naeyc® National Association for the Education of Young Children

Compensation Means More Than Wages

Increasing Early Childhood Educators' Access To Benefits

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Inadequate and inequitable compensation is the longest-running and most pressing issue in early childhood education—impacting educators themselves, as well as children, families, businesses, and the economy.

Low compensation drives current educators out of the field, keeps potential educators from coming into the field, undermines the quality of early learning programs, and creates staffing crises that limit the supply of child care that families and businesses need.

> *"Recruiting and retaining staff remains challenging due to low pay and lack of benefits." —Early childhood educator, Kansas*

> *"Because we are unable to provide higher wages, we have had to hire less qualified and experienced educators. In my opinion, the quality of education has gone down significantly." —Early childhood educator, West Virginia*

> *"There are simply not enough candidates to interview that will work for what we can afford to pay." —Early childhood educator, Massachusetts*

"Compensation" traditionally includes benefits, such as health insurance, paid leave, retirement, and more. Yet while there is considerable variation in early childhood professionals' access to benefits across states, settings, funding streams, and individual programs, employer-sponsored benefits packages are not standard in early childhood education. Furthermore, many public benefit systems are themselves underfunded and inequitably accessible, leaving far too many early educators without access to the benefits they need.

These challenges, however, have solutions. There are numerous examples, resources, and materials that highlight strategies and recommendations for increasing educator compensation, inclusive of wages and benefits.[i] In recent years, and with the support of federal child care relief funding, several innovative and effective efforts to address early childhood workforce compensation have focused not only on increasing wages, but also on expanding access to benefits, particularly for educators working in child care centers and family child care homes.

These efforts align with needs expressed by early childhood educators, who are clear about the urgency and importance of being able to access traditional worker benefits—such as health insurance, retirement benefits, and paid leave—as well as a more expansive understanding of benefits, including supports such as loan forgiveness and scholarships, housing, and child care assistance for their own families, regardless of the state, setting, age group, or funding stream in which they work.

Supporting access to benefits—both alongside and in the absence of much-needed substantial and sustained wage increases—can positively impact educators and their families. Benefits are useful as a recruitment and retention strategy; they support parity across settings; and they are a core component of supporting individual and family economic self-sufficiency.

i Visit www.commissionece.org/resources for a one-pager highlighting compensation-focused resources from national and state partners.

In addition, their systematic inclusion is important in the broader context as a crucial component of recognized professions. Across industries, employee benefits that support health and well-being are often considered a standard part of professional compensation packages, and, as outlined in the [Unifying Framework for the Early Childhood Education Profession](), it is important for states, programs, and employers of early childhood educators to address this expectation as part of the work to advance a unified, diverse, and equitable early childhood education profession in centers, schools, and family child care homes.[1]

In support of these efforts, this resource focuses on the benefits side of the compensation equation, exploring several types of benefits and supports by outlining current context, data, and challenges at a high level; highlighting promising state, local, and programmatic examples; and putting forth considerations and recommendations particularly for state policymakers, program leaders, advocates, and allies in the following areas:

- **Increasing Access to Traditional Benefits**
  - Health Insurance
  - Retirement Savings
- **Reducing Educators' Cost Burdens**
  - Higher Education
  - Child Care
  - Housing
- **Additional Supports and Actions**
  - Substitute Pools
  - Contracts and Grants
  - Income Disregards
  - Compensation Scales

In addition, while not deeply explored in this resource, robust, comprehensive, equitably accessible, and supportive **paid leave policies are among the first and most important benefits that states, localities, and employers should move to adopt and finance** through the tax system.[2] Since child care centers and family child care homes do face some of the same challenges that other small businesses face in implementing paid leave, as well as some unique challenges, adoption of some of the other benefit policies discussed below, from health insurance to substitute pools, can help alleviate some of these pressures.

The reality and the impact of low wages and lack of benefits in early childhood

Chronically underfunded and consistently undervalued, early childhood educators working in child care settings are among the lowest paid members of any industry; with a 2022 median hourly wage of $13.71 and annual salary of $28,520, child care worker pay ranks in just the second percentile of all occupations, with disproportionate impact on educators working with infants and toddlers, educators working in family child care settings, and educators from communities of color.[3]

Even compared to other educators, individuals working with children 0-5 are paid far less than their (also underpaid) peers in K-12, with additional wage penalties for educators from communities of color and educators working with infants and toddlers. Despite their critical role, essential work, and the astronomical brain development and learning happening during children's earliest years, early childhood educators working with children 0-5 years old face poverty rates an average of 7.7 times higher than teachers in the K-8 system.[4]

A difference of one year can be life-altering: preschool teachers, for example, are paid wages in the 13th percentile ($14.67/hour) while kindergarten teachers, working with children just one year older, earn $32.80/hour and fall in the 61st percentile for pay—and that same kindergarten teacher is much more likely to have access to professional benefits.[5]

Early childhood educators working outside of public school settings, however, are more likely to need public benefits than have access to professional benefits. Previous data have shown that more than half of child care workers (53%) earn so little that they have to rely on public benefit programs, such as Medicaid and SNAP, to make ends meet. Child care workers access these public benefits at more than twice the rate of their educator peers in elementary and middle school settings (21%) and the general workforce (21%).[6]

Still, according to the RAPID EC survey, as recently as August 2023, more than one in four providers reported difficulty paying for utilities (28%) and food (26%), and one in five report having difficulty paying for healthcare (22%) and housing expenses (22%). As RAPID noted, "these sustained high rates of material hardship are notable and troubling in and of themselves. Yet, previous RAPID data also show that experiencing material hardship negatively affects child care providers' emotional well-being."[7]

Low incomes and lack of benefits are connected to higher rates of stress and burnout, which worsens educators' own health and well-being, increases turnover, and negatively impacts the quality and supply of care and education. Educator stress and burnout are further exacerbated by misguided **deregulatory policies** that attempt to address child care supply challenges by allowing for more children per adult in programs—though by making educators' difficult jobs even harder, these changes actually lead to a worsening of the problem that they were intended to solve.

