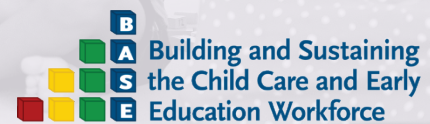


# Using Wage Supplements in Child Care and Early Education



Michelle Maier, Lisa Rau, Erin Bumgarner, and JoAnn Hsueh

Policymakers and practitioners are increasingly interested in using wage supplement strategies to address pervasively low compensation in the child care and early education (CCEE) field.<sup>1</sup>

**The term “wage supplement” is used here to refer to forms of monetary payments that fall outside of educators’ normal pay and benefits.** Examples include one-off bonuses, stipends provided at regular intervals (such as every three months or annually), and tax credits for individuals who worked in the CCEE field during the tax year.<sup>2</sup>

This document describes how and why a wage supplement may lead to positive outcomes for the CCEE field—like improved retention and reduced turnover—through a “theory of change” model. The goal of any theory of change is to create a shared understanding of the resources that are needed to support strategy implementation, the key activities to be carried out, expected activity outputs, and the desired outcomes.<sup>3</sup>

The **Building and Sustaining the Child Care and Early Education Workforce (BASE)** project aims to increase knowledge and understanding in child care and early education (CCEE) by documenting factors that drive workforce turnover and by building evidence on current initiatives to recruit, advance, and retain a stable and qualified CCEE workforce.

<sup>1</sup>National Academies of Sciences, Engineering, and Medicine (2018).

<sup>2</sup>For the purposes of this brief, strategies that provide other noncash forms of compensation (such as health and dental benefits or leave benefits) are not included.

<sup>3</sup>Connell and Kubisch (1998); Hirschon Weiss (1995).

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This publication is part of the Building and Sustaining the Child Care and Early Education Workforce (BASE) Theory of Change Series, intended for readers who are interested in designing and evaluating their own workforce development strategies.<sup>4</sup> This series presents theories of change that guide three current types of workforce development strategies: wage supplements, apprenticeship models, and scholarships. These theory-of-change models and this publication were informed by a [literature review and an environmental scan](#) and were refined through additional follow-up interviews with leaders from agencies implementing various workforce development strategies.<sup>5</sup> The model presented in this publication is focused on wage supplement strategies.

## What is known about wage supplement strategies in the CCEE field

Wage supplement strategies vary greatly in how they are designed and implemented. For example, the amount of money that participants receive can range from a few hundred dollars to up to six thousand dollars per year. Payment amounts may vary based on an educator's level of education, tenure, and job role, with larger payments typically offered to individuals who data suggest are more likely to leave the early education sector, such as those with higher education levels who are eligible to work in higher-paying K-12 positions.<sup>6</sup> In other instances, strategies may provide larger payments to educators in settings with higher quality ratings to incentivize and support quality improvement.<sup>7</sup>

Wage supplement strategies may also vary in payment schedules and can include one-time payments, annual payments, bi-annual payments, monthly payments, or payments on a cycle that aligns with a CCEE employer's paycheck schedule. These strategies also vary in their eligibility requirements (for example, educators need to be enrolled in professional development), target groups (for example, teachers but not center directors), and methods of distribution (for example, whether payments are made directly to educators or center directors). See the BASE project's [environmental scan](#) for examples of wage supplement strategies identified by a review of the CCEE landscape conducted between March 2021 and January 2022.<sup>8</sup> A few examples include CARES 3.0, Minnesota's REETAIN program, and Illinois Great START.<sup>9</sup>

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<sup>4</sup>The theory of change was developed by MDRC and its partners at MEF Associates for the Building and Sustaining the Child Care and Early Education Workforce (BASE) project. This project is funded by the Office of Planning, Research, and Evaluation within the Administration for Children and Families in the U.S. Department of Health and Human Services.

<sup>5</sup>Bernardi, Hsueh, Roach, and Rau (2024); Maier and Roach (2024).

<sup>6</sup>Educators with higher education levels are typically eligible to work in K-12 positions, which are higher paying, and therefore these educators may be more likely to leave the CCEE sector. For example, see Cunha and Lee (2023); Melnick et al. (2018).

<sup>7</sup>One example is the school readiness tax credit in Louisiana.

<sup>8</sup>Bernardi, Hsueh, Roach, and Rau (2024).

