



# Opportunities Exchange

## The Early Childhood Workforce and **THE URGENCY OF NOW**

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**W**hile the pandemic has crashed the U.S. economy overall, the child care sector has been especially hard hit. As we emerged from the pandemic and tried to return to normalcy, most of us assumed that child care would struggle with full enrollment—because the disruption of traditional work patterns would cause families to choose alternatives to full time child care.

In actuality, child care is reeling from the effects of a tight labor market and a market-based rise in minimum wage. There are simply far more options—with entry level service jobs starting at \$15/hour in most markets, and more highly credentialed educators opting for the many open positions in K-12 public settings.

Ironically, the field has been awash in extra resources for the past two years, thanks to pandemic relief funds. While this assistance has literally kept the field from collapse, funding will end in just over a year. Additionally, many program leaders have been reluctant to use funding to increase wages and benefits due to concerns that, when relief funds end, they will face a significant shortfall.

Not surprisingly, the reticence to increase wages has significantly impacted staffing, which in turn impacts supply. A workforce survey conducted by NAEYC in November 2022 showed that:

- 46% of programs are serving fewer children than pre-pandemic levels.
- 70% of these cite staffing shortages as the reason for lower enrollment.
- Almost half (45%) of respondents new to the field (1 year or less), say they are considering leaving the field; a trend with dramatic consequences for the workforce pipeline.

Because the Early Care and Education sector has lived so long with scarcity, it is difficult for many providers to believe change is possible, or to know where to begin. Yet there are reasons to be hopeful as well as new opportunities for taking action now to boost the compensation of ECE educators. Indeed, we simply don't have a choice! If we hope to ensure that many years of hard work focused on improving the quality and supply of early care and education were not in vain, change is essential.

### RAISING WAGES

Where to begin? At the beginning, with a [salary scale](#). Opportunities Exchange has developed a salary scale template aligned with the Unifying Framework from the NAEYC Power to the Profession initiative. The template includes instructions on how to identify and populate the scale with salaries from your local community. While it can feel





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overwhelming to commit these numbers to the printed word, the salary scale is our roadmap for change and a necessary first step.

Once we know the desired state for wages, programs will need to run budget scenarios with updated personnel costs. This will reveal the gap between what revenue is currently generated and what is needed to cover the cost of higher wages. Running budget scenarios is no small task for the overworked, understaffed center director. Fortunately, more business coaches and Shared Service Alliance leaders are stepping into this space to support providers with this critical work and the **budget template** found on OppEx's Financial Management webpage can help.

*Knowing* the gap and *filling* the gap are not the same thing. So how do we find the funds to increase wages? Noted below are several strategies with which OppEx has been engaged, including links to relevant resources:

- **Manage finances focused on the Iron Triangle**—ensuring that all funds are collected, classrooms that are open are operating at staffed capacity, and the revenue covers cost for each classroom.
- **Lower administrative costs through automation**—replacing manual operations with **child care management software** means you need less people to do that work and can re-purpose funds for teacher salaries.
- **Maximize reimbursement rates**—several states have made dramatic investments in raising **reimbursement rates** and expanding family eligibility; these new funds should be powering teacher compensation.
- **Access insurance benefits on the Healthcare Marketplace**—if you are paying for private health insurance, move staff to policies purchased on the Marketplace and reinvest savings in wages.
- **Use ARPA dollars to fund compensation**—this may feel risky but we have to start demonstrating the need to make these investments permanent.

## OFFERING EMPLOYMENT BENEFITS

The number of ECE staff who don't have access to health care is appalling, and frankly, unnecessary. With new investments in health insurance subsidies from the **Inflation Reduction Act**, there is no reason for any early childhood educator to be without health insurance. Virtually all staff working in child care will qualify for free (or almost free), high quality health insurance if they purchase a plan through the Health Care Marketplace.

- If you are program director and you currently don't offer health insurance, go to **<https://www.healthcare.gov/>**, find a "navigator" in your community, and schedule a visit to your site. This is free help for everyone on your staff, with professionals trained to guide individuals through the enrollment process and ensure that they find the best health care plan for themselves and their families.
- If you are currently paying for private health insurance, find a benefits broker who will help you transition to Marketplace plans and use the savings to increase teacher compensation and benefits. Staff will get better coverage, save money on premiums, and you will have resources freed up for wages.
- Don't forget telehealth. These are very affordable plans that can help fill gaps left by health care deductibles. For young families with children, these plans can be a life-saver. Many Shared Service Alliances have negotiated telehealth plans for child care staff that are free or at very low prices (as low as \$8 a month for a family plan with unlimited access to a board-certified physician).



