist within the field and to ensure that educators have economic security while pursuing further credentials.

Our national estimates are based on a cost model we developed for the state of New Jersey. New Jersey was selected because data was accessible and the market costs are relatively high to help ensure our model doesn't underestimate costs. Using these assumptions, our model would offer graduates of a residency program who earn a BA degree up to \$66,697 (parity with kindergarten teachers). Halfway through the program, residents with an AA degree could earn \$45,020. To lift all infant/toddler educators to a living wage before credentials are earned,

salaries would need to be at least \$28,949, which represents a 60 percent increase on average from current wages. This initial phase—lifting all infant/toddler educators in New Jersey to a living wage—would cost approximately \$444 million annually. At scale, this tiered compensation plan in which infant/toddler educators receive compensation parity with similarly credentialed elementary school teachers, when combined with comprehensive benefits (healthcare, paid sick and family/medical leave, and retirement savings), will cost \$1.4 billion per year. While a significant investment, these costs represent just approximately 0.23 percent of New Jersey's gross domestic product (GDP) or 4.8 percent of total spending on public elementary and secondary education. While a large and meaningful increase in income to New Jersey's infant/toddler educators, this model shows that such compensation reform is not outside of a state's ability to pay, should the political will exist to do so.²³ It is worth noting that state budgets have been significantly impacted by the COVID-19 pandemic, further driving home the need for increased federal investment and the identification of new revenue streams to advance these goals.

We need to do more than make the case for public funding. We need to devise the right strategies and mechanisms for implementing reform — in ways that center equity and quality for all. We begin by starting to answer two key questions:

Two Key Questions

1. How do we pay for it?


2. How do we implement it?



Ultimately, a significantly different approach to early care and education is required—one that recognizes child care as a public good and is organized to ensure that all children have access to developmentally meaningful experiences beginning at birth.

To make this vision a reality, multi-layered coordination will be required across federal, state, and local levels. Furthermore, investment and coordination with non-governmental actors, such as institutions of higher education, will be required to ensure that high-quality, accessible pathways for professional learning are created. Ideally this would involve a radically different model, such as funding a universal child care system at the federal level that ensures states have the resources they need to train and employ a credentialed and well-compensated workforce.

We recently hosted a forum of individuals to inform and explore these questions more deeply and intend to continue the design-thinking work needed to offer the field the kind of imaginative proposals that may accelerate the transformation needed to fully realize our goals. **At the same time, there is urgency to advance solutions to this problem now. There are immediate actions that can serve as “transition strategies” that federal, state, and local communities can begin to implement now, while more long-term, comprehensive policy shifts (or possibly overhauls) are being developed.** With this in mind, we offer the framing for a set of challenges and several options for action. There is no single solution, but rather multiple approaches that can advance progress and generate momentum for change. What we need is the public and political will to put these concepts into action. It is our hope that this brief provides possibilities that spur voters and policymakers at all levels to action. Once we begin to make real progress with advancing compensation reform and demonstrate how transformational that investment is for children and families, we can generate the pressure needed to pave the way for more fundamental shifts in policy.

A young child is lying on their back, looking up at a banana that is suspended in the air by a string. The child's hand is raised towards the banana. The background is a plain, light-colored wall. The entire image is overlaid with a semi-transparent teal color.

We have a fragmented system of funding for programs that serve children 0-5, which has contributed to a fragmented workforce. Getting the right levers for increasing compensation for the ECE workforce is, in my opinion, the hardest part of this equation. This is where I think our field needs to spend its time.

KATHY STOHR, PRITZKER CHILDREN'S INITIATIVE

Considerations for National Child Care System Redesign

Equity must be intentionally designed into the policies and practices of a revamped early childhood system as it is designed. In analyzing possible policy approaches with our field's thought leaders, we identified the following considerations to build from as we work towards a national investment in childcare as a public good.

We must explicitly design for strength-based thinking. The public good model does not, on its own, address the paternalistic, deficit-based ideas about poor children or children of color. As we do in our equity efforts, we must deliberately promote a strength-based approach in early childhood education.

We must harness the quality already in the workforce. The existing childcare workforce is able and eager to deliver high-quality care. But we have made it difficult, not only by paying caregivers so poorly, but also by imposing irrelevant or unattainable standards, such as for academic degrees. Many caregivers have been locked out of higher education by costs or lack of access, yet they are still capable and caring. A better approach would be competency, rather than academic, standards for this workforce.