<sup>9</sup>San Francisco implements a wage supplement program known as the Compensation and Retention for Early Educators Stipend (CARES 3.0). Subject to eligibility requirements, educators are paid higher stipends if they work in settings serving a greater percentage of children receiving subsidies. Stipend amounts are also dependent on CCEE educators' education level and experience. Minnesota's REETAIN program ("Retaining Early Educators Through Attaining Incentives Now") targets CCEE educators who work at least 30 hours per week in a licensed setting, have worked in a licensed setting for at least one year, earn \$25/hour or less, and are not a T.E.A.C.H. Scholarship recipient. Eligible educators receive \$500 to \$3,000 bonuses in two separate installments. The Illinois Great START

There is limited, but growing, evidence suggesting that wage supplements are a promising approach for improving retention in the CCEE workforce.<sup>10</sup> [Experimental evidence in Virginia](#), for example, points to the effectiveness of retention bonuses in the amount of \$1,500 in retaining early educators. That study's findings indicate that teacher turnover in centers dropped from 24 percent to 13 percent over an 8-month period. Effects were larger for assistant teachers and for those working in child care settings (compared to school-based settings)—educators who are more likely to receive lower initial wages.<sup>11</sup> Effects may also vary with how the payments are delivered. For instance, evidence points to slightly higher retention rates for educators receiving three staggered \$500 payments compared with those who received a one-time \$1,500 payment.<sup>12</sup>

Wage supplement strategies are not typically considered a part of the educator's base pay, and are usually incremental changes in educator compensation that improve the educator's overall pay. That said, these incremental improvements in pay can be meaningful. There is not much evidence on how large the wage supplements need to be to have effects.<sup>13</sup> Qualitative research suggests that some CCEE educators report that the supplements are helpful, make them feel more professionalized, and make meaningful differences in their lives, but for many, the supplements are not the reason they stay in or leave their CCEE jobs.<sup>14</sup>

In summary, more intentional and long-term economic investments in the workforce are needed, and wage supplements appear to be a promising way to promote retention. However, there is a need for more experimental research testing the causal effects of wage supplement strategies, examining their effects for different CCEE settings and educators, and examining how best to implement them. Further, more research is needed to understand which payment amounts have the desired effect on short- and longer-term retention.

## A theory-of-change model showing how wage supplement strategies aim to impact the CCEE workforce

Figure 1 illustrates how wage supplement strategies are expected to lead to higher retention and other positive impacts for the workforce in the CCEE field. This general theory of change includes the following elements:



**Inputs** are the resources needed to carry out a strategy such as staff time and expertise, facilities, and money. For wage supplements, resources can include staff time and information technology systems needed to manage applications and process payments. The success of a

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(Strategy to Attract and Retain Teachers) wage supplement program is designed for CCEE educators who meet a variety of eligibility requirements, such as having to work at the same place for at least one continuous year or for at least six months at a program holding ExceleRate Illinois Silver or Gold Circle of Quality or working at least 15 hours per week. Eligible educators can earn between \$150 and \$1,950 depending on their job and education level.

<sup>10</sup>Caven, Khanani, Zhang, and Parker (2021); Gebhart, Carlson, Harris, and Epstein (2020); Oregon Center for Career Development in Childhood Care and Education and Oregon Child Care Research Partnership (2019); Schaack, Le, and Stedron (2020); Totenhagen et al. (2016).

<sup>11</sup>Bassok, Doromal, Michie, and Wong (2021).

<sup>12</sup>Bassok, Doromal, Michie, and Wong (2021).

<sup>13</sup>Cunha and Lee (2023).

<sup>14</sup>Johnson, Pai, and Bridges (2004).

wage supplement strategy also depends on having an easy-to-understand application process and requirements as well as the capability, time, interest, and motivation of CCEE educators to understand, prepare, and submit the required application materials.



**Activities** are the ways in which inputs are used and the actions that are taken to implement the strategy. For wage supplements, CCEE educators may be required to submit certain documentation, complete eligibility requirements, and participate in technical support. Wage supplement implementers must then screen and verify applications and any ongoing documentation for the wage supplement. Activities may also be communication-related, such as marketing, recruitment, or technical assistance.



**Outputs** are the activities' immediate results, which are expected to contribute to later outcomes. The primary output of a wage supplement strategy is the payment (or payments) that a CCEE educator receives. Additionally, if ongoing documentation is needed, wage supplement implementers obtain more up-to-date information about CCEE educators through the tracking systems they create.



**Outcomes** are the desired effects of a strategy in the short and longer term. Shorter-term outcomes may be detectable soon after a strategy is implemented. For example, in the shorter term, wage supplements may increase educators' wages, relieve their acute financial stress, and improve their psychological well-being. For employers, wage supplements may improve employers' ability to attract CCEE educators because of the supplement. Longer-term outcomes may occur after months or years. For example, if the wage supplement strategy is sustained over time, higher wages may promote CCEE educators' economic self-sufficiency and increase their attachment to the CCEE field, dissuading them from pursuing other careers that historically offer more economic stability.

