

# **Compensation and ECE Quality Improvement**

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# Session Purpose

- Discuss the impact of staff compensation on tradeoffs among quality and affordability for parents and public agencies.
- Consider linkages among professional standards, quality rating requirements and compensation.
- Consider different approaches for improving the level of compensation and linking it to quality.
- Discuss impact of state fiscal crunch on compensation-for-quality initiatives.

# Perspectives

*Pay adequacy:* are ECE workers paid an amount sufficient to support themselves, families

*Pay equity:* are ECE workers paid comparably to others with similar qualifications

*Professionalism:* do ECE workers practice within a recognized framework of requirements, competence and respect that will promote appropriate compensation

*Competitive labor market:* are ECE workers paid sufficient amounts to recruit, retain individuals with requisite qualifications to meet objectives.

# Brandon Presentation

**Qualification, Compensation and  
Affordability:**

**Recruiting and Retaining Qualified  
Staff in a Competitive Labor Market**

# The Issue

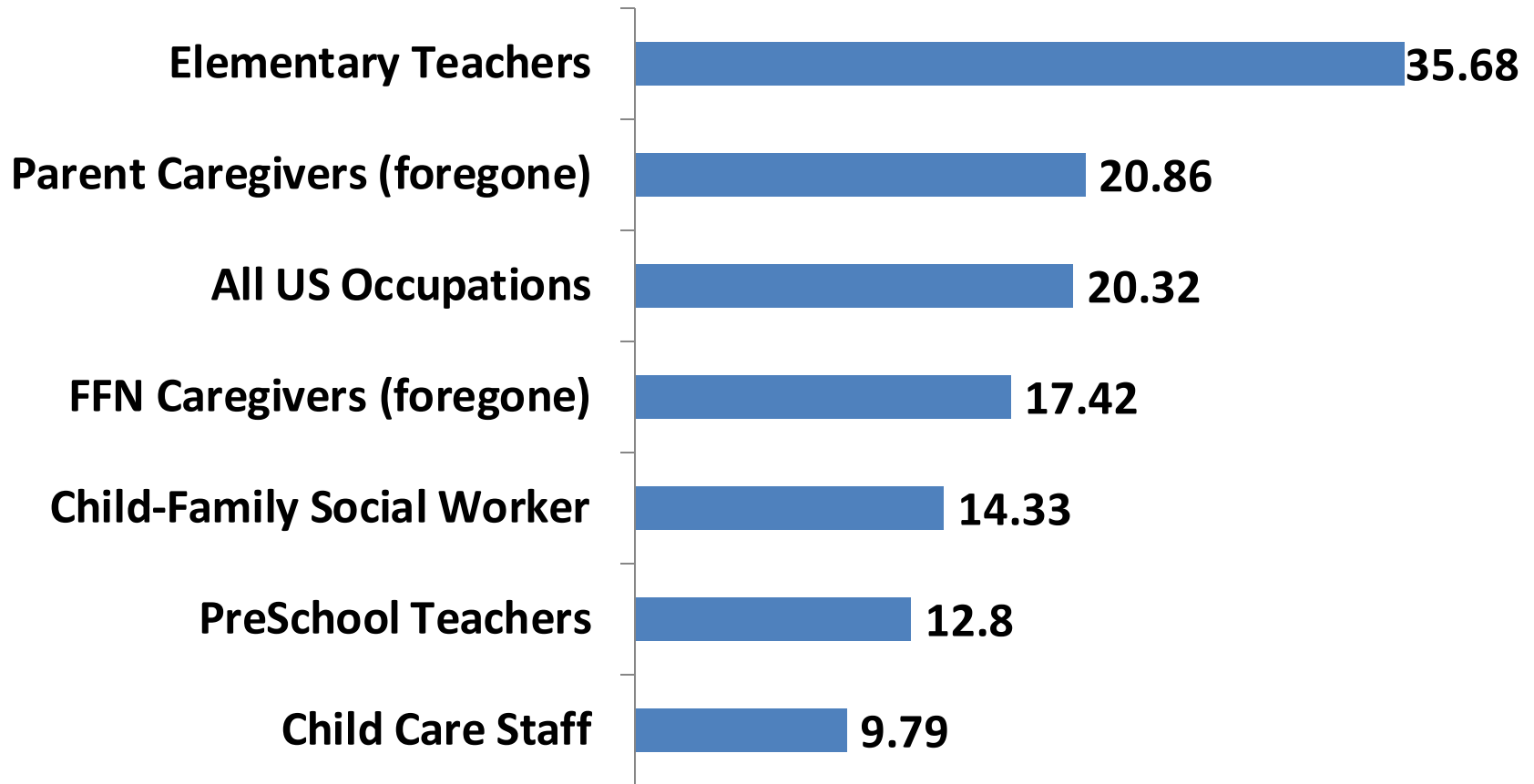
- ❑ Compensation is essential to recruit, retain qualified staff in competitive labor market
- ❑ Qualifications – especially education – are major drivers of compensation
- ❑ We know current levels are too low; we don't know the minimum requirements for either education or compensation
- ❑ Compensation is major determinant of cost to providers, families and public agencies.