We must be more creative in drawing analogies. A closer model might be the rural electrification program of the 1930s, an effort to ensure that rural areas had the same access to electricity that cities already enjoyed. The program

required a massive federal investment, but many decisions were made at the local level, where the assets—new electric capacity—remained.

We must think in terms of families, not children. Similarly, we must move away from evaluating success by children's outcomes—the way it is measured in K-12 schools—because this model is not applicable to young children. Instead, we must consider two generations: parents and children. Families should be the unit of analysis.

The costs of early childcare must be paid by all who benefit from it. We have never fully accounted for the value of childcare to our economy. The pandemic has highlighted its essential role not only for working families, but for companies, which were forced to confront their dependence on the ability of their employees to find and afford childcare. Business has contributed little toward this vital service from which it has long benefited.

However, our overall message should be broad: not that business must pay, but that we must all pay. Business, in other words, must be part of the solution; it must step up and pay its fair share of this common good.

The way to do this is through a fair tax system. If childcare is a public good, we should all contribute, just as we contribute to national defense or clean water.



How do we pay for it?

Achieving equitable pay and benefits for the early childhood education workforce will require a significant infusion of public resources at all levels of the system: federal, state, and local.

In the long term, compensation and benefit parity must be achieved through sustained sources of funding on which educators can rely—not piecemeal wage supplements or tax credits that will ultimately fail to elevate the workforce to the professional status it deserves. In the following section we outline vehicles for increasing a federal infusion of capital and potential sources of funding at a state and local level that can serve to supplement, not fully fund, compensation reform. A critical consideration for implementation of all strategies we outline, is to identify enough funding to ensure that salary scales or wage requirements are not created as unfunded mandates, which have the potential to do further harm to providers, educators, and families.

Federal Funding

The first, undeniable truth is that to truly transform the compensation of the child care workforce on a national scale, new and significant federal investment will be required. From the outset, funding will be required to stabilize access in the wake of the COVID-19 pandemic and to increase the supply of child care. To date, a quarter of a million providers have left jobs in the child care industry, leaving a huge talent gap in an already depleted system.²⁴ As we rebuild, we must take this opportunity to invest in our human capital by simultaneously funding: 1) higher salaries; first, to a living wage and eventually to pay parity with similarly credentialed elementary school teachers; and 2) accessible and effective pathways so educators can attain higher degrees, credentials, and competencies. Without this investment, we run the risk of replicating a broken system and increasing access to care that shortchanges children and perpetuates racially disparate outcomes in terms of compensation and degree attainment for

their educators. Increased federal funding can serve to accelerate change, leverage additional resources, and spur innovation at the state and local level. Increased federal investment could also be coupled with technical assistance to support states in executing new ideas. We offer considerations for structuring this infusion of capital as transitional strategies that might offer a path toward more comprehensive reform.

Increases to Child Care and Development Block Grant (CCDBG)

