Early Care and Education Wage Pilot Case Study

Report & Recommendations

March 2025

Early Childhood Investment Corporation

CHILD CARE INNOVATION FUND

MiLEAP
Michigan Department of Lifelong Education, Advancement, and Potential

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Table of Contents

4 Letter from Taskforce for Early Care and Education Workforce Compensation
7 The Purpose and Partners of this Project
7 Collaborating Partners
8 Members of the Taskforce for Equitable Compensation for the Early Care and Education Workforce
9 Vision of the Child Care Industry Michigan Needs
11 The Current State of the Child Care Industry in Michigan
13 Promising Approaches from Other States
13 Minnesota: Great Start Compensation Support Program
13 Illinois: Smart Start Compensation Grants
14 Washington D.C.: Early Childhood Educator Pay Equity Fund
14 Maine: Early Childhood Educator Workforce Supplements
15 Wage Pilot Evaluation Results
15 Introduction to the Pilot
15 Case Study: Experiences of Two Child Care Employers and their Teaching Staff
15 Someplace Else Learning Factory (SELF):
16 Northern Explorers Child Development Center:
19 Recommendations
19 Recommendation 1
20 Recommendation 2
21 Recommendation 3
26 Next Steps
27 Appendix A- Recommendations for Revising the Wage Pilot Salary Scale

Letter from Taskforce for Early Care and Education Workforce Compensation

December 4, 2024

Dear Policymakers and Early Care and Education Partners,

A robust supply of accessible, affordable, and high quality child care is an essential part of Michigan's employment and economic development infrastructure. Child care is a central determinant in whether a parent can pursue a career or enhance their education and vocational skills. When a state's child care infrastructure is strong, businesses can be more productive because absenteeism is lower, employees arrive on time, don't leave early, and are able to be focused on completing their work, not worrying about their child care arrangements. As policymakers consider next steps to position Michigan for economic success, child care infrastructure investment should be at the top of the priority list.

Numerous studies have documented the developmental and economic benefit of high quality early care and education for young children and their parents. According to Dr. James Heckman, a Nobel Laureate in economics and an expert in the economics of human development, every dollar spent on high quality birth to five early care and education delivers a 13% annual return on investment, significantly higher than the 7-10% return delivered by preschool alone. (www.heckmanequation.org)

According to the Untapped Potential in MI report (U.S. Chamber of Commerce Foundation, 2023), "Despite the well-demonstrated developmental benefits resulting from high-quality childcare, families in Michigan often struggle to access affordable arrangements for their children. This occurs to the detriment of the state's economy…. insufficient child care availability is costing Michigan $2.88 billion in lost economic activity each year."

The primary cost driver of a child care business is labor. Revenue is generated based on the tuition collected for each child. To keep young children safe and healthy, the number of children any one teacher is asked to care for is capped by the state of Michigan, as is in all states. Child care businesses are unable to generate enough revenue to offer fair and competitive compensation due to the high cost of doing business in an industry with necessary regulations, high personnel demands and a reliance on parent fees as a primary source of revenue. Low compensation drives highly skilled early educators out of child care, keeps potential teachers from choosing early education as a profession, undermines the quality of early care and education programs, and limits the supply of child care that families need to work, and businesses need to succeed.

While Michigan has benefitted from recent one-time federal investments in the child care industry, these efforts have revealed a fundamental issue: ***the inability of the industry to attract and retain talent***. Sustained federal and state investments are now critical to building a stable, highly qualified, competitively compensated early care and education workforce. This will expand child care options for working parents, create a reliable network of providers, and deliver significant economic benefits by enabling more individuals to participate in the workforce and support their families.

The recommendations in this Report were developed by the **Taskforce for Early Care and Education Workforce Compensation**, which was co-chaired by TalentFirst and the Early Childhood Investment Corporation (ECIC). Implementation of the recommendations in this Report would strengthen Michigan's child care infrastructure, while competitively aligning Michigan with other states who have already realized the positive impact of ongoing child care industry investments at scale.

