Economic Opportunity Institute/Vision

Moving Beyond the Market: A Proposal for Education Linked State Subsidies for Child Care Workers' Wages

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Preface

In mid-life, I had the privilege to return to academia, earning a master's degree in public administration. This research paper was conceived and written during this time. As a parent, I had always been astounded by the high cost of child care for my two children (over $1000). And then, as a substitute child care teacher, I was struck by the challenge of this work. Working with a group of toddlers, giving them guidance in their social, emotional, physical, and intellectual development and simply offering tender, loving care, is not easy work. Knowing how to do this right so that children thrive is not work "anyone" can do.

As a parent paying for child care, and even more so as a substitute teacher, I became very aware of the paucity of child care teachers' wages. So on top of the challenge of the work, the lack of social value accorded to this work by the larger society, the lousy pay, and the sometimes lonely work surrounded by children who can not give you the social and intellectual give-and-take that is part of everyday adult work environments, we had developed and perpetuated a system that created powerful disincentives for workers to become dedicated, competent, and educated child care teachers. A new poverty-generating "industry" was booming. In part, this is a perverse and unintended consequence of the movement of middle class women into work (lower income women have always been in the workforce). Unfortunately and ironically, it created a new low-wage ghetto for the predominately female child care workforce and insured poor quality child care.

As a polity and as individual families, I venture that we can not afford to and do not want to return to the immediate post-World War II pattern of women isolated at home as caregivers and men being the worldly actors. Instead we must recognize the value of early childhood education and construct new systems to realize the important social value of this work. Often when policy elites talk about quality in child care, they look at organizational credentials and observational tests. They suggest funding paths that follow demand, such as enhanced child care subsidies. What this misses is the primary determinant of the quality of early childhood education – the quality and consistency of the teacher. This research paper suggests a supply-side approach to creating quality by directly rewarding teachers for relevant education, experience, and job responsibilities. It is rather simple, based on this common sense assertion: in order to have high quality child care, we must have child care teachers that are invested in their work and are appropriately educated and rewarded for this work.

Executive Summary

The average child care teacher's wage in Washington state was $6.55 in 1992. It is simply absurd that workers who care for our children are paid wages which put them close to the poverty level. This paper sketches out a proposal for wage enhancements for child care workers to address this injustice.

The state would develop a wage ladder which takes into account experience and formal education, a mandated benefits package, and standards for employment. (Chart A delineates such a proposed (draft) wage ladder.) All centers which want to participate in the wage subsidy program would have to adopt the wage ladder. Centers would pay the base wages and all wage increases due to experience and gaining of a GED or high school degree. The state would pay for wage subsidies for formal early childhood education credits.

For example, the base wage for a person with no experience and lacking a high school degree would be $6.00. For each year of experience the worker would receive a $0.25 wage increase, paid for by the center. Upon completion of each block of 5 units of community college credit in an early childhood certification program, the worker would receive a $0.12/hour pay increase, paid for by the state.

To encourage this formal education, the state would excuse about 50% of tuition costs for the worker. The worker would receive $250 in one year in increased wages ($0.12/hour x 2080 hours = $249.60). Completion of 45 units of credit and awarding of an early childhood education certificate would cost the child care worker $900 in tuition and cost the state about $900 in lost tuition and $1.08/hr in the wage subsidy.

Only workers in non-profit, non-religious, and non-public child care centers could qualify for the initial program. The pool of participants could be further narrowed to accept only those workers from centers which provide vouchered DSHS-subsidized care to at least 14% of their enrolled children. This program would include about 668 workers. If these workers' previous education is not credited and they complete an average of 20 credit hours in one year (four 5 unit courses), then the state wage subsidy to them in the second year of this program, on an annualized basis, would be about $667,000.

If we grandfather in state wage subsidies for already earned formal education credits the cost increases ten-fold. At five years' time state costs for earned education wage subsidies will stabilize at somewhere between $3,300,000 and $4,000,000. This program could be put into place with a minimum of new bureaucratic layering. Reporting requirements and paperwork to verify worker education can be piggybacked on the current reporting mandates.

The main object of this policy is to increase child care workers' wages. In meeting this goal the program is very efficient. With a minimum of intervening bodies, it transfers money from the state to child care workers in recognition of their earned educational experience. It also leverages money for child care workers' wages from child care centers and other sources by holding these centers responsible for wage supplements due to experience and through the establishment of the wage ladder and mandated benefits package.

A modest initial appropriation for this program could make it more politically palatable. It could be tried as a test program in a smaller universe of centers, further reducing its cost. If limited to 5 or 10 child care centers, it could even be funded by a private foundation as a model project. Ongoing evaluation would allow comparison between participating centers and centers outside of the project. Successful outcomes in teacher turnover and quality of care could be used to expand the program and move it into the public sector.