The baseline measures of well-being for early childhood educators even prior to the pandemic were already problematic, with research indicating 6% to 36% of early childhood educators were meeting the clinical cutoff for depressive symptoms.[8] In one state and study, 86% of educators across settings reported some depressive symptoms during the prior week.[9] Early into the pandemic, 46% of childcare providers screened positive for potentially diagnosable levels of major depression, with 67% reporting moderate to high stress.[10] And, in our February 2024 **ECE workforce survey** of more than 10,000 early childhood educators, NAEYC found that 46% of all respondents reported increased levels of burnout compared to January 2023.

In this context, early childhood educators are closing their family child care homes and leaving their jobs at alarming rates, worsening trends that were underway even prior to the onset of the pandemic.[11] Inadequate funding, which leads to low compensation, is a significant factor in driving the steep drops in licensed and regulated family child care programs—which some states, through investments, have only begun to reverse.[12] While some educators who leave their family child care homes and child care centers move to school-based and K-12 positions, where they are offered higher salaries and comprehensive benefit packages, many others are choosing to leave the field entirely, moving to work in retail, food service, or other industries where they can receive higher pay and employee benefits for frequently less stressful work. Those who leave are clear that the number one thing they would require to stay is compensation.[13]

Without competitive wages and professional benefits, the early childhood field loses out on excellent educators who simply cannot afford to or will not enter or stay in this field and do this challenging and complex work. The impacts of these losses are felt across communities, as children lose out on sustaining and supportive relationships with educators; families face fewer child care options; educators lose qualified and supportive colleagues, peers, and leaders; and employers lose qualified workers who cannot find or afford the child care they need.

Why Access to Benefits Matters for Early Childhood Educators and Education

Ensuring educators working in all states and settings have equitable access to a comprehensive set of benefits means supporting the needs and health of the current early childhood education workforce, as well as the future of individual professionals and their families, the strength and diversity of the early childhood field as a whole, and the success of children and families.

➔ Supports early childhood educator well-being and program quality

Access to comprehensive benefits supports individual health and well-being. In just one example, the best evidence suggests that health insurance is associated with more appropriate use of health care services and better health outcomes for adults.[14] Generally, healthier adults are better able to do their jobs and care for their own families. Early childhood educators who are satisfied with their jobs and whose individual and family members' health are protected are more likely to convey positive feelings toward children and more able to give utmost attention to teaching and caring for children.[15] Overall, where low compensation undermines quality, increased compensation, including access to benefits, supports it.[16]

➔ Supports recruitment and retention of early childhood educators

An important element of quality in early childhood education is stability, and educators who are satisfied and supported are more likely to remain in their position or keep their family child care home open for longer periods of time, providing critical stability in relationships with young children and families.[17] Turnover, however, threatens stability and, as in all industries, increases programs' expenses. Higher compensation reduces turnover; wages are the strongest predictor of staff turnover in early childhood education centers, and those that do not provide benefits are more likely to have higher rates of turnover compared to those that do.[18] Comprehensive benefits also serve as an important recruitment and retention tool, ensuring educators are able to stay in the settings where they want to work, providing options for families, and are not forced to seek alternate roles in and outside of early childhood education solely in pursuit of better benefits.

➔ Promotes gender and racial equity

Because women, immigrants, and women of color are overrepresented within early childhood education compared to the overall workforce, competitive wages and comprehensive benefits for early childhood professionals are a matter of gender and racial equity.[19] Women of color make up approximately 40% of the early childhood workforce—in both child care centers and family child care homes—and they are more likely to be in the lowest paying roles within the field.[20] These inequitable and chronically low wages and lack of benefits for educators has directly impeded women's financial stability and freedom and ability to provide for their own children and families.

➔ Brings in additional funding sources to support early childhood educators

Current ECE-specific funding streams are insufficient to support comprehensive wage increases and benefits expansions for early childhood educators. External, existing public and private benefits programs and resources can and must be leveraged at the federal, state, and employer levels to bring additional resources to bear, maximize impact and investments, and make benefits available to educators in centers and family child care homes. In addition, while the ultimate goal and priority is to move early childhood educator compensation to a level at which educators do not have to access public benefits, it is also important for states to take steps now to make those systems more equitably and easily accessible and prioritize early childhood educators within those systems, in order to improve the current realities early childhood educators are facing and provide immediate relief while making progress towards long term goals.