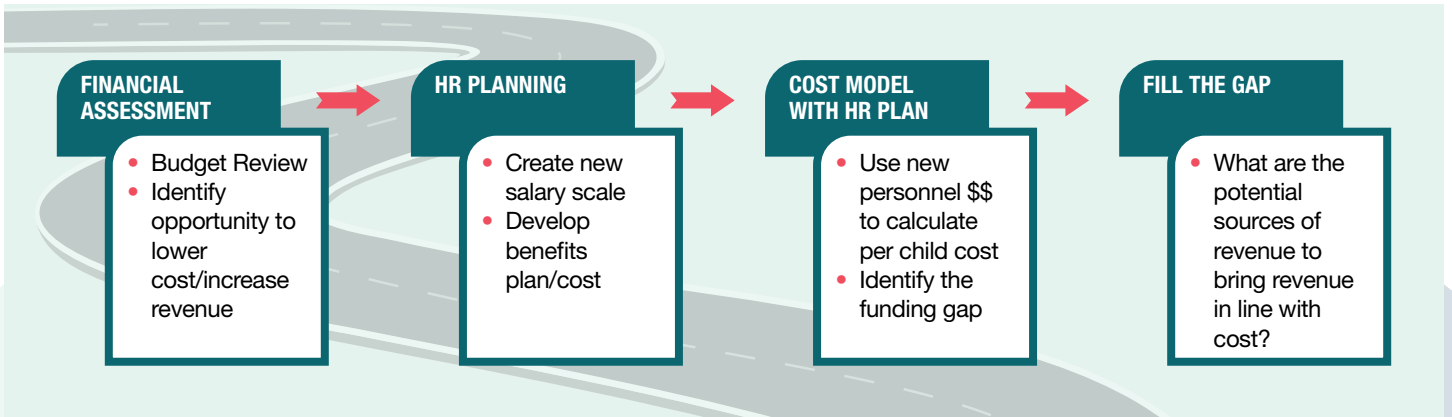
- Consider offering retirement accounts for your staff. If we expect educators to spend their career in early childhood, we must reckon with the need for retirement savings. Staff who start saving when they are young have the advantage of compound interest—a small amount saved on a regular basis will add up to impressive amounts over time.

### PROMISING PRACTICES

As important as it is to tackle the workforce crisis with new strategies at the program level, change is needed in policy and finance at the system level. Innovation is on the rise—and it can be found in the public sector, philanthropic initiatives, and nonprofit organizations. Some promising practices include:

**CATEGORICAL CHILD CARE BENEFIT** [Kentucky](#) has just initiated a new policy that makes anyone working in a licensed child care program eligible to receive public child care subsidy with no parent co-pay. The initiative was designed to help child care programs recruit staff, while also easing the financial burden on both staff with children and programs who lose revenue when they offer discounts to staff.

**SHARED SERVICE ALLIANCES** Alliances are not a new concept, but organizing an Alliance around the specific goal of addressing educator compensation is a new and important development. The graphic below underscores how OppEx financial management toolkits have been updated, to help Hub Agencies support an intentional pathway to improve compensation through the expertise and efficiencies that Shared Service Alliances can offer.



**EXPANDING CCDF SUBSIDIES** to address BOTH affordability for families and compensation for educators—Several states have picked up the ball after the Build Back Better legislation was left on the field. New Mexico is a leader in raising rates to cover improved teacher wages, increasing income eligibility for families to 400% of the federal poverty level, and passing a constitutional amendment that creates a permanent funding stream for child care. Vermont is on the verge of passing legislation to ensure that no family pays more than 10% of household income for child care and educators are paid with K-12 parity.

Many states are moving away from setting reimbursement rates for child care assistance based on market prices in lieu of a cost modeling approach. National organizations are poised to help. [Prenatal to Five Fiscal Strategies](#) has a host of tools, resources and reports aimed at supporting cost modeling work. The [Children’s Funding Project](#) works closely with state and local policymakers to model increased investments in ECE. The [Center for Early Learning Funding Equity](#), a new project at Northern Illinois University focused on transforming finance, has recently launched a learning community on cost modeling.

The Administration for Children and Families Office of Child Care has also supported tools designed to strengthen cost modeling. Most recently, a new and improved version of the [Provider Cost of Quality Calculator](#) (PCQC) was released. This on-line tool is



designed to help child care programs better understand and document costs and help the policy community design effective financial supports.

It's hard to overstate the potential impact of this work; it offers the field a path forward even as we continue to operate programs in a market based system. Consider the table

Sample Maximum Annual Rates in High-Quality Settings		
State	Infant	Preschool
Vermont	\$ 18,148	\$ 16,900
DC	\$ 24,180	\$ 16,767
Virginia	\$ 18,200	\$ 10,920
Louisiana	\$ 17,680	\$ 8,190


below, which highlights public reimbursement rates informed by cost modeling. We still have a way to go, but this work gives us hope that change is both possible and on the horizon.

**A WAY FORWARD**

There is no question that we are facing the most significant threat to the field

of early childhood education in recent history. But there is also no question that system change is at hand. In some measure, the way forward will depend on new policy and finance strategies—at the federal and state level. States that are leading this work will be more competitive in attracting working families to their communities and will set the bar higher for neighboring states.

But the way forward also depends on provider practices. We have to stop assuming that we have no power to make change at the program level. We need to fully exploit every resource and show what is needed to attract and keep a qualified workforce. And we need to sharpen our ability to understand and articulate the cost of care—especially as it relates to workforce compensation and benefits.

As a field we have been reluctant to speak the truth about cost because the number feels too big. That must change. We need to do the math ourselves, at the program and system level, and we need to embed those larger budget numbers in policy and practice. 

Change is possible.

Change is on the horizon.

**We are the ones we've been waiting for.**