

Caregiver and Teacher Compensation

A Crisis in the Making

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AS AMERICANS TALK about this country's free enterprise, capitalist economy, they often comment that "you get what you pay for." Much has been made of the evidence indicating that what we get from our early care and education (ECE) system in the United States is, on average, mediocre. Within the American belief system, parents have historically been expected to bear the responsibility to rear and provide for their young children alone—without assistance from the community or the government. Modern evidence of this expectation is the heavy reliance on parent fees for the financing of ECE.

Primary and secondary education are free to American children, financed with taxes paid by parents and nonparents alike. In the case of college and university education, families in the United States pay only about a quarter of the actual costs of sending their children to a public university in the United States; the remainder is covered by state appropriations, federal and local appropriations, research and other grants and contracts, and endowment income (Mitchell, Stoney, & Dichter, 2001). But parents ante up a full 60% of what the United States is now investing in child care and early education. Parents in the United States pay much more of ECE costs out of their own pockets than do parents in most other Western industrialized countries.¹ These parents face this substantial expense when they are least able to bear this burden—just as they are starting out in their careers.

This article provides an overview of what constitutes good-quality ECE, the place of teacher and caregiver compensation in that equation, and the limitations of relying on parents to pay for the cost of good-quality care.

The Ingredients of Quality in ECE

THERE IS NO EXCUSE, with the resources at our disposal, to be providing children from birth to 5 years old with ECE that is generally mediocre across the board and frequently worse than that for infants and toddlers. Several key ingredients to improving the quality of ECE services include well-trained staff members who are paid competitive wages, favorable staff-child ratios and group sizes, as well as developmentally and culturally appropriate social interactions and learning experiences.

A considerable amount of research has been invested over the past 15 years in understanding the determinants of ECE quality (Barnett, 2004a; Burchinal, Cryer, Clifford, & Howes, 2002; Cost, Quality, and Child Outcomes Study Team, 1995; Howes, Phillips, & Whitebook, 1992; NICHD Early Child Care Research Network, 2000). We can now distinguish with some precision between good or excellent ECE programs and those that are mediocre or poor, and we can explain how these differences have positive or negative effects on children's growth and devel-

opment. The various aspects of quality are usually clustered within two general and interrelated categories: process factors and structural factors.² Process factors are the experiences that children actually have in ECE programs, and structural factors are those aspects of the environment that lead to children's daily experiences. Thus, a centrally important process involves the interactions between a child and her caregiver or teacher, including how sensitive the adult is to the needs and unique capacities of the child, how gentle or harsh her interactive style is, and the extent to which she is truly engaged with or detached from her work with the child. The structural conditions shaping the adult's capacity and willingness to interact appropriately with the children in her care include her preparation and training, her previous experience, the number of children for whom she has responsibility, the size of the group with which she works (alone or with other adults), her salary and benefits, and the quality of the adult work environment in which she works (breaks in the work day, staff space, support provided by director). Discussed in more detail below is the way that salary level affects the probability that a teacher or caregiver will remain in a given job for a year or more or will invest in further education or training to upgrade her skills. Some of these structural conditions are regulated by the states in an effort to ensure that children are having positive, healthy interactions with the adults responsible for them. Payment of salaries that are commensurate with educational level or that are competitive with other occupations requiring equivalent levels of skill is not a licensing requirement, however, nor do the states provide subsidies that make such salaries possible.

Table 1 shows the process, structural, and environmental quality variables that have

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¹A study of early care and education in Europe found that the share of total ECE cost paid by parents through fees varied from country to country, ranging from 10% to 33% (Kamerman & Kahn, 1995). See also Waldfogel (2001, p. 105) for breakdowns by country.

²This overview of what constitutes quality ECE is drawn from Helburn and Howes (1996).

TABLE 1. DEFINITIONS OF QUALITY IN CHILD CARE PROGRAMS

Process Quality	Structural Quality	Adult Work Environment Quality
Interactions between child and caregiver, including caregiver sensitivity, harshness, detachment, and involvement with children	Group size	Child care director's and caregiver's salary and benefits
Caregiver's attitude toward children	Adult-child ratio	Annual turnover rates of caregivers and director
Presence of learning activities	Caregiver's previous experience in caring for children	Caregiver's work satisfaction
Health and safety aspects of the child care environment	Caregiver's formal education	Caregiver's work commitment
Presence of appropriate furnishings, equipment, and curricular materials	Caregiver's specialized training in child care	Caregiver's perception of job stress

Source: Adapted from Helburn and Howes (1996, p. 65, Table 1).

been identified through research as having effects on the development of children in ECE settings.