Increasing Educators' Access to Health Insurance

Health insurance, or health care coverage, supports health, protects well-being, and promotes an individual's ability to work.[21] In the United States, health insurance is often provided by an employer; individuals and those who are self-employed can purchase health insurance through an online marketplace overseen by the state or federal government; and insurance can also be provided directly by the government via Medicaid and Medicare. There are federal tax credits available to make premiums affordable for individuals and families with low incomes who are purchasing insurance through the marketplace; federal and state governments also offer some tax credits for employers, including small businesses, who provide health insurance.[22] The federal government also encourages businesses with up to 50 employees to participate in the **Small Business Health Options Program (SHOP)**.[23]

Due to the fragmentation of health insurance options as well as provider types and settings, the full picture of health insurance coverage and sources of coverage among the entire early childhood workforce is murky, and access is inequitable. Many educators who are insured receive insurance through a spouse or receive Medicaid. Workforce studies in a handful of states suggest that between 40 to 50 percent of child care centers offer health insurance as an employer benefit.[24] Yet while 52% of all workers have employer-sponsored health coverage, only 23% of early childhood educators not in public school setting do, and the percentages are even lower for family child care providers.[25]

Some educators remain uninsured; nationally, 16% of child care workers under age 65 were uninsured in 2019, compared to 13.3% among all adults under age 65.[26] Notably, the uninsured rate for child care workers in states that have not expanded Medicaid is almost 3 times as high as in expansion states: 30.6% compared to 10.3%.[27] And, among early childhood educators not in a public school setting, non-Hispanic Black and Hispanic early childhood educators had the highest rates of uninsurance.[28]

> *"Early education professionals need access to affordable health care in order to realize their best health and to best serve the children in their care." —Suzanne Wikle and Elisabeth Wright Burak, State Opportunities to Improve Health Care Coverage for Child Care Professionals*

State Examples

In 2021, the **Washington** state legislature passed legislation to establish a **Premium Assistance Program for Employees of Child Care Facilities,** providing employees of licensed child care facilities access to health insurance for $0 monthly premiums through the end of 2023. Those working in licensed centers, homes, school-age programs, or nature-based programs who meet income and other program requirements were able to enroll in specific health plans through *Washington Healthplanfinder*, the state's online marketplace. The state partnered with Yakima Neighborhood Health Services to provide support for early childhood employees throughout the process, from determining eligibility to completing enrollment. In its first year, this program provided $0 monthly premiums for 624 center-based employees; 57% of those who contacted the health care exchange were ultimately eligible for and received no- and low-cost health insurance.[29]

Leveraging the District's early childhood funding stream dedicated to compensation, **Washington, DC** began providing free health insurance for early childhood professionals in 2022, while also providing resources for early childhood employers to offer employer-sponsored health insurance to their employees. **HealthCare4ChildCare** provides free health insurance for District residents (and their families) who are employees of licensed child development centers and homes as well as free health insurance or lower premiums for non-District residents who are employees of licensed child development centers and homes choosing to participate in HealthCare4ChildCare. In addition, the fund helps licensed child development centers and homes provide affordable group health insurance for their employees through DC Health Link's Small Business Market (SHOP). Individual employers have to enroll in the program for their staff to receive the benefits.

The Louisiana Department of Education launched an Early Childhood Navigator Partnership to support affordable health insurance options for educators, staff, and their family members. Funded by a grant from the U.S. Department of Health and Human Services Center for Medicare and Medicaid Services under the Affordable Care Act, the programs' goals include supporting educators and providers in securing health insurance coverage and benefits; transitioning staff who lose and are terminated from Medicaid to other health insurance options; making sure the chosen plan meets their budget and healthcare needs; and being a referral source as needed. Since the LDOE Early Childhood Navigator Partnership launched and as of February 2024, they have held 91 outreach events, engaged 105 centers and FCC providers, supported 617 directors and educators to attend presentations, and had a total of 1,393 educators participate.

Recommendations for Policymakers to Increase Educators' Access to Health Insurance[30]

- Ensure Medicaid access is simple, easy, and widely available by:
  - Expanding Medicaid to cover the widest range of low-income families.
  - Boosting "high touch" outreach and enrollment assistance, in multiple languages.
  - Reducing administrative burdens for those applying for Medicaid.
- Maximize utilization of and support participation in Healthcare Exchanges/Marketplaces by:
  - Ensuring that all state residents are eligible for coverage.
  - Specifically and categorically making early childhood professionals eligible for coverage, including self-employed family child care providers.
  - Improving affordability for marketplace coverage.
  - Providing liaisons or health care navigators who understand both health care and child care systems, and can directly support early childhood educators in center-based and family child care homes to access the health insurance options that work for them.
  - Supporting mechanisms for small businesses and family child care providers to minimize costs of participating in insurance pools or shared service opportunities.
  - Provide information and supports for small centers and self-employed providers to access the Small Business Health Options Program and related tax credits.
- Provide business tax credits to early childhood employers to incentivize the provision of employer-sponsored health insurance benefits and/or cover premium costs for marketplace coverage.
- Provide individual tax credits or direct subsidies that are categorically available to early childhood professionals or fully available to all low-income workers and those who are self-employed, in order to subsidize or cover the costs of health insurance premiums.
- Ensure that health care benefits are included in calculations of the true cost of care for centers and family child care, and are reflected in child care subsidy reimbursement rates.

Increasing Educators' Access to Retirement Savings

In the context of low compensation and lack of systemic supports, it is difficult for many early childhood educators to save for retirement and plan for a safe, healthy, and secure future for themselves and their families. In the United States, employer-sponsored retirement plans remain the most important vehicle for providing retirement income after Social Security.[31] The federal government provides a tax credit to support the start-up and implementation costs for employers creating retirement plans. If a business has 100 or fewer employees, this credit covers up to $5,000 in administrative costs for the first three years of a new 401k, 403b, profit sharing, SEP IRA, or Simple IRA plan. Additionally, businesses with less than 50 employees can get a credit of up to $1,000 per employee in the first year of the plan for contributions they make for employees who earn less than $100,000. This credit continues for three more years, decreasing by 25% each year.