We believe that broadly-based public support for multi-sector investment in child care is the highest it has ever been in Michigan, creating opportunities for accelerating innovative investments through public-private partnerships and cooperation.

We are committed to working with policy-makers and leaders across our state, to ensure Michigan's child care compensation solutions meet the needs of working families, child care employers, businesses, municipalities, and the future economic development of our state.

Respectfully,

Kevin Stotts
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Recommendations at a Glance

1. **Invest state funds to establish a fair and competitive compensation structure for the early care and education workforce.**

2. **Continue the development of a comprehensive early care and education workforce strategy that establishes clear career pathways by aligning existing educational and training opportunities and funding. This will enable early educators to earn higher credentials, receive competitive compensation, and advance on the MiRegistry Career Pathway.**

3. **Develop the tools Michigan needs to invest in the early care and education workforce efficiently and equitably.**

The Purpose and Partners of this Project

The purpose of this Project was to:

- Engage home and center-based providers, business leaders, and subject matter experts in a Taskforce that would advise the development of an early care and education (ECE) wage scale – building on prior ECE wage scale developed by TalentFirst for Head Start in Detroit.
- Pilot the wage scale within two child care centers in Michigan, in communities with a Tri-Share Program.
- Conduct an evaluation of the Project, including the experiences of the demonstration pilot participants and the Pilot Scale.
- Make recommendations for ECE financing solutions that will lead to a system of accessible, high-quality ECE that places fair and competitive compensation for early educators at the center.

Collaborating Partners

The Early Childhood Investment Corporation (ECIC) served as the fiduciary for the collaboration on this Project, co-led the Taskforce, oversaw the evaluation, administered the pilot grants, and led the development of reports.

TalentFirst co-led the Taskforce and developed the Balancing the Scales reports, which included the Pilot Scale, and were broadly disseminated in MI and through the state's Regional Child Care Planning Coalitions.

The Center for Early Learning Funding Equity at Northern Illinois University facilitated the evaluation and prepared the Recommendations for Michigan's Early Care and Education (ECE) Salary Scale report.

The Corporation for a Skilled Workforce in Detroit completed the early care and education wage scale model in Detroit in 2022, upon which this Project was built and consulted on this Project.

Wage Scale

A wage scale guides what early care and education professionals should be paid based on their geography, role, qualifications, and years of experience. It provides guidance for wage and scaling increases over time.

Tri-Share

Tri-Share is an innovative child care financing model implemented by MiLEAP where the cost of child care is split between the state, employers, and eligible employees.

Members of the Taskforce for Equitable Compensation for the Early Care and Education Workforce

Name	Title, Organization
Co-Chair Kevin Stotts	President & Owner, TalentFirst, Early Childhood Investment Corporation Board Member
Co-Chair Alicia Guevara Warren	CEO, Early Childhood Investment Corporation
Alex Andrews	Director of Business Intelligence & Workforce Innovation, TalentFirst
Laurie Clark-Horton	Owner, LACC Child Care Academy Inc.
Blair Cole	Parent Leader
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Dana Linnane	Foundation Liaison, Governor's Office of Foundation Liaison
Salina Mann	Parent Leader
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Gretchen Preston	President & Owner, Gretchen's House Inc.
Kristen Rolf	Facilitator, Metro Detroit Head Start Provider Network
Kerry Ebersole Singh	Chief Talent Solutions & Engagement Officer, Michigan Economic Development Corporation

Vision of the Child Care Industry Michigan Needs

Michigan needs a robust child care industry that has the capacity to meet the needs of all working families, where families can truly choose the type of child care that best meets their needs and preferences regardless of where they live in the state or their income level. No matter where a working family lives in Michigan they should be able to count on child care being in good supply, e.g., universally accessible, affordable, and high-quality. For those families who need financial assistance, assuring any financial supports – like Michigan's Child Development and Care (CDC) scholarship program or the Tri-Share Program - reduce any additional out-of-pocket costs and reflects the true cost of education and care, e.g., is inclusive of competitive wages for early educators.