Introduction and Context

When parents get together with friends after work, their conversation often turns to their kids and their kids' child care. These discussions have increased in frequency and heatedness over the past fifteen years, as more and more mothers have entered the work force and placed their children in non-relative child care. In 1988 57% of women with children under the age of six were in the work force, up from 12% in 1950.[1] In Washington state, 140,000 children under age 13 were in licensed child care in 1992, up from 127,000 in 1990.[2] Child care is a big and growing industry. Combined income of Washington State's child care providers was $572 million in 1992, greater than the income from advertisers, appliance stores, and laboratories.[3] In the United States, there were three times as many child care centers in 1990 as in the mid-1970's, and four times as many children were enrolled in these centers.[4] Employment in the industry grew 117% between 1976 and 1988, nearly four times faster than total employment in the economy.[5]

The discussion of child care is often laden with ideological arguments concerning the position of women as mothers and workers and the settings most suited to caring for children. I will not examine these arguments in this paper. Rather, I accept the rapid growth of child care and propose a policy tool to increase child care workers' wages.[6] Child care advocates have isolated serious problems of quality, accessibility, and affordability within the child care market.[7] A major driver of quality in child care is child care workers' wages.

The Problem

The average child care teacher's wage in Washington state was $6.55 in 1992. The average assistant's wage was $5.38 in child care centers and $4.97 in family homes.[8] These rates correspond with the trends reported in the National Child Care Staffing Study Revisited which reported 1992 wages for center-base teaching staff as follows: lowest paid assistant -$5.08, highest paid assistant -6.05, lowest paid teacher - $6.50, highest paid teacher -$8.85.[9] Real wages for child care teachers fell by 27% between 1977 and 1988[10] and showed only a minor increase of between 2.4% and 8.0% between 1988 and 1992.[11] In our state, between 1987 and 1990, teachers' wages rose 5% while inflation was 16%; between 1990 and 1992, teachers' wages grew 15% while inflation was 9%.[12] These low wages are more confounding when the educational levels of child care workers is considered: in 1988 over 50% of assistant teachers and almost 75% of teachers in child care had some college background, while less than 45% of the female civilian work force had similar educational experience.[13]

The stagnation of wages during this period of rapid industry growth has resulted from a high elasticity of supply, caused by easy labor market entry into this occupation, few education requirements, workers' enjoyment in working with children, the industry being a first step into employment or re-employment for many women, in particular women with children, and economic need.[14] From the perspective of the market, the supply of child care workers has kept up with demand for child care, and the "crisis" in child care is more fictional than real. From another perspective, as child care has moved away from the unpaid and unrecognized work force of maternal care in the home, the undervalue of this work has followed it into the economy. The industry embodies the wage discrepancies based upon sex and reinforced by the standards of a patriarchal society.

Market failure is another concept which can explain the low wages and poor quality of the child care industry. The private market fails to provide the optimal quantity and quality of care. Some aspects of this can be found in all industries, such as imperfect information about available supply. But families also do not and/or are not able to purchase quality care for their children, because, much as the market ignores child rearing in the home, it fails to account for the public goods and merit goods aspects of child care. Child care is an investment in people which will benefit society through the future labor force and citizenry. This value is not computed in child care prices or child care workers' wages (as it is, implicitly, in public school teachers' wages). Child care is a merit good in that it often embodies a much wider complex of services to children than families recognize and directly purchase. That is, some parents understand child care as closer to babysitting than to an educational experience and culture, and will only pay for babysitting, while their children benefit from a full complex of early childhood education and services.[15] In any case, the bottom line is that child care workers are historically poorly paid and will continue to be so if we allow the provision of child care to remain an uncoordinated and market-driven system.

Poor pay of child care workers has created a multitude of problems in the industry and in our society. Child care workers' wages seriously undermine the quality of the care they give. “The most important ingredient of quality is the relationship between the child and the teacher-caregiver.”[16] This relationship is multi- faceted: it involves a personal relationship, a teaching relationship, a disciplinary relationship, and the stability of the relationship. Low wages, little formal education in early childhood development, and high turnover all obstruct this relationship.[17] Low wages (and often few or no benefits) undermine the on-the-job morale and commitment caregivers need in their interactions with children. Low turnover, which wreaks havoc on child care worker/child relationships.[18] Low wages discourage continued formal early childhood education by child care workers, education which has a strong positive correlation to child development.[19]

The quality of child care also has ramifications for the stock of human capital (the future work force) which is composed of today’s children. That is, there is a positive correlation between government support of quality child care programs and the earnings potential of children from these programs.[20] This aspect of child care takes on greater importance as the pool of labor market entrants shrinks with the baby boom generation moving into middle age.[21] Child care workers’ wages have direct macro-economic implications. The industry is expected to employ 547,000 workers by the year 2000, and an undetermined number of self-employed workers (of which there were 112,000 in 1988).[22] The industry’s growth itself reinforces economic stagnation through the expansion of a work force with little disposable income. The income disparities at a macro level are often reflected in parent/caregiver wage disparities at the personal level. When you factor in equity, it is simply absurd that workers who care for our children are paid wages which put them close to the poverty level.[23]

A Proposal for Wage Enhancements for Child Care Workers

1. **The Model**: The state would develop a wage ladder which takes into account experience and formal education, a mandated benefits package, and standards for employment.[24] Chart A delineates such a proposed (draft) wage ladder.[25] All centers which want to participate in the wage subsidy program would have to adopt the wage ladder, benefits package, and employment standards. Centers would pay the base wages and all wage increases due to experience and gaining of a GED or high school degree. The state would pay for wage subsidies for formal early childhood education credits.