Wage supplements are often used in the absence of longer-term funding to improve educators' base salary or to improve other aspects of the job like working conditions. Wage supplement strategies alone—particularly those that offer small payments over a relatively short period of time—are likely insufficient for achieving the longer-term outcome of retaining qualified CCEE educators in the field over time. This theory of change assumes that wage supplement strategies, may be more effective in achieving longer-term outcomes like reduced turnover and increased retention in CCEE when they are implemented alongside other well-designed workforce strategies, as they may help educators feel less pressure to look elsewhere for employment with higher income.

The **root causes** underlying this theory of change refer to the problems that a strategy is aiming to address. CCEE systems and settings do not often have sufficient revenue and resources to provide educators with wages that meet the cost of living and support their upward professional and economic mobility.<sup>15</sup> As a result, educators leave CCEE jobs for higher-paying ones outside the CCEE field, undermining the quality of care provided to children and families.<sup>16</sup> Wage supplement strategies aim to address those problems by providing monetary payments to CCEE educators that increase wages.

<sup>15</sup>Early Childhood Workforce Index (2020); Gould, Whitebook, Mokhiber, and Austin (2019).

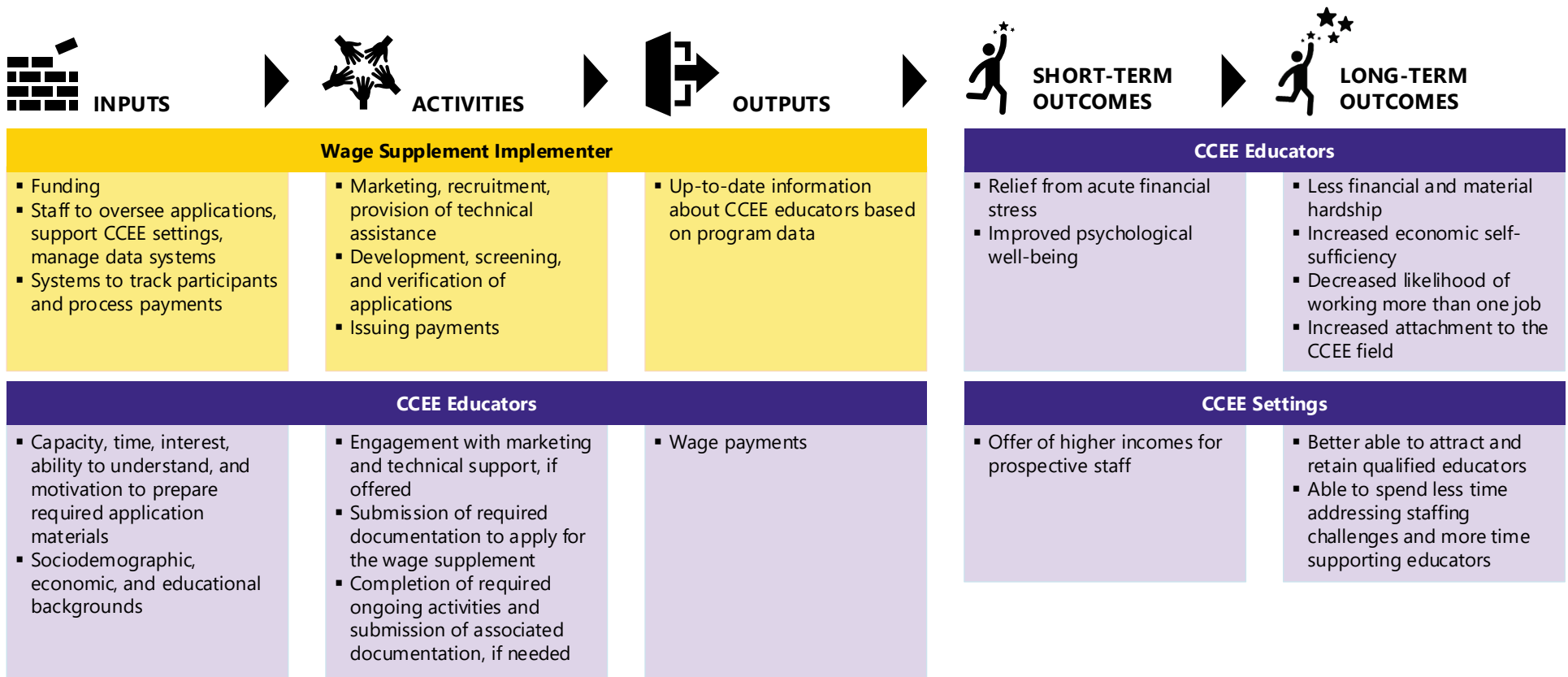
<sup>16</sup>Melnick et al. (2018); Totenhagen et al. (2016).