How are the costs of ECE embedded in these quality indicators and distributed among them? About 70% of child care center costs are in labor: the salaries and benefits paid to caregivers, teachers, director, and other staff members (Cochran, 1982; Helburn & Howes, 1996). These adults are the heart and soul of the program; they determine its quality. The other 30% of program expenses goes toward rent or mortgage costs, other operating costs (educational equipment, toys, etc.), utilities, and food. It is important to note that most American ECE programs are housed in buildings that are not designed for the care and education of young children: church basements, elementary school classrooms, community centers, and other converted public spaces. Many of these settings are not well suited to the indoor and outdoor needs of young children, and they typically provide few if any workplace amenities for staff members (lounge, storage space). Investment is needed over and above day-to-day operating costs of programs to renovate existing child care spaces and to build new facilities designed specifically to support young children and the adults responsible for them.

One additional program-level cost in some ECE programs is the profit taken by the enterprise's owners. When ownership is by a nonprofit corporation, federal law prohibits profit taking. In the case of family-based programs (family and group family child care), any income above expenses is negligible and is best categorized as the director's salary. The private, for-profit child care corpora-

tions, which provide about 5% of the center-based ECE programs nationwide, are set up as franchises in which individual centers are expected to generate a profit over and above the revenues needed to pay wages and salaries and other operating costs (Scarr, 1998). Although good data on the proportion of revenues retained as profit by the major child care corporations (Kindercare, La Petit Academy, Bright Horizons, Children's World) are difficult to obtain, available estimates suggest that profit margins amount to 4% to 5% in the industry as a whole (Cost, Quality, and Child Outcomes Study Team, 1995; Helburn & Howes, 1996).

A number of the structural factors contributing to quality ECE, although one step removed from the programs themselves, play a critical role in shaping quality. Three especially important building blocks in the infrastructure supporting quality care are staff development, consumer education, and regulation. Teacher and caregiver preparation are carried out through colleges and universities and by local community agencies such as child care resource and referral programs. In higher education, instructors must be paid, classrooms provided, and books and materials made available. Local agencies need the resources to hire and train educators to provide in-service opportunities to ECE staff members already on the job. Parents need assistance in understanding child care choices, assessing quality, and locating available options. These educational and informational roles are typically played by local child care resource and referral agencies. The states must employ and train specialists to inspect ECE programs for compliance with state health and safety regulations. In general,

the states have not made adequate investments in the regulatory process, employing too few staff members to adequately monitor compliance and providing them with neither the training nor the time needed to provide programs with useful technical assistance for program improvement.

The framework for 21st-century ECE synthesizes child care and preschool approaches with family support and early intervention. The family support and early intervention aspects of this orientation involve proactive efforts to scaffold the child-rearing efforts of parents by providing timely information, consultation, and sometimes teaching. Outreach of this sort often requires home visits as well as telephone and office consultations. Caregivers and teachers cannot be expected to fill these roles and carry out associated activities except on a very limited basis. The field needs staff members who are trained as family support and development specialists and who are assigned specifically to work with families to build bridges between families and ECE programs, to support parents in their efforts to rear their children successfully, and to ensure that the expectations of parents are understood and reflected in the ECE programs serving their children. Because this kind of work with families provides primary prevention of child maltreatment and other family dysfunction, its costs should be shared by agencies and organizations in the social welfare and health systems.

Figure 1 depicts in a set of concentric circles ECE programs and the infrastructure needed to support them.