For individuals, the federal government has offered a Saver's Credit, which will be transitioning to a Saver's Match, in 2027.[32] This will represent a change from credit paid as part of a tax refund into a federal matching contribution that must be deposited into a taxpayer's IRA or retirement plan. The match program is equal to 50% of IRA or retirement plan contributions, up to $2,000 per individual. This looming change represents a key opportunity to help early childhood educators establish plans that will allow them to take advantage of this credit, since right now, many early childhood educators who are self-employed in family child care homes or work in small centers, do not have access to employer-sponsored retirement plans; and those that do often cannot afford or lack the necessary support to take advantage of such plans.

The lack of retirement savings opportunities is especially noteworthy considering the age demographics of the early childhood field: a large sector of this workforce is nearing or has reached retirement age—more than 25% of center-based workers and nearly 40% of home-based workers are over 50 years old[33]—and they do not have the financial means to actually retire.

Only about 1 in 10 child care workers has retirement benefits, compared to 1 in 3 workers overall.[34] Family child care providers face unique challenges in compensating themselves as business owners and educators, especially when it comes to benefits beyond paying themselves a salary. In California, for example, a recent study found that only 1 in 5 family child care providers had any retirement savings from any source.[35]

> *"Nearly every interviewee reported hearing early educators say, 'I can't afford to retire.' Staff from All Our Kin noted that most of the people they work with 'do not have any sort of retirement plan…family child-care providers are just making ends meet and keeping a business, their programs, open…Although 'there is very high interest and awareness' of the need, [a retirement plan is] not on the top of their list."* [36] *—Kimberly Lucas, Retirement for early educators: Challenges and possibilities*

Program Example

Children's Village in Philadelphia is a large community-based early childhood center that serves low-income children and families. They have always offered their employees a retirement plan, among other employee benefits, but in 2021, made some changes that have drastically increased employee take-up and contributions. Historically, the center has offered a 403(b) retirement savings plan with up to 4% employer match, with about 30% of employees choosing to take advantage. When Children's Village received federal COVID-19 relief funding to help them stay afloat and support their employees, the program chose to **allocate 40% of this funding to employee retirement savings**. They opened retirement accounts for those employees that had not previously done so, and each staff member received a lump sum contribution to their 403(b) account between $3,000 and $12,000, depending on tenure, with most receiving between $8,000 and $10,000. Three years later, 98% of their staff members have continued to contribute to their retirement account each paycheck. Children's Village also put in place a new practice to support staff retention: new hires now receive a $1,000 contribution to their retirement account at one year of employment, in addition to continuing the 4% match offering.

State Examples

In July 2023, Child Care Providers United union, which represents more than 40,000 family child care providers, reached an agreement with the State of **California** that included the first state level retirement program for child care providers, with $80 million in annual funding.

Connecticut, which explicitly named contributions to retirement funds as an allowable use of stabilization grants, has also created legislation that requires employers—including small employers with as few as five employees—to enroll in a "MYCTSavings" state sponsored retirement plan (other states with similar legislation include Maine, Virginia, and Maryland). These plans are then voluntary for employees, but provide a free or low-cost entry into retirement programs, and provide an opportunity for child care employers to help their staff access retirement benefits.

Recommendations for Policymakers to Increase Educators' Access to Retirement Savings

- Engage in targeted legislative action to create state-sponsored retirement programs that would be available to include early childhood educators across settings and/or to allow early childhood educators to access and participate in existing state retirement programs.[37]
- Publicize the federal tax credit to cover retirement plan startup costs for employers offering retirement savings plans and provide technical assistance and other supports to help providers access the credit.
- Create a state Retirement Plan Startup Costs Tax Credit, that can be stacked on top of federal credit to create additional benefits for employers in the early years, or offer a continued tax credit after the federal credit expires.
- Fund and support trusted partners, including Shared Service Alliances, to provide outreach and technical assistance to ensure child care providers are aware of, understand, can navigate, and can participate in retirement savings opportunities.
- Incentivize child care employers and family child care providers to help employees participate in government-administered retirement savings programs, and provide funding to employers for employer match contributions.
- Provide a state Saver's Match program to maximize impact of federal contribution.
- Provide information on retirement resources in new provider packets, licensing orientation, registration for participation in child care subsidy programs, small business recruitment, and in other business resources and materials online, as well as in professional development courses.
- Ensure that retirement benefits are included in calculations of the true cost of care for centers and family child care and are reflected in child care subsidy reimbursement rates.

Reducing Educators' Higher Education Costs

In reflection of what we know about the science of early learning, and the skills and competencies demanded by the complexity of the work in early childhood education; as part of the effort to secure compensation parity across settings for educators working with young children and those working with school-age children; and because access to higher education confers benefits related to health and wealth over a lifetime, early childhood professionals are working to meet standards and qualifications, often by acquiring credentials and degrees.

At the same time, as educators working full time, often returning to school after years away, and often speaking a language other than English, they are confronting a higher education system that can be unaffordable, inaccessible, and inequitable. While many educators pursue associate degrees within a community college system that can be more affordable and accessible, one analysis of the costs of baccalaureate degree attainment found that "between 1970 and 2020, average annual tuition and fees at public four-year institutions have increased by more than 380 percent, and by 308 percent at private four-year institutions, after adjusting for inflation."[38]

While nearly half of the states offer scholarships for child care providers seeking credentials and attending institutions of higher education through the T.E.A.C.H. program, and many more through other means, too many child care providers have acquired student debt without commensurate compensation increases.