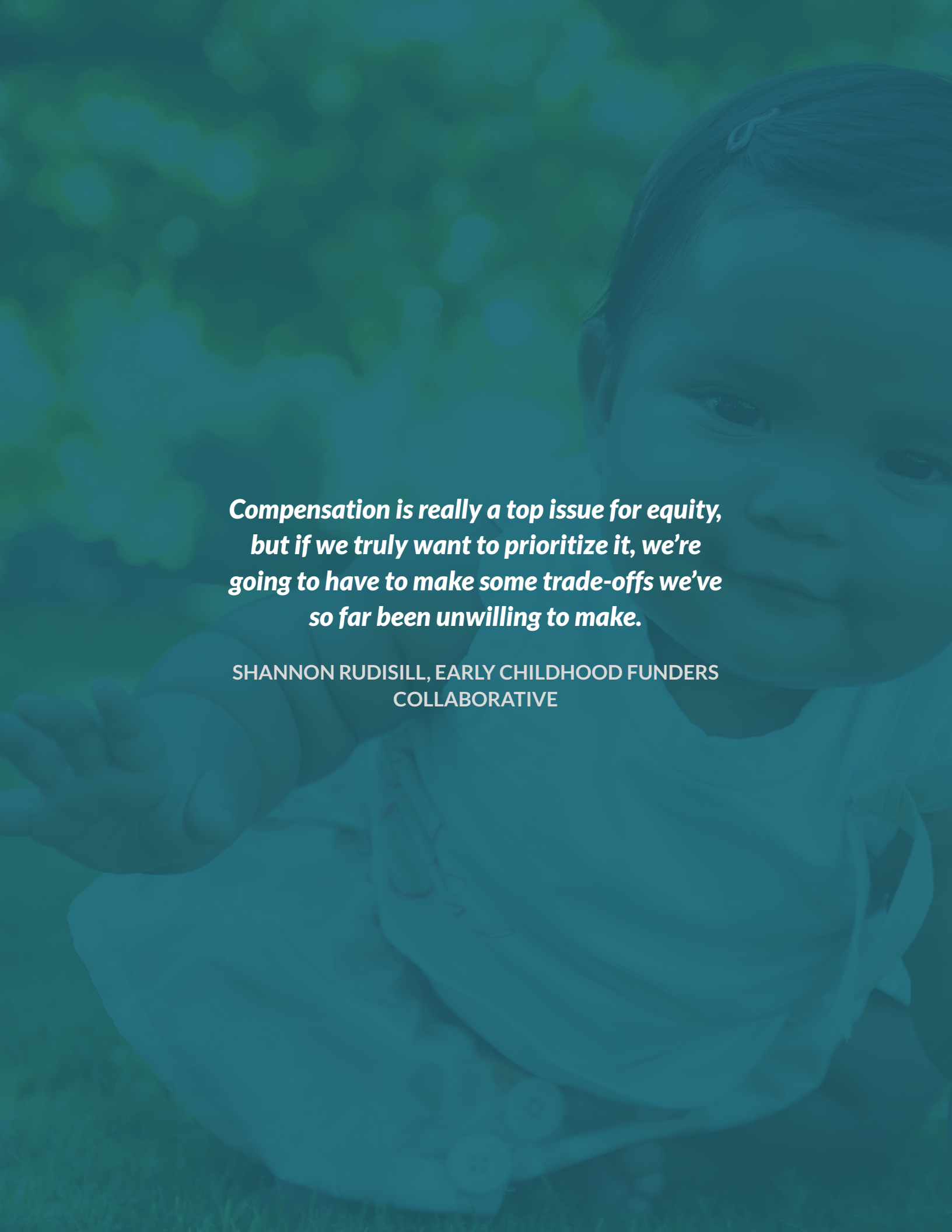
The fastest path forward is to allocate increases in funding to CCDBG in ways that incentivize the use of mechanisms at the local level most likely to translate to salary increases for providers. While a significant increase in subsidy dollars might help states move towards a system of universally available care, shifting the allocation of funds to a model that requires the use of contracts or grants at a local level is likely to have the strongest impact on compensation and systemwide stability as a transitional strategy. To do this, an increase in dollars would be used to fund states to devise locally designed allocations that mix vouchers with the use of contracts to provide support where child care is needed, while also providing enough guaranteed capacity through contracts to fully fund compensation reform. Provisions would have to be included that lift all providers to a living wage at the onset and then require states to adopt a salary scale that provides a pathway towards parity as providers earn additional credentials. Annual increases in state allocations of CCDBG would include cost-of-living adjustments, and also be increased as providers earn degrees. A simultaneous increase should also be made to the required quality set-aside dollars with specific provisions related to credentialing, professional learning, and salary scales as further incentives to states to provide pathways for providers to progress towards pay parity with elementary school educators. These would have to come with clear provisions that prevent the implementation of unfunded requirements at a local level that run the risk of incentivizing unlicensed care or force providers out of the workforce.

Ideally, the upfront cash infusion would be significant, as states don't currently pull down their full allocation of CCDBG and tightened budgets in the midst of the pandemic may further limit states' capacities to match funds. Requirements for state and local matches to fund ongoing operating costs could start small and then grow larger as states and local communities build the public will to implement mechanisms that will generate new revenue. However, any funded shift in requirements and provisions to allow for and encourage states to establish contracted or grant-based models with existing funding could go a long way in establishing a more stable system of care that is better poised to increase educator salaries. This move would also relieve

the political pressure states feel to maintain current levels of access, which prevents them from adopting contracted models or increasing rates. As funds to CCDBG increase, we can also begin to release the eligibility constraints that prevent broad access to child care through subsidized programs—paving the way towards a more universal approach to child care.