   For example, the base wage for a person with no experience and lacking a high school degree would be $6.00. For each year of experience the worker would receive a $0.25 wage increase, paid for by the center. Regardless of experience, upon receiving a high school degree or a GED, the worker’s base wage would increase to $6.50, paid for by the center. Upon completion of each block of 5 units of community college credit in an early childhood certification program,[26] the worker would receive a $0.12/hour pay increase, paid for by the state. To encourage this formal education, the state would excuse about 50% of tuition costs for the worker, so the worker would pay only $100 for every five community college credits earned.[27] For this $100 investment, the worker will receive back $250 in one year in increased wages ($0.12/hour x 2080 hours = $249.60). Completion of 45 units of credit and awarding of an early childhood education certificate would cost the child care worker $900 in tuition and cost the state about $900 in lost tuition and $1.08/hour in the wage subsidy. That is, assuming that the worker takes 2.25 years to accrue 45 units, at the end of that 2.25 years, the state would be responsible for an annual wage subsidy to the worker of $2,250 (9 x 5 units of credit x $0.12/hour/5 units of credit x 2080 hours = $2,246.40). At the same time, the center would be responsible for the worker’s base wage and the experience increments of two years: $6.50 + $0.50 = $7.00, or $14,560/year.

2. **Who Qualifies**: The entire universe of child care centers and workers cannot be included in this program. Testing this program on a sub-section of child care workers enables a comparison of the results (in terms of turnover, some measures of quality, child development, and parental and staff satisfaction) with workers who have not been part of the program. Secondly, a small sub-section of all child care workers limits the state's financial responsibility and makes it easier to gain funding for this pilot project. Thirdly, implementation for all child care workers, with the variety of child care choices in our "system", would be far too complex to carry out initially.

   I suggest that only non-profit, non-religious, and non-public child care centers and workers in these centers be included in the initial program. I suggest this pool because child care centers are the fastest growing segment of the child care industry. In 1965, only 6% of preschool children in day care were in centers, while in 1985 23% of preschool children in day care were in centers. At the same time, the percent of children cared for by relatives has fallen from 62% to 48% and the percent of children in family day care has fallen from 31% to 28%. Currently, one out of every eight children under age 15 is cared for in a child care center.[28] Also, child care centers are the largest, most regulatable and easily rationalized units of child care service. They are much more likely to be licensed than in-home care or group family day care. They are not part of the underground economy. They correspond more closely to businesses and schools than does in-home care or group family day care. They provide the best working units for the development of a national social child care policy.

   For-profits are excluded because the program is less politically attractive and viable if it subsidizes profit-making operations, especially when we do not know the current levels of profit. Also, child care workers' wages in for-profit centers are lower than those of workers in non-profit centers. Aides' wages are $0.35 an hour lower than those of aides in non-profit centers, teachers' wages are $0.62 an hour lower than those of teachers in non-profit centers, and supervisors' wages are $1.14 an hour lower than those of supervisors in non-profit centers.[29] It seems perverse to reward conscious underfunding of workers' wages with publicly paid wage subsidies. It also appears unlikely that for-profit centers would have an interest in the program, since it would require significant wage increases, *paid for by the centers*, to qualify for the program. Child care centers with religious orientations are excluded due to the church-state separation, and Head Start has a separate pool of responsibilities, clientele, and funding which create a different matrix of policy problems. The pool of participants can be further narrowed to accept only those workers from centers which provide vouchered DSHS-subsidized care to at least 14% of their enrolled children (this is the percent of children served in child care centers statewide who are DSHS-subsidized).[30] This cut rewards centers who already provide DSHS-subsidized (and therefore, in many cases, *center-subsidized* care for low income children.

   This program, then, will exclude all parents and relatives caring for their own children in their own homes (54% of children under 6 years old),[31] all child care workers in individuals' homes (6.5% of children under 6 years),[32] all non-licensed providers (9.5% of children under age 12),[33] and all licensed family home providers (10.7% of children under 6 years old).[34] This program will include between 30 and 40% of licensed child care centers, excluding for-profits, public school child care centers, Head Start programs, and religious non-profit centers.[35] For simplification purposes, I will set the level of inclusion at 33% of licensed child care centers. In Washington state, this will include 513 of the 1,541 licensed child care centers, covering 28,208 of the 85,000 children in these licensed centers.[36] With a caregiver/child ratio of 1/8, approximately 3,526 child care teachers and assistants would qualify for this pilot program.