# Major Predictors of Wages (All Adults)

By order of impact:

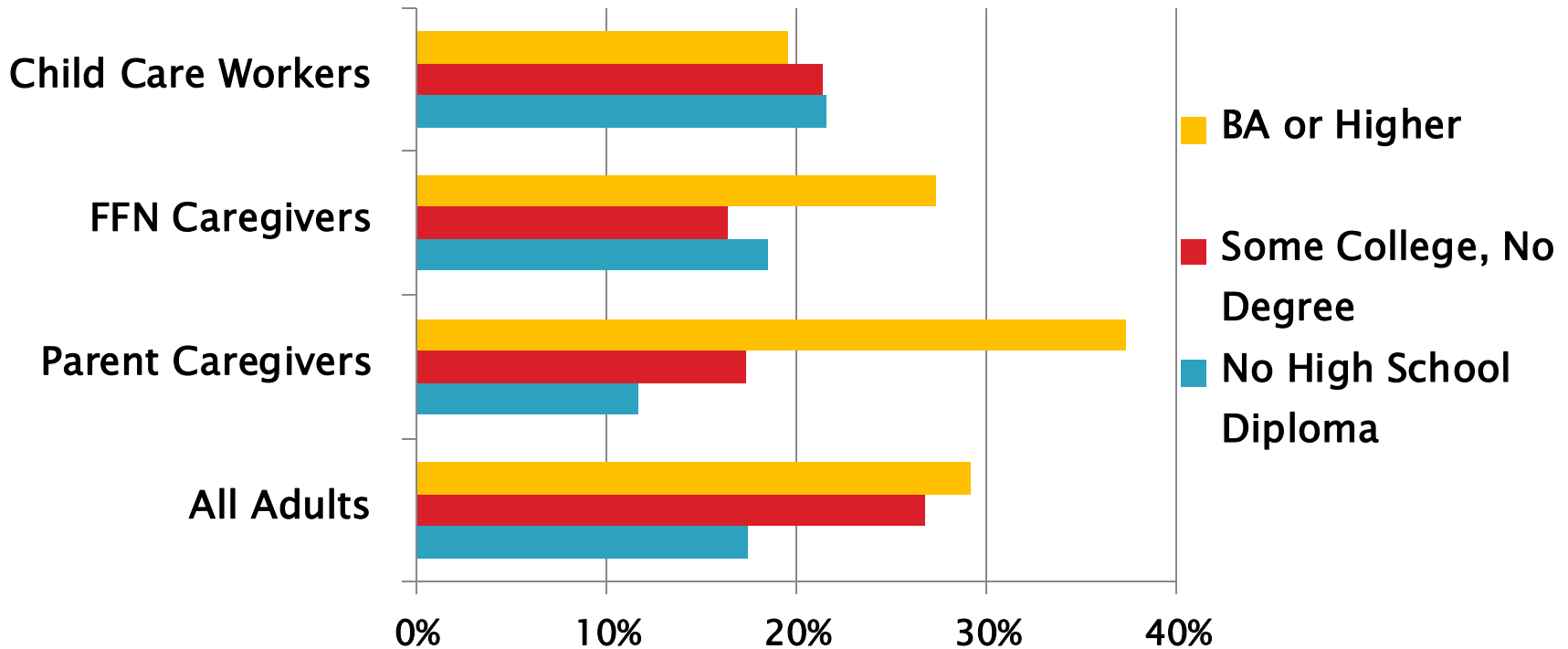
- Educational attainment (+)
- Occupation: CC workers (-)
- Employment: FT/PT (-); Multiple jobs (-)
- Spanish speaking (-)
- Female gender (-)
- Metro residence (-)
- Region: South, North Central < Northeast, West
- African American, Hispanic (-)
- Unionized job (+)
- Have children (+)