Expanding Early Head Start (EHS)

Another transitional strategy, that could be implemented in tandem with changes to CCDBG, is to increase funding for EHS or EHS Child Care Partnerships with explicit requirements to increase educator compensation and credential requirements. As a designated federal-to-grantee funding stream, the federal government has direct control over the requirements programs have to meet to receive the funding, which would allow for faster scaling of proven approaches. Research indicates that EHS increases nurturing and responsive child care for infants and toddlers, so scaling this approach offers a promising path to quality care.²⁵ Some key considerations to take into account in pursuing this strategy are whether the EHS system is poised to scale quickly and whether there are downsides to scaling a program at the federal level that can circumvent the state governments that will ultimately need to lead implementation of comprehensive reform. Creating incentives and technical assistance to encourage states to apply for EHS grants could mitigate these downsides, and potentially offer other benefits. Administrators overseeing EHS alongside subsidy programs may be better positioned to adopt EHS program standards, which include teacher cost of living adjustments (COLAS) across state child care programs. As a means tested program that currently serves only 11 percent of eligible children and families, a massive scaling up of this program could make progress towards universal access by reaching our most vulnerable families, especially if states remove barriers to blending and braiding funding.²⁶ It could also provide an example of the changes in quality and program outcomes that can occur when compensation reform is realized and further shore up the public will for broader compensation reform.



***Compensation is really a top issue for equity,
but if we truly want to prioritize it, we're
going to have to make some trade-offs we've
so far been unwilling to make.***

SHANNON RUDISILL, EARLY CHILDHOOD FUNDERS
COLLABORATIVE

State and Local Funding

Even with a significant infusion of federal funding, states and local communities will need to find new ways to increase revenue to contribute to funding comprehensive compensation reform. This challenge will likely resurface the tension around allocating new resources to invest in quality while there are significant gaps in access. This challenge feels especially acute during the pandemic when resources are scarce and programs are closing at an alarming rate. It is critical to find the balance across these two issues to ensure that increasing or stabilizing access to care means access to high-quality care. Tradeoffs and difficult political decisions may have to be made at a

Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education, a recently published collaboration among the BUILD Initiative, Center for American Progress, Children’s Funding Project, University of Maryland, and the Institute of Taxation and Economic Policy, offers a comprehensive summary of existing state and local revenue streams dedicated to funding early childhood education initiatives, as well as creative “next-generation” ideas for consideration.

state or local level in the short term to prioritize compensation reform in order to redesign child care systems in the ways we’ve described. Ultimately, as described above, securing federal resources will be essential to eliminating the need for or impact of these trade-offs. But if states want to make progress, they may have to shoulder some of the political fallout in the short term.

Increasing Revenue

Recently, some states and cities have taken encouraging steps to identify new revenue streams to increase access to high-quality, affordable child care, including corporate, business, or sales

taxes that lessen the financial burden on the individuals who provide the public good (providers) and those most in need of the services (families). Some states have also established “special district governments,” also known as “special taxing districts” or “special purpose districts”—independent, governmental structures with authority to levy taxes within a specific geographic area for a specific purpose, including early care and education. In **New York City**, **Washington, D.C.**, and **San Francisco**, there has been momentum to raise funds to increase the supply of affordable child care spaces, as well as to improve program quality and increase compensation. The emergence of new state and local living wage legislation is another encouraging step that will impact and improve compensation for the child care workforce. However, if these initiatives are not adequately funded through increases in subsidy rates—all of which require additional public funding—they will subsequently put providers out of business.

Reducing Costs & Reallocating Existing Resources

Initiatives that reduce overhead costs can also free resources that can be allocated to increasing compensation. Although these strategies have the potential to yield some funding, they represent a small portion of the overall amount required to implement comprehensive compensation reform and, therefore, should be part of a broader strategy that funnels enough resources into programs to ensure that basic operating costs for programs are met. Some example actions include:

Create Shared Service Models to Reduce Costs

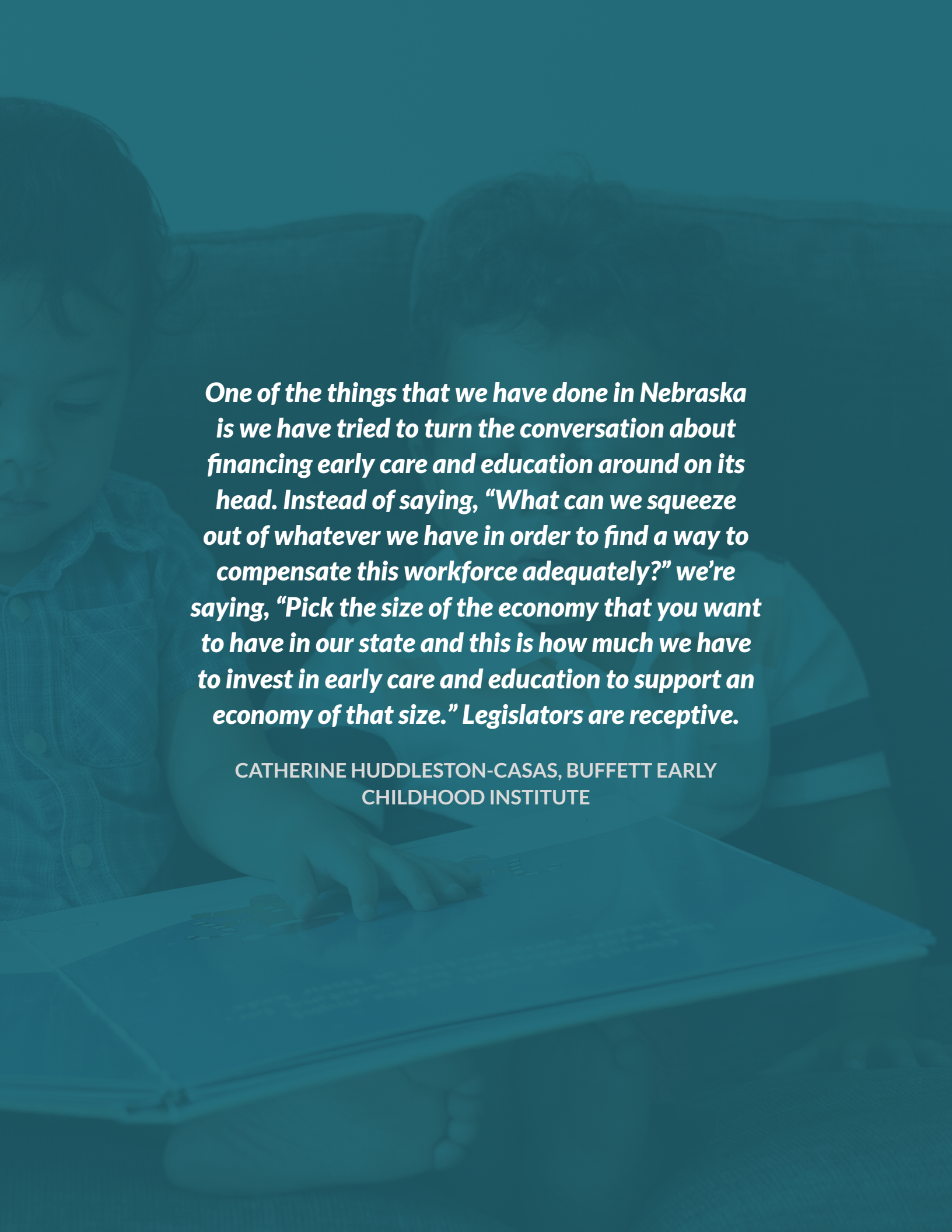
Shared service models can enable the creation of shared data and enrollment systems in which providers are transparent about their vacancies. This allows providers to stay more fully enrolled, thereby increasing revenue. Furthermore, back-office efficiencies can reduce overhead costs, enabling individual providers to dedicate more of their funds to staff compensation.

Fund Capital Expenses

Public or private funds can offset capital expenses, pay for provider tax credits, or cover real estate costs to shift operating dollars to compensation reform. The charter school movement has been able to advance thanks to a similar model for developing facilities (such as **Civic Builders**), in which a combination of public and private philanthropic dollars fund facility development and enable programs to occupy space at no or very low cost.²⁷ With growing public will to generate long-term solutions to the emerging child care crisis, local communities could leverage private funding to supplement federal investment in building the infrastructure needed, which is often a barrier to entry, especially for infant toddler care. For family child care, funding that promotes homeownership can be leveraged and creatively designed to offer stability for those providers. These investments can also address the historical underinvestment and institutionalized racism that excludes many BIPOC from obtaining mortgages and loans to own their businesses.

Establish Worker Co-operatives (Businesses Owned and Controlled by Workers)

A recent study from Rutgers University found that converting to worker ownership boosts businesses' profits by as much as 14 percent. Applying this model to the child care industry could contribute to increasing educator compensation. Additional advantages include: reduced staff turnover, **more diverse leadership**, efficiency, and employees feeling more valued for their insight, experience, and perspectives.²⁸



One of the things that we have done in Nebraska is we have tried to turn the conversation about financing early care and education around on its head. Instead of saying, “What can we squeeze out of whatever we have in order to find a way to compensate this workforce adequately?” we’re saying, “Pick the size of the economy that you want to have in our state and this is how much we have to invest in early care and education to support an economy of that size.” Legislators are receptive.