   Approximately 76% of non-profits had DSHS-subsidized children in 1992.[37] Using this figure, the pool of potential program participants is further narrowed to 2,674 teachers from 389 centers, caring for 21,395 children. Assuming that 50% of the child care centers choose to participate in this program, we are left with 194 centers and 1,337 teachers with 10,697 children in their care. Assuming further that 50% of these teachers and assistants would choose to participate, we are left with 668 workers. If these workers' previous education is not credited and they complete an average of 20 credit hours in one year (four 5-unit courses), then the state wage subsidy to them in the second year of this program, on an annualized basis, would be $666,931.20, given 40-hour work weeks.

3. **The Cost**: It may be more accurate to look at a typical child care center and see how the workers in this center might react to the introduction of this program, and *include the grandfathering costs of state wage subsidies for already earned formal education credits*. Let's look at the Wallingford Child Care Center (WCCC), a Seattle child care center. [38] As laid out in Chart B, WCCC's 10 workers have between them 900 units of college credits. The cost to the state to recognize these credits in wage subsidies, *before wage subsidies for credits earned in the future*, would be $35,380.80. If 5 workers, averaging 33-hour work weeks, choose to participate in the education-wage subsidy program, and earn 20 credits each in one year, the cost to the state in the second year of the program in wage subsidies for credits earned in the first year would be $4,118.40.[39] Including the tuition subsidy of $100 per 5 units ($400 x 5 = $2,000), the total cost to the state after one year would be $41,499.20 for this center. If 194 centers participated, the total cost would be $8,050,806.00.

   While the expense of the program increases ten-fold with the inclusion of wage subsidies for previous education, not granting this inclusion would create a severe and debilitating two-tier wage system which would discriminate against workers who have previously sought out early childhood education and remained committed to the child care profession, just the opposite of what this program intends to do. Also, in reviewing Chart B and its program impacts on the Wallingford Child Care Center, it appears that wage subsidies paid for by the state which take into account previous education experience more than balance out the wage subsidies paid for by the center for workers' experience. Without this offsetting subsidy effect, fewer centers would be motivated to participate in the program.[40]

   This proposal does contain a bow wave effect which will multiply its cost. While child care centers can be expected to pick up wage subsidies due to experience, the state will now be responsible for all wage subsidies due to education. While the second year of the program the state may be subsidizing a child care worker's wages by $1,000 for the first year completion of 20 units, after five years this worker may have completed 100 credits and the state would be subsidizing her wage by $5,000 a year. I expect that at or about five years' time state costs for wage subsidies will stabilize, with child care labor market exit and entry. If this is the case, annual state subsidies for education-earned subsidies *since the program would have been in place* would settle somewhere between $3,334,656 and $3,994,848. At the same time, I expect that the annual wage subsidy for education completed before the program was put into place (the grandfathering costs of $8,050,806) will decrease at an increasing rate as the program matures, also because of labor market exit.

   This program would demand a biennial budget allocation of between $20 and $24 million to assist 194 centers, 1,337 teachers, and the 10,697 children in their care. This equals between $934 and $1,122 per child per year, between $7,479 and $8,975 per teacher per year, and between $51,546 and $61,856 per center. This compares to the $19.8 million spent on child care subsidies for the 19,500 DSHS-subsidized children in child care centers, with an average reimbursement rate of $1.59 per hour per child or $3,307.20 per FTE per year.[41] This child care workers' wage subsidy would require a relatively small allocation of funds, in consideration of the $29.8 billion 1993-1995 biennial state budget and the $2.9 billion spent in the 1991-1992 school year for K-12 education ($5,196 per pupil). However, if the Legislature remains intent on not increasing spending[42], it may be more feasible to come up with a dedicated source of funding for this program.[43]

4. **The Mechanisms**: This program could be put into place with a minimum of new bureaucratic layering. Reporting requirements and paperwork to verify worker education can be piggybacked on the current reporting mandates. However, there may some need for new regulation and oversight, to discourage cheating by child care centers and workers. Currently, DSHS licenses child care centers which meet requirements for staffing, health and nutrition, care, safety, and reporting. The Social Security Payment System, run by DSHS, serves as the payment system for subsidized child care. It has received attention from the National Governors' Association as a model reimbursement system.[44] DSHS requires centers to have workers' education records. Once the wage ladder is established, the centers can send DSHS verification of education needed for wage subsidies. DSHS can reimburse the centers through the Social Security Payment System. The wage subsidies can be updated as workers gain academic credit and that information is sent into DSHS. Requests for tuition reductions would also have to be checked back through DSHS to make sure the worker was employed at a center participating in the program. The mandated wage ladder and benefits package could be posted next to the other publicly posted notices for workers. This would allow for self-enforcement of the wage ladder. Workers will know automatically the wage to which they are entitled. It would be quite difficult for a center to get wage subsidies for its workers and not pass them on to these workers.