In the outer ring are a number of elements that, though not currently considered

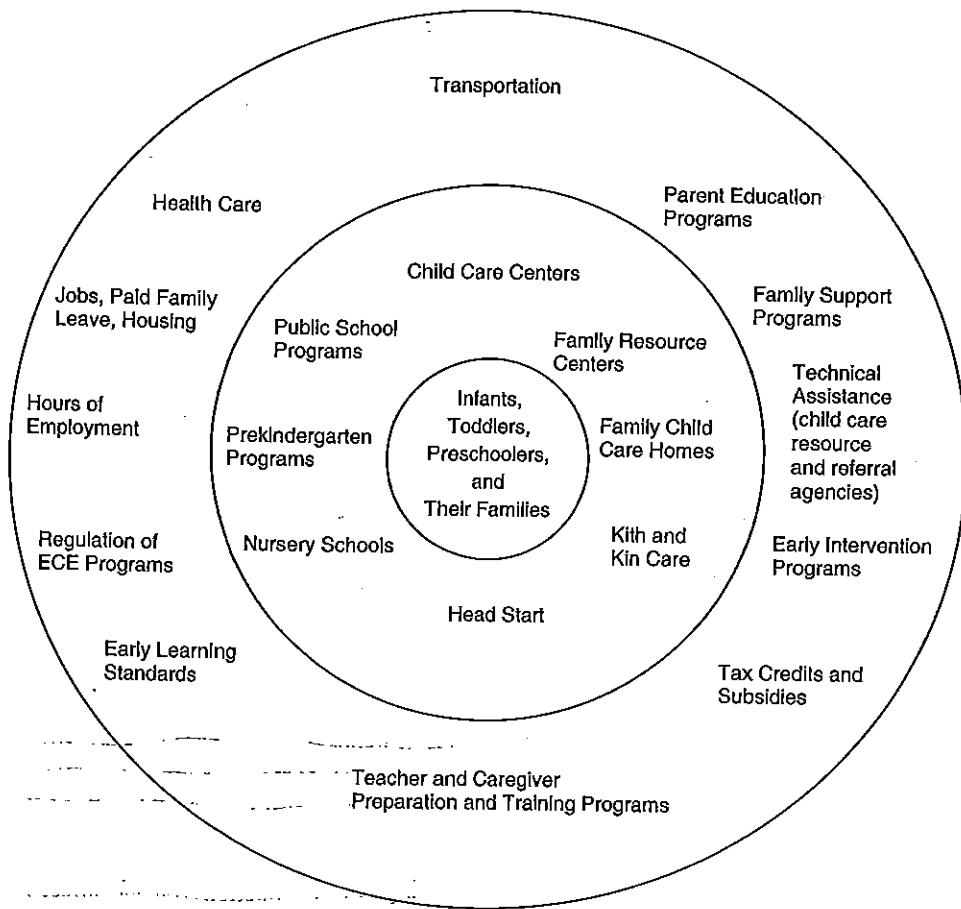


Figure 1: Infrastructure supporting ECE programs.

ECE costs, have demonstrated effects on the quality of children's experiences in ECE programs. For instance, without transportation, many children cannot attend the programs that would be most developmentally appropriate for them and may be denied any participation at all. Another example is health: Children in poor health cannot take full advantage of the learning opportunities made available to them. Access to paid parental leave would reduce the need for community-based infant care. The availability of jobs, the hours of employment, and the salaries earned by parents all affect eligibility for ECE services, the availability of such services, and the ability to purchase ECE. Head Start provides health and transportation services to children, in part, because the organization recognizes that lack of these resources constrains the participation of eligible children in a variety of ways. In other countries, these costs are borne by other systems: national health programs and public transportation networks. Such supports are not available to all Americans. Their absence limits the reach and effectiveness of ECE.

In summary, the bulk of quality-related costs at the program level is in salaries and benefits for the well-prepared professionals

who care for and educate infants, toddlers, and preschool-aged children. In addition to staff salaries are the costs of feeding children, maintaining facilities, involving parents, and (in some cases) profit. At the infrastructure level are the costs of educating and training those ECE professionals; of supporting the efforts of parents to understand and match up with available programs; and of regulating program compliance with health, safety, and other regulations.

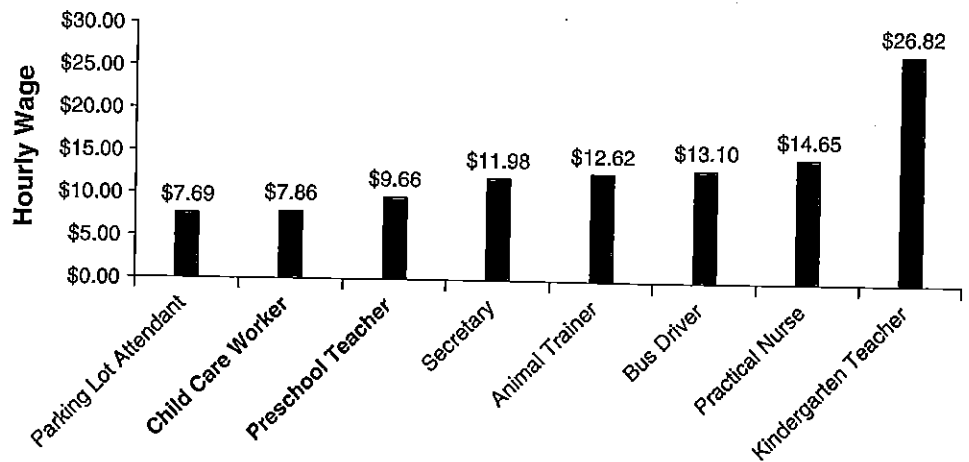


Figure 2: ECE compared with other occupations, using median hourly wages in 2000. Adapted from Center for Child Care Workforce (2002).