CATHERINE HUDDLESTON-CASAS, BUFFETT EARLY
CHILDHOOD INSTITUTE



How do we implement it?

Through our research and discussions with leaders in the field, the primary challenge to policy design for compensation reform is ensuring that new funding translates to direct increases in educator salary and benefits and is not diverted to other expenses as so often happens in a dramatically underfunded system.

We must explore how existing policies and requirements can be redesigned to function as the mechanism to deliver on the goal of achieving pay parity for all early childhood educators, regardless of the ages of the children they serve or the settings in which they work. The strategies outlined can overlap and are not mutually exclusive. The federal government can play a role in laying the groundwork by establishing conditions

for states to receive additional federal funding (e.g., set-aside dollars that fund compensation reform) and, importantly, by funding the implementation of these strategies. However, states can begin to make progress by reorganizing existing resources to advance these options and by locally funding some, such as wage pass-throughs, which may have particular resonance in the midst of the pandemic.



Implementing Meaningful Credential Requirements Coupled With Salary Scales

Immediately, there are some lessons we can learn from efforts to achieve pay parity in the pre-K system and nascent efforts to more broadly reform early childhood compensation. The expansion of publicly funded pre-K programs throughout the country has been met with increasing pressure to require all pre-K teachers to earn BA degrees. Despite this effort, in many states the compensation for pre-K teachers still lags behind the compensation for elementary school teachers. There are examples of bright spots in which compensation parity (or beyond parity, in the case of San Antonio) has been achieved. **Strategies in Pursuit of Pre-K Teacher Compensation Parity: Lessons from Seven States and Cities** analyzes the progress made toward achieving compensation parity in five states (Alabama, Georgia, New Jersey, Oregon, and West Virginia) and two cities (New York City and San Antonio). While the approach taken by each state or city varies, one critical strategy in all locations has been to establish a link between the provision of high-quality learning environments and the need to reduce turnover and retain a highly skilled workforce. One key challenge has been ensuring that salary and benefit parity impacts all pre-K teachers across settings, especially for teachers in smaller, private community-based settings.

In New Jersey, one of the earliest states to achieve compensation parity for pre-K teachers, state regulations require that all teachers in contracted private providers and local Head Starts are compensated comparable to the teachers or teacher assistants employed by the district board of education and are based on

equivalent certification and credentials. The regulations outline requirements to ensure similar work days, hours, preparation time, and lunch, however, do not spell out specific provisions related to benefit parity. While the impact of New Jersey's progress toward compensation parity has not been deeply studied to date, there is evidence of reduced staff turnover and high-quality programs in terms of student outcomes.

Most other states have not implemented salary parity long enough to study, however, there is evidence to suggest positive outcomes. For example, in Alabama, there has been increased interest on the part of kindergarten teachers in working in pre-K classrooms. And according to interviews, in both Georgia and New York City, the debate about improved compensation for pre-K teachers spurred discussion about improved compensation for early educators more generally, including infant/toddler teachers.²⁹



Reforming Reimbursement Rates in Child Care Subsidies

Funding for Enrollment, Not Attendance

Allocating subsidy payments based on enrollment instead of attendance provides funding stability for programs that directly ties to their ability to adequately compensate staff. While attendance may ebb and flow, fixed costs for child care (including educator salaries) do not change just because a child is not in attendance. Programs frequently have to do things like send staff members home unpaid on days when low attendance doesn't allow them to make enough to cover their overhead costs. As Louise Stoney writes in **Rate Setting in Reality: Moving Beyond the Myth of Market-Based Pricing**, "Can you imagine if public schools sent teachers home without pay because census was low during flu season? Even the suggestion is unthinkable." Recently in response to the pandemic, many states have implemented policies to fund programs based on enrollment to stabilize funding. While some are exploring extending these policies into the post-pandemic future, it's discouraging that a recent analysis indicates that "13 of the 34 states that paid subsidies based on pre-pandemic enrollment throughout the summer have reverted to attendance-based subsidy payments this fall."³⁰

Increasing Rates to Cover the True Cost of Quality Care

Currently, child care subsidy rates are determined by market rates that are more often a reflection of incomes of families in the region than the actual cost of care. As a result, subsidy rates are set far below what we know is the true cost of quality care and, even when they are increased, rarely lead to increased educator compensation.³¹ ³² This cost gap forces families and providers to make up the difference. If child care subsidies (or "vouchers") are going to be leveraged to impact educator compensation, the reimbursement rate will have to increase significantly in most states, and complimentary regulations may need to support ensuring they translate to compensation reforms, such as licensing requirements, wage standards for publicly funded programs, or living wage legislation. Furthermore, additional public funding will be required on top of these increases to build a more durable infrastructure of care.