One survey of early childhood providers and educators found that 19% reported having student debt (compared to 17% of the overall population) and 17% reported carrying student debt for others.[39] Federal and state loan forgiveness programs such as Public Service Loan Forgiveness or Federal Perkins Loan Forgiveness are available to some child care providers, but are often limited to providers working in public programs like Head Start or in small for-profit programs.[ii] These limitations create particular challenges for family child care programs, the majority of which are necessarily run as small, for-profit businesses by sole proprietors.

However, a more recent federal loan repayment option available to a broader range of early educators is the Saving on a Valuable Education (SAVE) income driven repayment plan, which went into effect in the Summer of 2023, and helps reduce both payment amounts and interest accrual for borrowers, including requiring $0 payments for borrowers making $32,800 or less.

> *"When I think about it, the scholarship, it's not just me getting a scholarship, it's the children getting the scholarship as well. Because they are benefitting from that. If I'm going in and I'm getting the education, they're getting the education." —Austin Lee, assistant educator, District of Columbia*

State Examples

Vermont provides comprehensive supports for providers interested in gaining a degree or credential through a range of programs, including the Education Gap Grant for Early Childhood Educators, a CDA Assessment Fee Grant, a College Tuition Grant, and a Student Loan Repayment Assistance Program. Through the loan repayment assistance program, educators who earned an early childhood degree can receive up to $4,000 annually to reduce their debt. Since it launched, VTAEYC reports that they have distributed nearly $850,000 to early childhood educators to reduce their education debt.

Colorado has a loan forgiveness program specifically for early childhood professionals serving children birth to five, including teachers, directors, assistant teachers, and paraprofessionals. Eligible educators can qualify for up to $5,000 annually. To increase the supply of providers in traditionally underserved communities, priority for the program is given to qualified applicants in child care deserts and bilingual professionals early in their career.

ii A summary of three main federal loan forgiveness programs for which some early childhood educators may qualify is available from NAEYC here.

In **Tennessee** and **Massachusetts**, eligible adult learners without degrees have the opportunity to pursue community college **tuition-free**; in TN, this opportunity operates through the **Tennessee Reconnect Grant**, which provides a "last-dollar scholarship" to cover the difference between tuition and fees and any grants and scholarships that a student receives.

Recommendations for Policymakers to Reduce Educators' Higher Education Costs

- Make community college tuition-free
- Provide comprehensive scholarships that include the cost of tuition, books, transportation, and child care for educators pursuing higher education degrees and credentials.
- Expand or create state loan forgiveness programs structured to include early childhood educators working across all roles and settings, including those in for-profit family child care homes and small centers, and those who are directors, owners, assistant teachers, paraprofessionals, and support staff. In alignment with federal Public Service Loan Forgiveness structures, provide full loan forgiveness after ten years of service in early childhood education.
- Provide outreach supports and navigation tools to help early childhood professionals apply for loan forgiveness programs.
- Shorten the amount of time it takes to attain degrees and credentials through articulation agreements, credit for prior learning, and other evidence-based strategies to support accessibility and success.[iii]

iii Find more recommendations from NAEYC and The Education Trust on making access to higher education affordable and equitable in the "**Increasing Qualifications, Centering Equity**" brief.

Reducing Educators' Child Care Costs

Many early childhood professionals are parents themselves, working to support a family: according to the National Women's Law Center, 28% of child care workers and 41% of pre-k/kindergarten educators are parents, while 11% of child care workers and 13% of pre-k/kindergarten educators are single parents.[40] The Center for the Study on Child Care Employment estimates that there are approximately 234,300 parents with children under age six who work at least 20 hours a week in a child care program.[41] Many of these individuals, like many parents across the country, struggle with the affordability and availability of child care.

To that end, ensuring that educators can afford child care for their own children—through a targeted expansion of "categorical eligibility"—**provides several meaningful benefits**. Child care assistance benefits educators by freeing up more of their income to cover other expenses and reduces barriers for single parents to work in early childhood. Guaranteeing child care assistance to early childhood educators benefits early childhood programs by making it easier to recruit and retain staff; and for programs that previously discounted tuition for their staff, helps ensure they will now get paid the full rate by the state. There is also a broader benefit to the community, as child care programs that previously didn't accept subsidy may start accepting to allow staff to take advantage of this support, and in turn, this could provide more options for other families with subsidy looking for care.

While this is a meaningful benefit for many child care employers, employees, and their families, it may create some burdens for educators working in family child care settings, who are limited by state and federal rules from receiving a subsidy to care for their own children. Shared services models and cooperative arrangements may help these providers use the benefit, and states may need to consider other supports to address the child care costs for these families.

"The biggest thing is the stress it takes off teachers [...] It's a sense of relief. This takes one more thing off the teachers' shoulders, which in turn means they can be more clearheaded while they're here, so they can focus on their work with the kids."—Beth Morton, Director, Baptist Health Child Development Center, Kentucky

State Examples

Although many other states—including, but not limited to, Colorado, Indiana, Massachusetts, New Jersey, Nebraska, and Rhode Island—are now **pursuing similar approaches**—**Kentucky** was the first state to enact categorical eligibility for those working in child care settings, in October 2022. This means that individuals qualify for child care assistance because they belong to this 'category'—or what Kentucky called a "protected population"—regardless of their income. Eligibility in Kentucky is limited to individuals working at least 20 hours per week in licensed child care centers and family child care homes. While many providers were already income eligible for child care assistance, the new category of eligibility increased awareness of the benefit, and many providers enrolled. After one year, 3,200 early childhood employees and 5,600 children of early childhood employees benefited from child care assistance. Furthermore, analysis indicates that for each Kentucky early educator who receives assistance helps as many as 13 other children under age six benefit from stable enrollment.[42] Kentucky saw its child care subsidy caseload increase to higher than pre-pandemic levels, suggesting the far-reaching benefits of this policy.[43]

Recommendations for Policymakers to Reduce Educators' Own Child Care Costs

- Develop a cost model and identify funding source, which may include current federal or state child care funding streams, in order to administratively and/or legislatively prioritize early childhood educators within the subsidy system.
- Provide outreach and information to early childhood education programs and child care providers about the benefit.
- Design application materials to be simple, easy to access and understand, available in multiple formats (on-line, in person, by phone, etc.), and in multiple languages.
- Assist family child care providers to use the benefit through partnerships, cooperative arrangements with other providers, or other mechanisms.
- Waive earned income for child care providers to ensure they can participate in child care assistance programs.