Policy Comparisons

The main object of this policy is to increase child care workers' wages. In meeting this goal, the program is very efficient. With a minimum of intervening bodies, it transfers money from the state to child care workers in recognition of their earned education- al experience. It also leverages money for child care workers' wages from child care centers and other sources by holding these centers responsible for wage supplements due to experience and through the establishment of the wage ladder and mandated benefits package.[45]

1. **Current Policies**: Current government policies have failed to raise child care workers' wages. Demand subsidies in the form of the Child and Dependent Care Tax Credit - $3.4 billion in federal funding in fiscal year 1988, 53% of funding for all federal programs supporting child care-related services (U.S. General Accounting Office, 1989)[46] - are used largely by parents who would have purchased child care anyway (and do, realizing the tax credit as a windfall on April 15).[47] The tax credit is pocketed by the parents and is not available for workers' wages.[48] Other smaller demand subsidy programs, including dependent care assistance plans and earned income tax credits have similarly failed to trickle down to child care workers' wages.

   The state program for reimbursing providers for care of DSHS-subsidized children (from families with incomes at or below 175% of the federal poverty level, in which parents are employed) actually may further depress workers' wages by only reimbursing up to the 75th percentile of local market rates. Centers charging above the 75th percentile are forced to offset costs by charging higher rates to parents of other children in these centers and by holding down workers' wages.

   Supply side and coordination subsidies, such as Dependent Care Planning and Development Grants, have had no impact of child care workers' wages, in part because of minimal funding and in part because workers' wages are not the primary focus of these grant programs.

2. **Alternative Proposals**: The provision and expansion of child care and an increase in child care workers' wages through direct government programs are not politically feasible.[49] There is no societal consensus and mandate similar to that for public education. The closest thing to this type of provision would be the expansion of Head Start to all children under age 6. Head Start, while it is a federally funded child development program, is contracted out to be locally

administered by education agencies, community action agencies, and public and private not-for-profit organizations. Expansion of the program at current funding per child would increase child care workers' wages. Government-funded child care centers in Washington state currently pay over $1.00 an hour more in wages to child care aides and over $2.00 an hour more to child care teachers and supervisors than the average child care worker receives.[50] However, Head Start in Fiscal Year 1989 served 450,000 children, less than 20% of all eligible low income children, with a budget of slightly over $1 billion.[51] Multiply this budget by ten- fold and the program would begin to have a significant macro-economic effect. However, the expense of such a program expansion and the political climate antagonistic to government and government programs make this a pipe dream.

Increasing demand subsidies through tax expenditures such as the child and dependent care tax credit offers little hope for increasing child care workers' wages. Indeed, from 1976 to 1987, this tax credit increased 479% in real tax dollars to $3.5 billion.[52] From 1977 to 1988, despite gains in formal education, child care teachers' wages fell by 27% in real dollars and aides' wages fell by 20%.[53] Further expansion of this extremely sloppy tool to increase child care workers' wages does not merit consideration.[54]

Similar ineffectiveness can be attributed to the public information campaigns put together for public awareness of child care teachers' poor wages. The Worthy Wage Campaign is such a campaign. For the past few years, support for the child care teachers' recognition day in April in Seattle has diminished, and turnout has fallen. I think that the participation of parents and the public has fallen off not because they do not support the issue, but because they see only futility in the effort. The day's activities this year are not well organized because many of the activists in the campaign have left child care work!

Leaving child care workers' wages as they are may make them likely targets for union organizing and wage increases through unionization. Indeed, while sample sizes are too small for statistical reliability, the National Child Care Staffing Study found that unionized child care workers made $1.44 per hour more than non-unionized workers and their six month turnover rate was half of that of non-unionized workers. However, only four percent of child care workers were unionized[55], and unions are not apt to put many resources into organizing workers in the small separated units with little potential for wage growth by which child care is characterized. A more likely target for unions would be workers within the participating centers, who may look to unions as a means of enforcing their mandated wage entitlement and employment standards, and who may want organize within unions to increase their voice for expansion of the program and increases in the wage ladder and benefits package through a lobbying program in Olympia.

Program Analysis and Ramifications

This program is a carrot and stick approach to public policy. It combines contracting out services and benefits (child care, child care workers' education, and child care workers' wages) with the social regulation of standards needed to qualify for participation (the wage ladder, benefits package, employment standards, staff/child ratios, and group sizes, among other variables). In doing so, it sets the standards for service delivery and workers' wages and legitimizes child care programs and the worth of child care work. It reinforces the mandated licensing requirements of child care with incentives for cooperation and participation.

In absence of government willingness to rationalize and systematize child care within the framework of national social policy, it is useful to look for state solutions which can be used to incrementally address problems in the industry and enable legislated public policy to ramp up to a fully articulated national policy and system. The establishment of a state wage subsidy for child care workers can be such a solution.