Local Design of Contracted Funding Models



While important steps forward, subsidy reform alone fails to address variations in funding year over year that can lead to instability in funding and staffing that will impact a program's ability to deliver on the goal of sustained, increased compensation. Experimenting with alternative vehicles for funding quality child care, like programmatic funding or other forms of contracting, opens up pathways for both broadening access and funding compensation parity. Child care is not sustainable without a provision for fixed costs in some funding structure. One way to design contracts is to fund a baseline of fixed costs plus additional costs based on the number of children enrolled. Contracts

can also serve as a mechanism to hold programs accountable for dedicating sufficient funds to compensation and also as a lever for increasing funding stability.

Ideally, contracts would be part of a mixed strategy that includes a balance of subsidies (or vouchers) and contracts to create a flexible market that optimizes both family choice and the advantages of a mixed-delivery system while also ensuring a higher degree of stability and guaranteed access in high-need communities. Identifying the right mix of financing options should take place at a local level to ensure that the complexities of community needs are accounted for in the system design.

Contracts could also fund staffed child care networks. These networks could develop shared service models and create efficiencies in administrative responsibilities. Importantly, staffed child care networks could help preserve a diverse, mixed-delivery system by supporting smaller providers, including home-based child care providers as sub-contractors. Few existing networks are staffed for this function, so a capacity-building strategy would need to be developed in tandem with implementation of this approach.

Some key considerations to take into account when pursuing this idea is how to design bidding processes to ensure that historically marginalized populations are included. The way relief funding was structured during the COVID-19 pandemic has been a prime example of how many child care providers can be excluded from applying for public funding.³³

The key is tying the subsidy to quality and tying quality to the workforce, because we don't pay enough to adequately compensate effective educators and they are essential for quality.

LEANNE BARRETT, RHODE ISLAND KIDS COUNT

I agree we need more money in the system, but as somebody who has worked in probably 40 or 45 of the 50 states, I have worked in states that had really high reimbursement rates, and their teacher wages are still ridiculously low. To me, it isn't so much getting hung up on the rates.... We need contracts that say, at least 75 percent of this money in this contract must go to the classroom teacher.

LOUISE STONEY, OPPORTUNITIES EXCHANGE

Instead of thinking about the money following the child, or going to the center or directly to educators, what if the money went to the community? The community can then design the system that works for them. This could be a network of providers or whatever exists, and the community can adjust as needed. That could be a very different model to consider ... and that model can come with a set of conditions about teacher qualifications and compensation and benefits.

SUSAN SARVER, BUFFETT EARLY CHILDHOOD INSTITUTE

Developing Wage Pass-Throughs

Another idea is to develop a separate funding pool that could be allocated as wage pass-throughs. In this model, compensation could be provided directly to the educator and is not linked with additional funding provided to the program in which they work. Some advocates in the field believe this is the only way to ensure that additional funding goes to educators' salaries and is not absorbed by the program to offset another cost (due to a lack of overall funds in the system).

Some key considerations to take into account when pursuing this approach is whether a separate funding stream is more vulnerable to budget cuts over time. If a separate funding pool is developed instead of “baked-in” to existing funding streams, it becomes necessary to renegotiate the reallocation of the specific funds each budget cycle. Instead of field-wide efforts to fund the full cost of care, advocates and policymakers will be forced to negotiate individual line items that might compete with each other in terms of priorities.



Updating Licensing Requirements to Broaden the Reach of Compensation Improvements

In addition to identifying the right funding mechanism to allocate resources, adherence to salary-scale requirements can be built into program licensure. This option could possibly have the broadest reach, impacting home-based and center-based settings, as well as programs that are both publicly and privately funded. This should only be done if adequate resources exist to fund compensation. Without it, this policy could create incentives for programs to move “under the radar” and operate without a license or worse, shut down and deplete supply.

I do have concerns that the contracting process can [restrict the choices of families, or restrict options in certain communities], unless it's implemented in a much more universal way. In an ideal world, you would make all licensed programs available under the contract and fall underneath that umbrella.

LEA AUSTIN, CENTER FOR THE STUDY
OF CHILD CARE EMPLOYMENT

At least here in New Jersey, I can speak to the fact that there is no adequate system for funds of any kind to get into the pockets of educators. Centers are so poor and financially fragile, especially now on this road to recovery, that any dollar that comes in is going to be being allocated to so many other things. The workforce continues to get suppressed.... I really feel very strongly that there has to be an adequate system that bypasses the centers in a sense.