Reducing Educators' Housing Costs

For early childhood educators working in centers and family child care homes, the cost of housing may provide a disincentive to working in a particular community or providing early childhood services. Low compensation may keep educators from buying or renting a home in a particular community. There can also be a bias against home-based child care in certain communities, by some landlords, through zoning regulations, and by some mortgage lenders; family child care providers often face a myriad of challenges when trying to even rent a space.[44] Yet purchasing a home can be far too difficult when 59% of in-home providers make less than the national median household income.[45] The disparity is even wider for people of color: 75% of Black in-home providers earn below the national median.[46]

Across the country, states and localities have invested in housing assistance programs for low-income residents, and for public service workers such as fire fighters, police officers, and teachers. These programs provide grants or low or no-interest loans to these workers to make housing affordable in targeted communities. The federal department of Housing and Urban Development (HUD) offers the **Good Neighbor Next Door** program, through which law enforcement officers, teachers (pre-Kindergarten through 12th grade), firefighters and emergency medical technicians can become homeowners. HUD offers a discount of 50% from the list price of the home. In return, an eligible buyer must commit to live in the property for 36 months as his/her principal residence.

Localities are also investing in housing for teachers, using various approaches, including constructing housing with below-market rents, attaching housing to new school construction or renovations, and making use of publicly owned but underutilized land.[47] Yet early childhood educators—who provide a public good, with younger children, for minimal compensation—have typically not been included in these efforts.

Program Example

One program has tried to address the lack of affordable housing for early educators by building their own. Friends Center for Children, in partnership with Yale School of Architecture, is using a $750,000 gift to **purchase, rehab, and build houses for their teaching staff and families**, with a goal of having low-cost housing available for 30% of their staff. While this opportunity was made possible through a private grant, states and localities could use their own affordable housing investments to help make similar opportunities available, or to include early educators in priority lists for affordable housing developments.

> *"We've wrestled with the essential question of, 'How do we raise teacher salaries without charging families more?'" [Executive Director Allyx] Schiavone said. Her solution was to make a one-time investment in housing property in order to offset a major personal expense for the center's teachers—similar to the benefit health care insurance provides.—Erica E. Phillips, "For this CT business, 'workforce housing' is actually working," CT Mirror*

State Examples

The **District of Columbia** supports **a number of initiatives** to help teachers and other school staff purchase housing in the communities in which they teach, including the District's Homeownership Purchase Assistance Program (HPAP), the Employee Assisted Housing Program (EAHP) and The Wilhelmina at Malcolm X teacher housing project.

While not specific to early educators, **Maryland** has **several homeownership and rental housing programs** to help low- to moderate income families find, maintain and keep affordable and livable housing in communities throughout the state. They offer mortgage loans as well as down payment and closing cost assistance to eligible homebuyers.

California, Colorado, Connecticut, and Oklahoma have each passed laws that address unique housing needs of family child care providers by, for example, prohibiting localities from requiring family child care providers to obtain a zoning permit or business license, and clarifying that landlords cannot evict providers or refuse to rent to them simply because they plan to operate a child care business out of the home.

Texas recently passed a referendum that allows local communities to waive some or all of the property taxes for child care providers.

Recommendations for Policymakers to Reduce Educators' Housing Costs and Decrease Zoning Barriers

- Provide information to early educators about federal, state, and local housing affordability assistance programs and prioritize them for help and support in accessing these programs.
- Ensure that affordable housing programs for public employees explicitly include early educators working in community and home-based programs.
- Explore opportunities to partner with schools, transportation centers, and other public sites to add affordable housing options that can include early educators as eligible buyers or renters.
- Provide grants and loans to early educators who live in underserved communities to purchase or renovate housing.
- Ensure zoning laws and HOA regulations do not disincentivize the creation and expansion of family child care homes.[48]
- Expand tax credits to include child care providers in centers and family child care homes.

Create and support substitute pools so educators can take advantage of other benefits

The staffing crisis in early childhood is worsening the already-existing challenge of having staff be able to take time out of the classroom—whether for paid leave, professional development, education coursework, or field experiences—as there are few if any additional employees or substitutes available to support children's safety and learning. This is a particular challenge for family child care providers, who may have to close their business, inconvenience families, disrupt children's learning, or lose income if they need to close for health, education, or other reasons, and who may find it difficult to find qualified individuals to come to their homes on a temporary basis.

Establishing general substitute pools system-wide, like K-12 substitute systems, is logistically challenging in the mixed-delivery context of early childhood education, and additionally difficult due to a lack of consistent licensing and regulatory structures, and the insufficient pool of qualified individuals. However, establishing targeted substitute pools for dedicated programs and purposes is a promising strategy and one that may make it easier for individual programs to make additional benefits such as vacation, sick, and family leave available in ways that educators can take advantage of them. Additionally, states can leverage shared services networks for child care centers or family child care networks to provide substitute pools.