The program directly addresses the three factors which mitigate against quality child care: low wages, little early childhood education, and high turnover. It guarantees a certain and increasing income for workers in participating child care centers. It creates a financial incentive for these workers to gain more education and, via the standardized wage ladder, to stick with their current employment.

These factors speak to the unregulatable features of child care, including staff/child bonding, staff longevity, one-on-one attention, and the development of activities that emphasize cognitive and social development. In short, a well trained, reasonably paid, and self-respecting staff most likely insures a positive child care culture.

The program also assures adherence to the regulated and regulatable features of child care quality by qualifying only licensed centers for participation. Washington state maintains detailed requirements for licensing. In particular, staff/child ratios and group sizes correspond with NAEYC recommendations and the Federal Interagency Day Care Requirements.[56]

Will it work? Two salary enhancement projects point to potential success. In 1988, the New York Legislature approved $12 million for increased salaries and benefits for caregivers. In New York City, the first locality to implement the program, staff turnover dropped from 42% to 27%.[57] In North Carolina, the Day Care Services Association funded a child care teacher education and compensation program. Teachers paid only 10% of the cost for 18 credit hours of early childhood education. Upon completion of these credit hours, they received a 5% wage increase, with the stipulation that they would continue working at the child care center for another year. The first cohort of 21 teachers completed an average of 21 credit hours within five quarters and their wages were increased an average of 12.8%. After two years, 19 of the 21 teachers are still in their sponsoring centers. The second cohort of 30 teachers achieved an average of 19 credit hours in one year, with wage increases of 6.5%.[58]

This proposal also speaks to improved accessibility of child care by encouraging a growing supply of qualified, trained, and reasonably paid child care workers employed by child care centers. The proposal *standardizes* wage costs across participating centers. The fact that these workers' wages are subsidized (and standardized) by the state *may* reduce *potential* employment costs to child care centers and encourage the market entry of new child care centers.[59] For child care purchasers, the proposal enhances the affordability of *quality* child care services simply by means of the state wage subsidy. It increases the disposable income of child care workers and therefore makes child care more affordable for their children as well.

Political support for this may be hard to garner simply because child care providers, child care workers, and child care users (children and their parents) are among the least powerful of interest groups. However, the modest initial appropriation for this program could make it more politically palatable. It could be tried as a test program in a smaller universe of centers, further reducing its cost. If limited to 5 or 10 child care centers, it could even be funded by a private foundation as a model project. Ongoing evaluation would allow comparison between participating centers and centers outside of the project. Successful outcomes in teacher turnover and quality of care could be used to expand the program and move it into the public sector.

Once funded by the state, outcomes evaluation can be expanded to determine the usefulness of the program. I expect that the program would quickly generate its own interest group from child care centers, child care workers, and unions who have organized child care workers, who would lobby for its expansion to more centers and for upgrades in the wage ladder, much like community action agencies have taken on a presence in Olympia in lobbying for chore service funding. That is, initial funding may create a "camel's nose under the tent" syndrome. While outcomes evaluation may bear out the program's success in the delivery of quality child care and thereby legitimize its existence, interest group support can be crucial for the program's expansion.

This program would result in windfall benefits for those child care workers who would have continued their education in any case. The standardized wage scale will yield both positive and negative windfalls for child care centers, depending on their current wage rates. The program gives some market advantages to non-profit child care centers, in the form of education wage subsidies, but it takes away some advantages, by mandating the wage ladder and benefits package. If the participating non-profit centers set the expected standards for child care, other non-profit centers and for-profit centers could modify their programs to compete with and/or be included in these new market/state standards.

Conclusion

When a child begins kindergarten, the state assumes a paramount responsibility for the education of this child. When a person retires, the federal government assumes, through Social Security and Medicare, significant responsibility for the well-being of that person. In both cases, the state overrides the private market in the delivery of social and economic rights and public goods.

A person is profoundly shaped by the first five years of life, and yet, in the United States, children in these formative years are in families and child care situations which are both buffeted by the whims of the market. Too often children, their parents, and their caregivers are victims of the economic and social volatility of life in America. In the absence of enveloping social family policy we have allowed market failure into the care of our children, with significant consequences for the current workforce *and* the future workforce and citizenry. This small proposal for wage subsidies can help us move beyond the market and recognize the social responsibility we have for the well-being and welfare of our children and those who care for them.

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[2] "Child Care Rates in Washington State: 1992", Draft, Washington State Department of Social and Health Services, Office of Research and Data Analysis, page xiii and "Child Care Rates in Washington State: 19901", Washington State Department of Social and Health Services, Office of Research and Data Analysis, page viii.

[3] "Child Care Rates in Washington State: 1992", Draft, pages 13 and 14.

[4] *The Demand and Supply of Child Care in 1990, Joint Findings from the National Child Care Survey 1990 and A Profile of Child Care Settings*, National Association for the Education of Young Children, page 43.