Child Development & Care Scholarship

The Child Development and Care scholarship program is designed to make child care more affordable and accessible to eligible parents and children.

A robust child care industry cannot be realized without a highly qualified workforce of early educators who are valued, diverse, culturally competent, and competitively compensated. Labor is the largest cost driver for child care businesses and nonprofits, and given that parents across Michigan already find child care unaffordable, raising prices to offer improved compensation to child care teachers is not the solution.

The U.S. Department of Health and Human Services defines affordable child care as costing no more than 7% of a family's household income. In order for a Michigan family to spend no more than 7% of their income on child care while enrolling one infant in full time center-based care, the average annual cost of which is $13,620 (Source: CostofCare.org), their annual income would need to be $194,571. Michigan's median income is $68,505 (Source: U.S. Census Bureau).

Families seeking child care are often at the start of their careers and therefore earning a wage insufficient to pay for the cost of child care on their own. The majority of parents seeking child care have more than one child, including an infant, under age six. This is consistent with labor force participation trends, where 67% of Michigan families with children under five have all parents in the workforce.

Market intervention is needed through the long-term, sustained state investment of public resources to raise the total compensation of all child care teachers and child care directors. Public funding and a sustainable infrastructure of support for the child care industry, including easy access to no-cost capacity and quality building resources for child care homes and centers through cross-sector strategies, would ensure a stabilized, thriving marketplace of child care to support Michigan's economic development today and in the future.
MiLEAP will be investing $30 million through September of 2027, in an early childhood workforce project with the goal of recruiting, training, and retaining professionals in all early learning settings. Investments will focus on updating and promoting clear career pathways, a wage scale pilot, and connecting the pathways to the wage pilot.

Child care is a highly regulated industry by design, as the health and safety of infants, toddlers, and preschoolers who are uniquely vulnerable is its primary goal. Michigan's child care licensing rules are currently under revision, with changes identified to address some of the rules that have been identified as most burdensome, creating much needed flexibility, while still meeting health and safety requirements.

Ensuring that the state's child care leadership and policies reflect multi-sector expertise and experiences while elevating the voice of families, child care business owners, and communities will be essential to accelerating innovation in early care and education workforce compensation.

The Current State of the Child Care Industry in Michigan

While Michigan has made significant investments in child care in recent years—including the expansion of eligibility for Michigan's CDC scholarship program and the adoption of the Tri-Share program—many families, child care businesses, and child care nonprofits are still left behind by the state's current approach to funding this essential industry. As a result, Michigan's child care industry has the capacity to meet about 50% of the child care needs for working families, which leaves families, employers, and economic development organizations unable to realize their shared goal of full employment. Child care is one of the top three barriers preventing individuals and parents from entering and remaining in the workforce, alongside the need for education and skill training and challenges with transportation (Source: TalentFirst, Barriers to Employment, 2019).

Michigan's current child care workforce is not widely valued nor competitively compensated. Average wages are $14-$16 per hour for assistant and lead teachers (Source: Balancing the Scales, TalentFirst, 2023). Too many Michigan residents view early care and education as mere "babysitting", mistakenly perceiving it as a low-skill occupation. In reality, the field requires a high level of skill and judgment, deserving of competitive compensation that reflects the expertise and credentials necessary for success. This misperception perpetuates wage disparities and stifles industry growth, leading to significant unmet demand for child care services. As a result, the lack of a robust child care sector hinders economic vitality and workforce participation, limiting Michigan's potential for sustained growth.