MEGHAN TAVORMINA, THE LEARNING PATH PRESCHOOL
AND DAY CARE (NEW JERSEY) AND NJAEYC PRESIDENT

Call to Action

Compensation and benefit parity coupled with access to high-quality professional learning can sustainably transform the quality of early care and education in this country. We owe it to our children to develop a system that not only is capable of delivering on their individual potential, but also recognizes caregivers, who are disproportionately women of color, with respect, dignity, and equality.

Achieving this goal will require significant commitment, bold action, and trade-offs as we balance the competing needs within the field. We look forward to continuing to imagine what is possible for a fully redesigned system at scale. Ultimately, significant investment from the federal government is required to stabilize funding so that child care providers can build sustained and predictable salary increases into their overhead costs. Yet, the need to stabilize the child care sector in the midst of the pandemic poses an urgent need and an opportunity for reform. Through conversations with thought leaders in the field, advancing structures and financing to support contracted funding has emerged as the most impactful transition strategy that can be advanced at all levels—beginning now. As we consider the right path forward, it is also essential that we create specific, defined, and accountable mechanisms to ensure that parents and providers are the constituents driving these policy designs and decisions. For too long, parents and providers have been denied a seat at the table. While there have been valiant efforts to organize their collective voices, too often they have been drowned out by questions of cost, public versus private responsibilities, and values. We need to establish a system in which these voices are prioritized.

Public support for investment in child care is the highest it has ever been. We must seize this opportunity and accept the responsibility to secure the funding and policies that will finally lead to a system of accessible, high-quality early education that places equity at the center.



To advocate for increased compensation, early childhood educators need a more unified voice and a seat at the table. For example, in some fields, employees from different companies in one industry have come together with the government to form wage boards to secure funding for higher wages.

ALBERT WAT, ALLIANCE FOR EARLY SUCCESS

Key Questions and Considerations for State Leaders/Administrators

- ✓ What options for reform best match the current political climate in your state? Who might be new allies in your work that can lend strength and influence to the groundswell of public support?
- ✓ Are there reforms implemented during the pandemic that can leverage lessons learned and/or be continued? Examples may include the structures for and impacts of hazard or bonus pay, expansion of access to health benefits, and funding by enrollment not attendance.
- ✓ What communication strategies can you employ to generate increased support from elected officials and government administrators to include improved compensation approaches in their COVID-19 recovery actions?
- ✓ What do you know about family preferences, needs, and work patterns to target the right mix of contracted care, to stabilize supply, and to provide vouchers to increase access to care that meets unique family needs in different communities?
- ✓ How can providers and parents be authentically engaged in the design and implementation of key policies for compensation reform?
- ✓ How will you design the implementation and study of those policies to pave the way for additional investment in the future?
- ✓ Are there opportunities to reallocate funding to compensation through savings from shared service models, funding capital expenses, or establishing worker co-ops in your state?

- ✓ What opportunities exist to create better coordination among agencies across the birth through five (or birth through eight) continuum in your state? Can funding for pre-K be leveraged to support the financial stability of child care providers in your state?
- ✓ What is the capacity of higher education programs in your state to offer accessible, meaningful pathways for providers (that will be coupled with efforts to achieve pay parity)? What needs to change to strengthen those options?

Key Resources to Review

The **Center for the Study of Child Care Employment** has developed state-by-state estimates of what it would cost to achieve a skilled and stable workforce for all children ages 0-5 that is well-prepared and well-paid. Their **estimates for values-based early childhood budgets** offer a critical step for policymakers and advocates to understand what a fully funded child care system in their state would cost.

In partnership with state and national allies, the Alliance for Early Success has developed **Build Stronger: A Child Care Policy Roadmap for Transforming Our Nation's Child Care System** that identifies key areas of work, each with a set of short- and long-term strategies and policy ideas that advocates and policy leaders who work at the state and federal levels should consider advocating for or implementing as they redesign systems following the COVID-19 pandemic.

In collaboration with **Capita** and the **Center for the Study of Child Care Employment (CSCCE)**, Bank Street convened a group of 40 thought leaders to discuss pathways to equitable compensation. After convening this forum, Bank Street gathered ideas and concrete policy solutions into this brief. We want to extend our thanks to the following co-organizers, attendees, and reviewers of this brief.

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Endnotes

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