[5] "Child Day Care Services: An Industry at a Crossroads", Monthly Labor Review, December 1990,

page 20.

[6] Obviously, my acceptance of the growth of child care and my proposal to rationalize it imply an ideological concurrence with out-of-home child care.

[7] *Who Cares for America's Children?*, National Research Council, 1990, pages 290- 302.

[8] "Child Care Rates in Washington State: 1992", Draft, page xiii. It is instructive to compare the assistant's wage in child care centers to the poverty threshold. At $5.38 an hour the annual income for an assistant is $11,190.40 (2080 x $5.38). The Bureau of the Census 1988 poverty threshold for a family of three, multiplied by 1.25 (inflation was about 25% between 1987 and 1992) totals $11,788.75 ($9,431 x 1.25).

[9] "National Child Care Staffing Study Revisited: Four Years in the Life of Center-Based Child Care", Child Care Employee Project, 1992, page 7.

[10] "Who Cares? Child Care Teachers and the Quality of Care in America, Executive Summary of the National Child Care Staffing Study", Child Care Employee Project, page 10.

[11] "National Child Care Staffing Study Revisited…", page 7.

[12] "Child Care Rates in Washington State: 1992”, Draft, page 38.

[13] "Who Cares? Child Care Teachers and the Quality of Care in America, the National Child Care Staffing Study", Child Care Employee Project, pages 34 and 35. This may be an ambiguous result: In "Small Children, Small Pay", *American Prospect*, page 76, Victor Fuchs and Mary Coleman use 1980 data in establishing that child care workers have 12.6 years of schooling, while women in all other occupations had 12.7 years of schooling. Other studies have shown that since 1980 child care workers' education levels have increased. In any case, the similarity in education between child care workers and all other women workers does not explain the 40% gap in earnings between child care workers and other women workers ("Small Children, Small Pay”, page 74).

[14] See "The Supply of Child Care Labor", Journal of Labor Economics, April 1993, David Blau, pages 324 344. Not surprisingly, child care workers typically live in families in which total household income lags behind average household incomes. When a husband is present, the husband's income typically lags behind average husband earnings. See Blau above, page 332 and "The Child Care Labor Market", Journal of Human Resources, Winter 1992, David Blau, pages 15-16.

[15] "Current Price Versus Full Cost: An Economic Perspective", *Reaching the Full Cost of Quality in Early Childhood Programs*, National Association for the Education of Young Children, page 13.

[16] "The Costs of Not Providing Quality Early Childhood Programs" in *Reaching the Full Cost of Quality in Early Childhood Programs*, National Association for the Education of Young Children, Ellen Galinsky, page 27.

[17] "Quality of Child Care: Perspectives of Research and Professional Practice" in *Who Cares for America’s Children?*, pages 84- 107.

[18] "Who Cares? Child Care Teachers and the Quality of Care in America" Executive Summary of the National Child Care Staffing Study", page 12.

[19] "Quality of Child Care: Perspectives of Research and Professional Practice" in *Who Cares for*

America's Children?, pages 89-90.

[20] "What Can Child Care Do For Human Capital?", Population Research and Policy Review, Volume 9, 1990, pages 5-23.

[21] The need to maximize labor force participation because of the shrinking pool of available workers in the coming years also speaks to the need for an encompassing national policy to provide for the child care needs of (especially younger) workers, so that they can balance work and parenting responsibilities.

[22] "Child Day Care Services: An Industry at a Crossroads", page 20.

[23] See "Who Cares? Child Care Teachers and the Quality of Child Care in America, Executive Summary of the National Child Care Staffing Study", page 10, and "The Supply of Child Care Labor", pages 324- 344.

[24] For example, one standard might address the need to disallow the replacement of better paid workers with greater seniority with workers with less experience and education.

[25] Note that this ladder still leaves most workers below the comparable worth standards issued by the Higher Education Personnel Board. These standards are hourly wage ranges of $9.31 - $11.47 for early childhood aides II (assistant teachers) and $10.69 - $14.09 for early childhood program specialists (lead teachers). See "Priority One: The Staff Compensation Crisis", A Report to the Mayor and Seattle City Council, City of Seattle Child Care Staffing Task Force, March 1993, page 7.

[26] The North Seattle Community College (NSCC) Early Childhood Education Certificate program requires 41 credits in all. The NCSS Early Childhood Education A.A.S. degree requires between 97 and 105 credits. The Seattle Central Community College Early Childhood Care and Education Certificate program requires 52 credits.

[27] Resident fees for 5 credits at Bellevue Community College are $194. Child care workers would enjoy tuition waivers less than those granted to full-time Washington state permanent classified employees ($20 a quarter on a space-available basis), senior citizens ($2.50 a class), timber workers, Southeast Asian and Persian Gulf veterans, and full-time community college employees.