# ECE Hourly Wages in Context, 2007\$



- ECE workers paid less than social workers or K-12 teachers w/ BA's
- ECE Paid less than parents who stay home with kids or FFN's
- Paid 31% less (-\$2.20.hr) than women with same qualifications

# Human Capital: ECE Worker Education



- ❑ ***CC Workers (exc. Pre-K): fewer college degrees, more no- HS diploma than Parent caregivers, FFN's or all adults***
- ❑ ***Low skills mean low productivity, less return on investment***

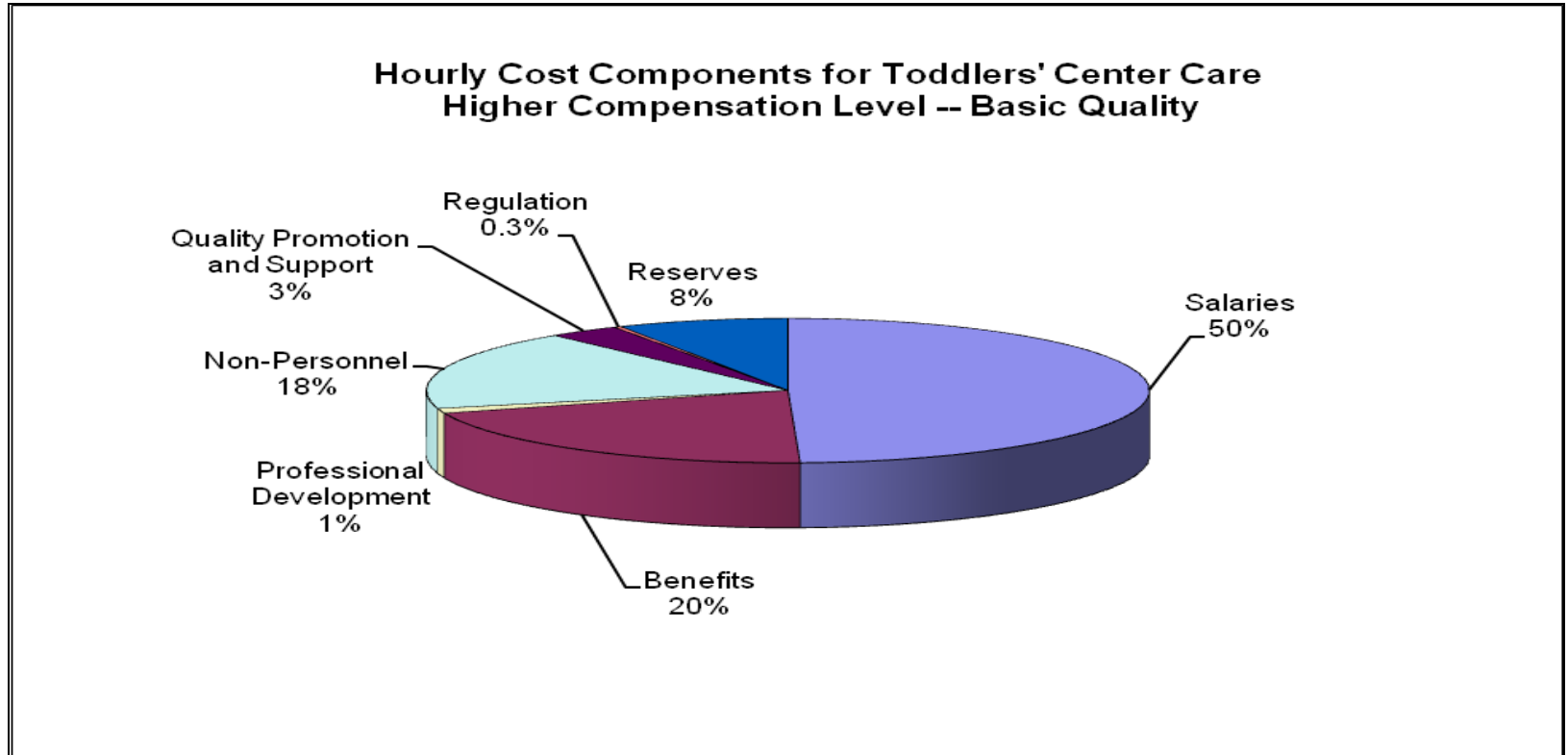


# Employee Benefits

	All Workers, All Industries	Child Care Workers in Centers	Pre-school Teachers in K-12 Schools	All Workers in K-12 Schools
Percent participating in Employer-provided Retirement Plans	55%	-0-	72%	87%
Percent participating in Employer-provided Health Insurance	60%	9%	60%	75%
Average Hourly Employer Cost/worker of Retirement Plans	\$1.65	\$-0-	\$2.69	\$3.32
Average Hourly Employer Cost/worker of Health Insurance	\$3.06	\$0.67	\$5.09	\$5.62

- ❑ Child care workers have minimal health, zero retirement benefits
- ❑ Preschool teachers in public schools have better benefits than average, but less than other K-12 staff

# Compensation and Provider Costs



- Staff compensation is more than two-thirds of the estimated cost of high quality ECE.
- PD and other quality promotion less than 5%.
- Implications for strategies to improve staff quality?

# Compensation and Family Affordability

Cost as percent income, average income family receiving no financial assistance:

- Income NET of tax burden/credits;
- Cost per one child in FT center-based ECE.

Current compensation: 14-16%

Moderate compensation (CF-SW): 17-20%

Higher compensation (Elem.Teacher): 22-25%

# Approaches to Improving Compensation

- ❑ *Wage supplements* linked to Ed./PD (direct to individual staff)
- ❑ *Tiered reimbursement* linked to Q-rating (provider pass-through to staff)
- ❑ *Tax credits for parents* linked to Q-rating (parent pay to provider, pass through to staff)