Caregiver and Teacher Compensation

THE PREVIOUS SECTION underscored the fact that caregiving adults and teachers are the foundation of quality in ECE and that their wages make up 70% of center operating costs. How well are they compensated? Figure 2 shows how their wages compared with those in selected other occupations in 2000, using statistics from the federal Bureau of Labor Statistics as compiled by the Center for the Child Care Workforce (2002).

The two ECE job classifications shown in the figure are those used by the U.S. Department of Labor. It is clear from the data that even the most well-paid ECE workers in this group make significantly less than either secretaries or bus drivers. In fact, in 2000, only 18 of more than 700 occupations in the United States reported lower wages than child care workers. The quality of our ECE system depends on care providers and teachers to whom we are willing to pay only \$13,000–\$17,000 a year! No wonder a major national study found annual turnover rates of 36% for all teaching staff members and a strong association between pay and turnover (Cost, Quality, and Child Outcomes Study Team, 1995; Helburn & Bergmann, 2002).

The difference between what a worker is paid and what one would expect her to be paid based on the earnings of workers with similar educational qualifications and responsibilities in other professions is called forgone earnings. It is important to take forgone earnings into account when trying to understand the true cost of ECE. Forgone earnings represent what ECE staff members are giving up to work with young children and their families. Estimating the income forgone by ECE workers is essential to predicting the full cost of a good-quality 21st-century ECE system because society must be willing to pay that much more to ECE teachers and caregivers if

it expects them to invest in the professional preparation that is needed and to stay in the field long enough to provide high-quality ECE experiences for our children.

The most recent comprehensive study of wages in ECE was completed in 1995. Researchers conducting the study found that ECE workers in every category were earning less than their forecasted wage in every one of the participating states. Helburn and Howes (1996) summarized the findings in this way:

Fully 93% of teachers and assistants earned less in child care than their counterparts earned in other occupations and industries. Teachers, on average, earned \$5,238 per year less in child care than they could earn in other professions, given their education, racial and ethnic status, gender, and age. Forgone earnings for assistants, though lower in absolute terms (\$3,582), were proportionately higher than for teachers. (p. 75)

In other words, teachers and caregivers are subsidizing the ECE system in a major way by working for much less pay than they could receive in other jobs for which they are equally qualified. In fact, the ECE system would have to increase revenues by 20% to pay its staff members the wages they could earn in other occupations.³

Has compensation for ECE professionals improved over time? Unfortunately, the opposite has occurred. During the 1980s, the real wages of early childhood teachers dropped about 25%. Although the United States enjoyed an unprecedented economic boom during the 1990s, ECE workers benefited very little from those economic good times (Whitebook, Howes, & Phillips, 1998). Consequently, ECE staff members not only are paid 20% less than they could be making in other jobs for which they are equally qualified but also are losing ground to salaries in many of those occupations over time.

Can Parents Pay More for ECE?

PARENTS CURRENTLY PROVIDE about 60% of the revenues that finance U.S. ECE programs. Is this amount enough? Is it too much? Should they be paying more? The percentage of family income paid for child care varies greatly depending on income bracket. So the answers to these questions depend in good part on which parents we are talking about. Figure 3 shows the average per-

³This increase in projected revenue was calculated from data provided in Cost, Quality, and Child Outcomes Study Team (1995, Figure 5.2) by dividing average expended cost by the sum of that cost plus forgone wages.

⁴See, for instance, child care expenses in relation to other family expenses in 10 U.S. cities as reported by Alleyto (2005, Figures A and B and Table 1).



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centage of family pretax income that parents paid for child care in the mid-1990s, calculated for different income levels.