[28] "Child Day Care Services: An Industry at a Crossroads", page 18.

[29] "Child Care Rates in Washington State: 1992", Draft, page 37.

[30] "Child Care Rates in Washington State: 1992", Draft, page 55.

[31] "Child Care Rates in Washington State: 1990", page vii.

[32] "Child Care Rates in Washington State: 1990", page viii.

[33] "Child Care Rates in Washington State: 1990", page 10.

[34] "Child Care Rates in Washington State: 1990", pages 7-10.

[35] "Child Care Rates in Washington State: 1992", Draft, page 33 and "The Demand and Supply of Child Care in 1990…", page 22.

[36] "Child Care Rates in Washington State: 1992", Draft, page 5.

[37] "Child Care Rates in Washington State: 1992", Draft, page 59.

[38] WCCC is accredited by the National Association for the Education of Young Children. It enrolls 47 children, from 1 month to six years of age. Monthly tuition charges are $820 for infants, $668 for toddlers, and $585 for pre-schoolers. It accepts DSHS-subsidized children.

[39] Multiplied by the number of participating child care centers (194), this figure equals $798,969.60. This figure is larger than the $666,931.20 figure generated earlier because the staff/child ratio is closer to 1/6 at WCCC than the average ratio of 1/8.

[40] On the other hand, the state is still much less likely to be picking up wage costs which the center would have paid anyway than could happen with an undirected grant to a center for staff benefits or training.

[41] If a child is in child care for 40 hours a week (a conservative full time equivalency, considering travel time to and from work) the yearly (52 week) cost to DSHS is $3,307.20 per child ($275.60 a month). This comes out to 5,987 DSHS-subsidized FTEs in child care centers. DSHS spends $10.5 million on 10,300 subsidized children in family home care. In family homes, the DSHS reimbursement rate is $1.45 per child per hour. The FTE yearly cost is $3,016 per child. This works out to 3,481 DSHS-subsidized FTEs in family home care.

[42] Thanks, in part, due to passage of Initiative 601, which can be modified or repealed by a simple majority in the Legislature starting in 1995.

[43] One idea I have seen tossed around is an "espresso" tax dedicated to child care. A 5% tax on the sale of espresso drinks could generate a lot of revenue. If 250,000 espresso drinks are sold in one day in Washington state (a conservative estimate) at an average price of $1.50, total annual revenue would be $6,843,750 ($1.50 x .05 x 250,000 x 365).

[44] "Taking Care: State Developments in Child Care", National Governors' Association, page 12.

[45] See "Quality and Cost in Early Childhood Education", Journal of Human Resources, Summer 1992, Powell and Cosgrove, pages 478- 483 for a rigorous economic model using historical data which suggests that increasing staff experience by one year actually reduces costs by .6%, while increasing the average education level of staff by one year would increase costs by 4.5%. This may be all apples to oranges in reference to my proposal. It is a little above my head technically!

[46] *The Demand and Supply of Child Care in 1990…*, pages 33-34.

[47] "Nearly half (of these credits) go to families with incomes above the median. In 1985, less than 1% went to families with adjusted gross incomes of below $10,000, and only 13% to families with adjusted gross incomes below $1,000." Page 314, "Federal Child Care Assistance: A Growing Middle-Class Entitlement", Journal of Policy Analysis and Management, Volume 8, #2, Douglas Besharov and Paul Tramontozzi.

[48] See discussion in "Current Price Versus Full Cost: An Economic Perspective", *Reaching the Full Cost of Quality in Early Childhood Programs*, National Association for the Education of Young Children, pages 16- 19.

[49] With the possible exception of child care for the children of government employees.

[50] "Child Care Rates in Washington State: 1992", Draft, page 37.

[51] *Who Cares for America's Children?*, page 216.

[52] The cost is expected to increase to $5 billion in 1993. "Federal Child Care Assistance: A Growing Middle-Class Entitlement", page 313.

[53] "Who Cares? Child Care Teachers and the Quality of Care in America, Executive Summary, National Child Care Staffing Study", page 10.

[54] Further expansion may not be merited on any grounds, given the regressivity of the tax credit and the windfall benefits it creates.

[55] "Who Cares? Child Care Teachers and the Quality of Care in America, National Child Care Staffing Study", pages 38 and 39.

[56] See *Minimum Licensing Requirements for Child Day Care Centers*, Chapter 388-150 Washington Administrative Code, Department of Social and Health Services, State of Washington, 1991 and *Who Cares for America's Children?*, National Research Council, 1990, pages 324 339. The Federal Interagency Day Care Requirements were in place only briefly. They were withdrawn by the Reagan Administration in 1981.

[57] "Taking Care: State Developments in Child Care", page 8.

[58] "Linking Education and Compensation: A Holistic Model", *Young Children*, July 1993, Susan Dana Russell, pages 65-67.

[59] However, the wage subsidies for education may be offset by the wage subsidies for experience and the mandated benefits package.

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