- ❑ *Unionization* (primarily affect state reimbursement, pass through to staff)

# Wage Supplements

- ❑ Raise net compensation at limited cost.
- ❑ Can be directly linked to improving qualifications, performance – better for recruiting new workers than improving those in place.
- ❑ May not be sufficient to recruit/retain – not fill wage gap (max=61% of CF-SW in 2005 study);
- ❑ Uncertain: annual, not permanent.

# Tiered Reimbursement

- ❑ Link payments directly to quality standards
- ❑ Assumes pass through to staff: may not fully happen
- ❑ Only affects revenue for subsidized children; if not most children at a provider, then cannot yield significant increase in compensation.
- ❑ In voluntary programs, may only affect a few, “top-tier” providers and their staff.

# Parent Tax Credits

- ❑ Can be directly linked to quality, qualifications (ME, LA)
- ❑ Gives parents tool and incentive to demand better qualified staff
- ❑ Assumes parents pay higher fees as a result of credits
- ❑ Assumes higher fees translate to higher compensation

# Unionization

- ❑ So far major effect is on public reimbursement; sometimes directly tied to compensation pass-through
- ❑ K-12 experience is higher pay; but within a system which requires BA/MA degrees and has constitutionally protected funding.
- ❑ In ECE, may protect low-qualified workers.
- ❑ Too soon to tell effects, but should monitor.



# Conclusions

- ❑ *Impact of current low qualifications and compensation: low quality, high turnover.*
- ❑ *Optimum level of qualifications and compensation not known.*
- ❑ *Risks of setting qualifications, compensation too high: barriers to entry/diversity; cost to providers, families, public agencies – may drive families to FFN.*
- ❑ *Experiment with moderate levels, different reward mechanisms; change if necessary.*
- ❑ *Link higher pay to individual AND program performance; improve public confidence.*