As the figure illustrates, for care of their children while parents were at work or school, families with incomes above about \$50,000 paid about 6% of that income on child care whereas those making less than \$18,000 invested almost 25% of their income on the care of their children (Johnson, 2005). Americans typically spend about 20% of their income on housing and 10% on food, so for lower-income Americans, these child care costs are very high by comparison.⁴

A closer look at who is paying what for child care reveals that tax breaks and public subsidies play a role. Do low-income families get back a significant portion of what they pay to ECE programs in the form of lower taxes or refunds? Careful examination of how these

child care cost reduction strategies affect parents at different income levels uncovers a startling fact: middle- and upper-income families actually benefit as much, and in some cases more, from tax relief than lower-income families do from government subsidies. One researcher observed:

Although government subsidies do help the lowest-income families gain access to child care, upper-income families actually benefit the most from federal support in the form of income tax credits for child care expenses. Consequently, the largest burden may be borne by the families least likely to receive subsidies: those with at least one working parent and total incomes less than \$25,000. It is their children who end up in programs of the lowest quality. For them, the child care burden is very real. (Hofferth, 1996, p. 57)

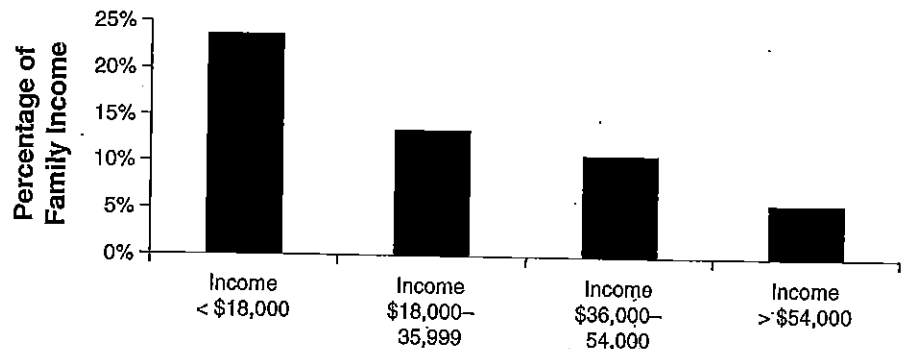
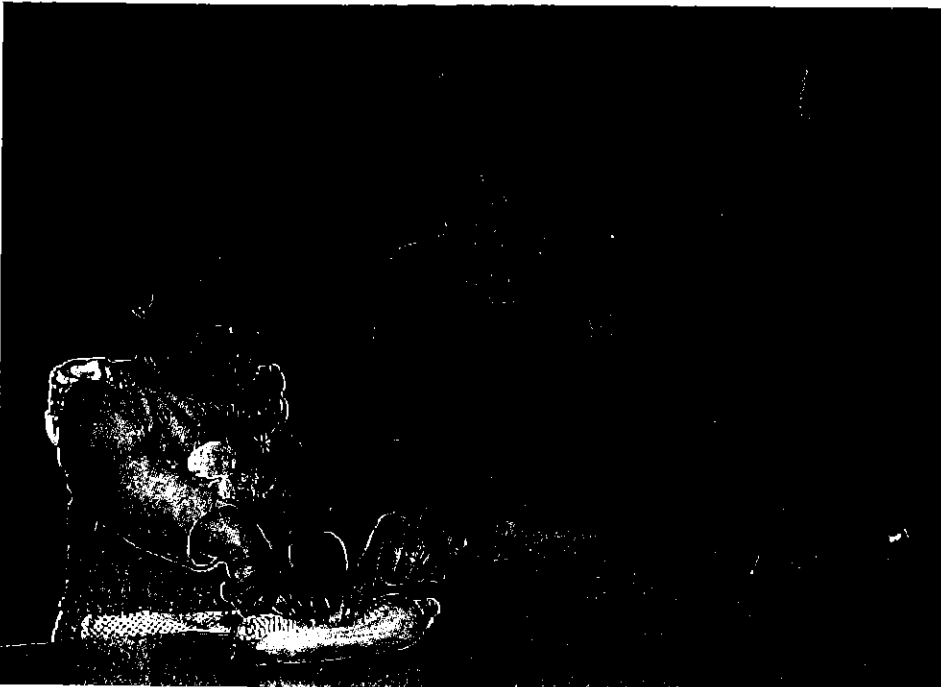


Figure 3: Percentage of family income paid for child care at different family income levels. Adapted from Johnson (2005).



What can parents afford to pay for ECE services? As a starting point for the answer, let's suppose it were agreed that no family should be expected to pay more than 10% of its total income for the care and education of its children from birth to 5 years old, as is the case in a number of European countries. Under that condition, families whose total income amounted to more than about \$40,000 might pay more than they do now, but all those earning less than that would pay less (see Figure 3). Interestingly, the mean annual income of U.S. families is about \$40,000 (U.S. Census Bureau, 2001), so at that mean income level, the 10% formula is currently in operation. Using 10% of before-tax family income as the definition of affordability for all families, those currently paying a higher percentage than that cannot afford that much expense whereas those whose child care payments are currently below 10% of their income can afford to pay more.

