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$

- Elementary Teachers: 35.68
- Parent Caregivers (foregone): 20.86
- All US Occupations: 20.32
- FFN Caregivers (foregone): 17.42
- Child-Family Social Worker: 14.33
- PreSchool Teachers: 12.8
- Child Care Staff: 9.79

- 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
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

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

- 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
- 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.