The early care and education workforce in Michigan and the United States is composed almost entirely of women. In licensed child care settings in Michigan, the majority of the workforce, 60%, identifies as White, 30% as Black or African American, and 4% as Hispanic/Latino (Source: State of Michigan, Demographic and Wage Report, MiRegistry, August 2023). The early care and education workforce as a whole earns less than 97% of the other occupations in the United States (Source: The Early Childhood Workforce Index 2024, Center for the Study of Child Care Employment). Early educators' low wages result in poverty rates that are 5.7 times higher than those of elementary and middle school teachers. Specifically, around 13.1 percent of early educators earn below the federal poverty line, compared to only 2.3 percent of elementary and middle school teachers (Source: The Early Childhood Workforce Index 2024, Center for the Study of Child Care Employment). Nearly half of the child care workforce relies on public assistance, 86% make less than $15 per hour, and less than half receive employer sponsored benefits (Sources: NAEYC, 2022 and Characteristics of the Child Care Workforce, Bipartisan Policy Center, 2021). These distressing and widespread working conditions in child care are not supportive of growing the child care industry nor increasing the number of highly qualified early educators.

MiRegistry

MiRegistry is a statewide data system for early childhood and school age professionals, trainers, and organizations to verify and track employment, training and educational accomplishments.

With the lack of competitive wages and insufficient resources to fund employee access to benefits, Michigan's child care employers face steep challenges with recruiting and retaining highly skilled lead and assistant teachers. The constant churn of teachers creates additional financial burdens for child care employers who already operate on only 1 to 2% profit margins. Both child care employers and the child care industry, writ large, are challenged by the insufficient workforce and industry data with which to make strategic financing decisions, and a talent pipeline that needs to be expanded, aligned, and fully funded to realize a workforce sufficient for child care and PreK for All.

Michigan's child care industry is currently financed primarily through parent pay, unlike PreK for All or K-12. Available public funds are limited and primarily federal, provided to the state through the Child Care Development Block Grant (CCDBG). These federal funds are used predominantly to subsidize the child care expenses of eligible children and to improve the overall quality of child care programming. Michigan's Child Development and Care scholarship program is underutilized by eligible families, and not all child care providers choose to participate. The Scholarship doesn't cover the full cost of care for low-income working families, and remains challenging to access for both eligible families and child care providers, businesses, and nonprofits, despite recent efforts to raise awareness and reduce challenges to access. In recent years, changes have been made to better support child care providers by paying them based on a children's enrollment rather than their attendance and through the use of rates that are based on part and full time attendance rather than hours in care.

None of the current CCDBG-funded efforts in Michigan directly address the "families can't afford to pay, teachers can't afford to stay" problem at the heart of the child care workforce crisis. Additionally, when other public funds have been made available to the child care industry, for example, under Caring for MI Future, Michigan's federally funded American Rescue Plan Act (ARPA) funded child care supply building initiative from 2022-2024, the funding has been short-term and competitive, rather than long-term and industry-wide.

As was noted previously, the child care industry is also highly regulated in order to protect young children who are uniquely vulnerable and dependent upon adults to ensure their safety, health, and development. As such, Michigan has regulations, as do all states, that limit overall group size by age and the number of children any one adult can safely be expected to be responsible for during their time in child care. Michigan is currently revising its child care center and group family home rules to better balance child health and safety with child care business-friendly regulatory reforms.

Caring for MI Future

Caring for MI Future was a $100 million comprehensive, statewide effort to increase the number of licensed child care programs in Michigan which ended in September of 2024.

Promising Approaches from Other States

Michigan is not alone in struggling with an early childhood workforce crisis. To better understand how other states and communities are trying to understand what a more competitive and equitable wage is for their workforce, the Taskforce dug deeper into four other examples of states that have developed a salary scale and are deploying compensation strategies. The following sections outline the funding mechanism each state is using to address compensation and how their salary scale aligns with their strategy.