**Figure 1**

**A General Theory-of-Change Model for Wage Supplement Strategies**

**Root Causes of CCEE Workforce Turnover**

- Insufficient revenue and resources to provide educators with wages that meet the cost of living and support upward economic mobility and advancement.
- Many qualified educators leave the CCEE field to find higher-paying jobs.
- High turnover limits the remaining educators' ability to provide high-quality care.









# Adapting the theory-of-change model to help define, implement, and evaluate a wage supplement strategy

Leaders of CCEE systems aiming to implement or design their own wage supplement strategy may find it helpful to tailor the theory-of-change model shown in Figure 1 to reflect the constraints and needs of their local context. To do so, CCEE leaders and strategy developers can begin by exploring answers to the guiding questions outlined in Table 1. Using their answers to these questions, CCEE leaders can consider how they would adjust the general theory-of-change model shown here to reflect the intended inputs, activities, outputs, and outcomes of their local wage supplement strategy.

**Table 1.** Guiding Questions for Tailoring the Theory-of-Change Model to Fit a Context-Specific Wage Supplement Strategy

Component of General Model	Examples of Guiding Questions
<b>Inputs</b> 	<ul style="list-style-type: none"> <li>Which staff members are available and have the relevant skills to carry out the wage supplement strategy? Will it be necessary to hire additional staff?</li> <li>What resources are needed (or available) to ensure that the wage supplement strategy can be implemented and sustained?</li> <li>What information technology systems and technical assistance supports are needed to manage applications and process payments?</li> <li>What barriers can be removed to increase CCEE educators' motivation and ability to prepare and submit the required application materials?</li> <li>Are applications easy to read and understand? Are they available in the languages of the targeted population(s)?</li> </ul>
<b>Activities</b> 	<ul style="list-style-type: none"> <li>What is the appropriate wage supplement amount, timing, and frequency needed to be effective at achieving the shorter- and longer-term goals, particularly given the local context (for example, which educators may be most likely to leave CCEE settings or the field and what job options are typical alternatives for educators)?</li> <li>Who will be eligible for the wage supplement and how will eligibility be determined? For example, will teachers be required to prove their employment history or current salary, meet particular professional development requirements, or submit a supplemental form? Will eligibility requirements be one time or ongoing?</li> <li>How might the wage supplement intersect with other policies, such as the state's quality rating improvement system or child care subsidy system and other state or federal aid programs like Supplemental Nutrition Assistance Program (SNAP) or the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)?</li> <li>How can the wage supplement be targeted to improve outcomes for particular groups of CCEE educators?</li> </ul>
<b>Outputs</b> 	<ul style="list-style-type: none"> <li>How will payments be tracked to ensure that CCEE educators receive the payments?</li> <li>What ongoing information or documentation is necessary to collect to support implementation? Are these collection methods available in the languages of the targeted population(s)?</li> </ul>
<b>Outcomes</b> 	<ul style="list-style-type: none"> <li>What are the shorter- and longer-term goals of the wage supplement? For CCEE educators? For certain types of CCEE settings or employers? For the CCEE field? Are you aiming to promote retention in individual CCEE settings, for educators with certain characteristics, or in the CCEE field more generally?</li> <li>What kinds of data would help you assess progress toward these goals? What kinds of data do you already collect? What kinds of data would be helpful to start collecting?</li> <li>What are the potential unintended consequences of a wage supplement? For example, will wage increases push CCEE educators beyond the income eligibility threshold for other public assistance?</li> </ul>

Creating a context-specific model may help CCEE system leaders and developers clearly define their strategy, plan ahead for potential implementation challenges, determine how to best monitor progress, and assess the potential impact of the strategy by ensuring there is strong alignment between the local strategy's planned activities and the desired outcomes. For example, a strategy that supplements

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educators' wages for a single school year might lead to some of the shorter-term outcomes listed but would be unlikely to lead to longer-term outcomes without additional resources and a plan for sustaining the wage increases over time. Seeing this disconnect can help prompt changes to currently planned strategy inputs and activities. As another example, a strategy that varies the wage supplement payment amount based on educator characteristics (for example, educator level or role) could help improve retention in a specific population of educators but would need to include collecting and verifying ongoing information from those educators, whereas a wage supplement strategy that provides the same payment amount to all educators may not require that kind of data collection.

This brief lays out a theory of change for wage supplement strategies, highlighting the potential inputs and activities that may need to be in place to achieve the outcomes of interest. It also outlines a reflection exercise to help CCEE system leaders and strategy developers identify where in their own theory-of-change model additional planning and consideration is needed and, when their theory-of-change model is complete, can inform how to evaluate that strategy.

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