The conclusion drawn from the earlier discussion of teacher and caregiver compensation was that overall investment in American ECE must increase substantially if we are going to improve the quality of ECE from mediocre to good. What is known about the parental contribution to the financing of ECE indicates that there is not much leeway there. Parents have already shouldered about as much of the burden as they can bear, although a strong argument can be made for changing which parents carry what proportion of that burden.

As the total investment in ECE goes up, the proportion paid by parents should go down. The decreased proportion that parents

pay will not be less than what they pay in total now, but because parents will be paying the same amount, they will contribute a smaller percentage of a larger total.

ECE and the Public Interest

THERE IS EVERY reason to believe that the U.S. ECE system is underfunded and that its mediocrity is in good measure a result of too little financial investment. Only the willingness of teachers and caregivers to work for 20% to 25% less compensation than they are worth allows the United States to run ECE programs at all. Because most parents are already paying at the upper limits of their ability, the increased financial investment needed to move the ECE system from barely adequate to good must come from two primary sources: public funds and private sector contributions.

Surveys and focus groups conducted during the past 7 years indicate that the American public in general does not think that ECE is a "social good"; that is, they do not think that ECE is important to society as a whole (Klein, 1999). If public funds—tax dollars—are to be used to cover a greater percentage of ECE costs than is currently the case, this attitude must change. But why should taxpayers who are not parents want to have a percentage of their taxes (federal, state, local) spent for child care and preschool education? The answer is that all of us will benefit from the contributions to our well-being when these children grow up. There is a body of evidence showing that, over a period of 25 years, at least \$3 are saved for every \$1 that communities invest in

young children (Barnett, 1995, 2004b; Schweinhart, Barnes, & Weikart, 1993). Barnett (2004b) has summarized the data on which these findings are based:

The weight of the evidence establishes that ECE can produce large effects on IQ during the early childhood years and sizable persistent effects on achievement, grade retention, special education, high school graduation, and socialization. In particular, the evidence for effects on grade retention and special education is overwhelming. . . . Evidence for effects on high school graduation and delinquency is strong but based on a smaller number of studies. (pp. 44–45)

The public needs to know how much money ECE saves by preventing expensive, undesirable child outcomes such as grade repetition in school, special education services, and criminal behavior. Even more persuasive are the long-term benefits to those adults without children that result from the healthy development of other people's children. When they are adults, these children will finance the health care and other kinds of publicly funded support that all of us will need in our old age. The financing of our Social Security system depends on the earnings of the younger generation. As elders, we draw from Social Security whether or not we reared children (England & Folbre, 1999). In fact, elders without children are more likely than those with children to require nursing home care paid for by Medicaid (Wolf, 1999). However, they are not taxed at a higher rate than those elders whose children provide the informal assistance that allows them to continue living at home. Adults without children will eventually depend for services on taxpayers whose productivity is a product, in part, of their experiences in early childhood programs. Therefore, it is in the best interest of all adults to help finance the cost of ensuring that those programs are of high quality. That financing means investing a portion of their taxes in ECE, as they do with public education.

Americans currently spend about \$50 billion a year on ECE. Although \$50 billion sounds like a lot of money, this amount and kind of investment has proved inadequate to the needs of the families it is designed to serve and to the American public as a whole. The ECE system is not providing the range of choices and caring educational experiences that parents want or that American society requires to maximize the potential of the next generation. The elements of the current ECE system that need financial strengthening can be pinpointed easily. Teacher and caregiver salaries must be increased by at least 20% to make the ECE field competitive with the other alternatives that are open to peo-

ple interested in working with children (public school teaching, nursing, guidance and counseling). Significantly greater investment must be made in teacher preparation and staff development, including some subsidy of the cost involved in acquiring those academic credentials. Capital investment must be made in improving the facilities that house ECE programs, many of which are not suited to the purpose. Child care resource and referral agencies must receive the stable funding

needed to ensure that parents have the information needed to make informed child care and early education choices for their children. The regulatory efforts of state agencies must be supported at a level that permits annual inspection of every program under their jurisdiction. Finally, funding must be found to subsidize virtually the full cost of education and care (minus a token contribution) for children in families with incomes at or below the poverty level. §

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