State Examples

In **Rhode Island**, the local SEIU works with the state Department of Labor and Training, Carina Care, and family child care providers to create a statewide pool of substitutes who are qualified to serve as caregivers in family child care providers' homes. This allows family child care providers to participate in professional learning opportunities, and to take time off if they are ill while still supporting children and their families. Rhode Island AEYC additionally works to create a substitute pool specifically to support T.E.A.C.H. involved programs and educators.

Washington's Early Care and Education Substitute Pool supports both family child care homes and child care centers. Through funding from the state Department of Children and Youth, the Imagine Institute, a shared service provider, recruits and trains substitutes. Substitutes are available to licensed providers at no cost if they meet eligibility requirements or they can choose to pay privately for substitutes.

Recommendations and Considerations

- Identify partners, including unions, NAEYC Affiliates, Resource and Referral agencies, family child care networks, or other shared services providers, to recruit, train, place, and track qualified substitutes.
- Engage in outreach and provide incentives, including scholarships and competitive wages, to those potentially qualified to be substitutes, including retired educators and students working on degrees in early childhood. 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.
- Make it easier for educators to become substitutes by paying the costs of fingerprinting and background checks for all substitute providers, while addressing the portability of background checks between programs and states.
- Ensure substitutes are available at no- or low-cost to participating child care centers and family child care homes, on an as-needed basis for emergencies and planned time off.

Use contracts and grants to increase compensation and benefits

Contracts—which provide a set amount of funding to a provider for a specified period of time—can provide stability, improve quality, and address gaps in the supply of child care in a particular community or for a specific group of children and families. During the height of the pandemic, many states used contracts to provide stabilization funds directly to child care centers and family child care homes. The Administration for Children and Families' [2024 child care regulations](#) will require states to increase their use of contracts and grants to support programs in serving children with disabilities, infants and toddlers, and families who need care during non-traditional hours. States can and should also consider piloting strategies that expand the use of contracts and grants to support the ECE workforce in their PDG B-5 proposals and other opportunities.

Although few states use them this way, contracts can be used effectively to support the workforce, including through direct support for salaries, benefits, and professional development.[49] The Urban Institute has outlined a range of strategies, including contracting with programs to serve a specific number of children with guaranteed compensation baselines; provide bonuses to staff; or engage intermediary organizations to provide specific services, such as substitute pools, shared services, family child care networks, or to serve as a navigator for providers to link them to other benefits. Contracts and grants can also create partnerships between state child care agencies and other public agencies such as institutions of higher education or retirement and health insurance pools.

State Examples

Illinois has launched a multi-year initiative designed to increase access to high quality child care for families across the state. It includes $130 million for Child Care Workforce Compensation Grants that will increase compensation for providers through a stable, ongoing funding source. The state has launched a survey that will gather information about staffing, benefits, rent/mortgage, and other expenses to estimate the typical cost of providing child care in Illinois.

In **Massachusetts,** Commonwealth Cares for Children (C3) Grants are available to licensed providers on a non-competitive basis. The grants are an addition to existing funding for child care assistance, and can be spent in a variety of ways, including personnel costs, benefits, stipends, and other supports for recruitment and retention and professional development and other investments to support staff as they increase their qualifications.

In an effort to increase access to slots for infants and toddlers, **Oregon** created Baby Promise. The program uses contracts with providers that are based on the true cost of quality care and include fair compensation for child care staff. Participating providers receive additional training and coaching. The state Early Learning Division contracts with resource and referral agencies who act as intermediaries with participating child care providers.

Recommendations and Considerations

- Be clear about the goals of grants and contracts, and how they will be implemented in order to help programs make progress towards, for example, increasing compensation for educators or serving more traditionally underserved populations.
- Identify and fund trusted community agencies and intermediaries, including staffed family child care networks, to provide resources, technical assistance, and support so that small centers and family child care homes can equitably apply for, access, and implement contracts and grants.
- Make the contracting and reporting processes as simple and easily accessible as possible, including by providing mobile-friendly applications, and having TA and resources in languages other than English.
- Ensure that funding for contracts and grants are adequate to support the true cost of quality, including wages and benefits that include health care and retirement benefits.
- Require programs with contracts and grants to meet minimum standards for compensation and provide data about salary and benefits, disaggregated by race, gender, age, and role.

Establish "income disregards" to help early childhood educators avoid a "benefits cliff"

For some families with low incomes, small increases in wages can come with the untenable side effect of losing the benefits that help them make ends meet. This "benefits cliff"—where individuals cross over an income limit that grants access to public benefits—has meant that some early childhood educators turn down wage increases that are large enough to put their families over that income limit, but small enough that they don't help achieve a family-sustaining income.

This recognized issue has solutions, including what are known as "income disregards." These policies—which are regularly utilized in benefit programs such as SNAP, LIHEAP, HUD/housing assistance, Medicaid, and occasionally utilized in child care assistance programs themselves—specify an amount of earned income an applicant may deduct when determining eligibility for and the amount of certain benefits. In other words, they direct public agencies to disregard a certain amount of income when determining eligibility for these programs.

In general, states should consider opportunities to maximize access to and the reach of public and employee benefits by implementing and/or expanding income disregard policies that apply to all workers. However, particularly when considering pilot programs that increase early childhood educators' compensation for a temporary period of time, or programs that focus solely on wage bonuses and not baseline compensation, targeted income disregard strategies can help maximize the effectiveness of the compensation initiative.

These strategies can build on existing income disregard efforts that exist in the child care universe; exit eligibility thresholds for child care subsidies, for example, can be understood as a form of an income disregard. A state may disregard a portion of a family's income at redetermination (Nebraska disregards 10% of income if the family has continually received assistance for 12 months; South Carolina disregards 4% of earned income when determining eligibility). Some states are also essentially disregarding some or all income for child care providers as they prioritize their access to child care assistance for their own children.

Income disregards in existing benefits programs could also be uniquely applied to or expanded to include early childhood educators; for example, while it did not pass, there was a proposal in Wisconsin in which direct care workers would have $10,000 of their earned income disregarded in determining their eligibility for BadgerCare (Medicaid), child care assistance, and SNAP. Increasing the amount of income disregarded would help to ensure that early childhood educators are able to maintain access to benefits as their wages increase, until they reach the level of professional compensation that supports family-sustaining wages.

> *"New Mexico expanded their publicly funded PreK program, and our program qualified for a substantial grant that radically reduced tuition for families and increased pay for staff. Though on the whole this is wonderful, most of our staff got pushed off the welfare cliff, lost access to Medicaid, and therefore didn't feel their "raise" hardly at all. Any increase in wages was funneled into private health insurance, groceries, and housing—expenses no longer subsidized by food stamps, Medicaid, and other programs for low income households."*
> *—Child care center director, New Mexico*

Recommendations and Considerations

- Assess and evaluate regional differences in benefits cliffs and impacts of wage increases.
- Fund and pilot a targeted income disregard initiative, including an evaluation component, that focuses on early childhood educators' access to at least one benefit category.
- Evaluate current policies to ensure that the level of income disregarded is adequate to allow early childhood providers to participate.
- Allow applicants to use current or prior year earnings to maximize the impact of a disregard.

Create and implement compensation scales that include professional benefits

As federal, state, and local policymakers work to improve compensation and benefits for the early childhood workforce, it is important to establish clear and shared agreement on the goals and pathways needed to secure thriving wages and professional benefits for early childhood educators at various levels of education, experience, and expertise.

As outlined in the Unifying Framework, "everyone working within the early childhood education field, regardless of their level of education or training, should earn no less than the amount needed to cover basic living standards." From that baseline, states and programs can create scales with "clearly differentiated salary increments based on qualifications and years of experience, which provides guidance for salary increases over time."[50] States have taken various approaches to the levels and tiers, including aligning them with the ECE I, II, and III career pathway outlined in the Unifying Framework, but most of the scales are designed to lead to parity with public school teachers for educators with similar credentials working in all settings and with all ages.

Compensation scales, even before they are fully funded and enacted, should be used to inform and lay the groundwork for cost modeling analyses and cost estimation models that reflect the full cost of care, inclusive of professional benefits.[51]

State Stories

In **North Carolina**, a coalition of organizations created the North Carolina Early Childhood Compensation Collaborative to examine opportunities to improve compensation across the state. The workgroup developed a salary scale that is linked to salary parity with entry level teachers in public schools.[52] The salary scale includes a toolkit for individual providers to use to determine whether and how they can increase their levels of pay to meet the model scale. While the model is not required, it is seen as an important first step to improving recruitment and retention across the state.

In July 2019, the State Assembly in **Connecticut** required the Office of Early Childhood (OEC) to propose a salary scale for lead early childhood teachers in state-funded programs.[53] As the OEC worked on the proposal, they decided to include early childhood professionals in a variety of positions, and align the compensation scale with the Unifying Framework. The voluntary pay scale aligns the salaries of early childhood teachers with those of public school teachers with similar credentials. The proposal includes a number of questions and considerations, including the inclusion of family child care, the number of hours per week and weeks per year, and how to include salary parity in negotiated subsidy rates.

Recommendations and Considerations

- Gather data on the current salary and benefits gaps between early childhood teachers in all settings and public school teachers with similar credentials and experience.
- Develop a voluntary wage scale that builds on a minimum livable wage, including for those who are self-employed, and moves toward salary parity, including professional benefits and cost of living increases.
- Align the wage scale with the ECE I, II, and III designations in the Unifying Framework and consider the implications of differentiating salary increases at different levels to incentivize educational attainment, based on the current needs and future goals for the workforce, as proposals in Connecticut have done (see above), as well as those in Minnesota and Delaware.
- Establish goals and plans for implementation for the wage scale—including interim goals, implications of geographic differences, and a timeline for full implementation and funding considerations.
- Employ strategies for ensuring wage increases take place across the early childhood system, e.g., that self-employed family child care providers and programs not receiving public funds are also able to create and implement wage scales.
- Increase child care subsidy reimbursement rates to support a subset of programs in immediately implementing and benefiting from the wage scale.

Conclusion

Early childhood educators have subsidized our nation's child care system through their low wages and lack of benefits for far too long. While doing the essential work of caring for and educating the next generation, they have been expected to save for retirement, invest in their educational attainment, cover the costs of health care and other family expenses, handle increasing costs from materials to liability insurance, and pay for housing—which, for family child care owners and operators, also includes the costs of constructing and maintaining a safe, supportive space with an engaging learning environment in their own home. Without additional sources of income for their families, this has proven to be a nearly impossible burden and set of goals to achieve.

The cost of providing professional compensation and benefits for early childhood educators in all states and settings is high—but so are the short and long term costs of a lack of child care supply and early childhood education quality worsened by high turnover and a revolving door of individuals who won't come in or can't stay in the early learning program and place they want to be. Ultimately, the cost and consequences of inaction are far higher than the costs of action, because either our nation's policymakers will make the public investments that are needed to increase wages and benefits for early childhood educators, or we will all face a world with few early childhood educators at all.

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