Minnesota: Great Start Compensation Support Program

The Great Start Compensation Support Payment program, established as a permanent initiative in May 2023, is designed to support Early Childhood Education (ECE) providers by offering higher compensation for staff who regularly care for children.

Payment amounts are determined by the number of full-time equivalent (FTE) staff employed and the hours they work, excluding paid time off. Providers are compensated $275 per month per FTE, defined as 32 hours of work per week. Licensed centers are required to use the funds to increase compensation, benefits, premium pay, or payroll taxes associated with compensation increases for staff. Licensed family child care providers, however, have more flexibility, allowing them to use the funds for a wider range of program-related expenses.

It is important to note that these funds are intended to cover allowable costs that are not already addressed by other support programs. They cannot be used for any expenses that have already been paid for with other public funds.

Minnesota is also in the process of test-driving a wage scale through the Pay Equity Pilot in four communities. At the same time, they are updating and bringing to life a draft wage scale and comparable competencies with recommendations from the Great Start for All MN Task Force Report. They will make recommendations via a report to the legislature in January.

Illinois: Smart Start Compensation Grants

After several years of testing and refining innovative funding strategies to address child care compensation and the overall fiscal health of programs, Illinois is using a funding-first strategy to provide foundational funding to programs. This classroom-level base funding moves away from a 'per-child' approach to create a more adequate and stable funding source for programs at the classroom level.

Illinois used two cost models to estimate the cost of care: with current wages, and with the wage floors set by its salary scales. Then, the state offers classroom-level grants to support the additional costs driven by the higher required wages. Programs that participate in the grant program are required to pay all teachers and assistants according to a wage floor. Programs that have already paid the wage floor are free to use the grant to raise wages further or to improve other program quality.

The Smart Start Compensation Grants only ensure setting a wage floor at the basic credential level, and Illinois recognizes there is more work to be done to raise wage floors for teachers with higher credentials. The state is working to expand the approach taken in its ExceleRate Pilot to layer additional funding for programs to raise wages even further for teachers who have attained higher credentials, based on the salary scale.

Washington D.C.: Early Childhood Educator Pay Equity Fund

In 2022, recognizing the urgent need for a stable and well-qualified workforce, the Washington, DC City Council established the Early Childhood Educator Pay Equity Fund to increase the compensation of child development staff. The Fund's goal is "to nurture a strong and stable child care market in which educators can rely on increased wages and programs can effectively plan their budgets." The Pay Equity Fund, which initially provided direct payments to individuals, now operates through agreements with child care programs. Participating programs receive formula-based funding and agree to pay wages in compliance with a minimum salary scale based on each staff person's position and qualifications. The amount granted to each program is based on a three-part funding formula.

First, base amounts are earned according to teacher and teacher assistant qualification levels (higher amounts for higher qualifications). Second, a fixed percentage is added as an "administrative enhancement" to cover additional payroll taxes and other costs. Finally, a variable percentage is added as an equity adjustment based on the percentage of enrolled children in the subsidy system. These financial supports are complemented by annual program observations to inform program improvement and help DC understand provider needs for support.

Maine: Early Childhood Educator Workforce Supplements

During the pandemic, Maine distributed pandemic-related funding based on licensed capacity, intending to stabilize programs. However, the state soon realized that the staffing crisis was limiting program viability, so it required programs to pass through $200 per month of grant funds to each staff member.

In preparation for the end of pandemic-related funding, Maine used its experience to design a new state-funded Early Childhood Educator Workforce Salary Supplement initiative. The initiative continues to provide non-competitive funding to all licensed child care programs (centers and family child care homes). Currently, 1,367 child care programs participate, with annual funding ranging from $3,300 to $7,500 per staff member, plus support for administration. Programs submit monthly billing online.

The State's professional registry's eight levels are grouped into three tiers, and salary supplements are based on these tiers: $275, $415, or $625 per month. The three tiers in the Salary Supplement Program informed the design of Maine's salary scale, which uses three tiers to tie compensation to the state's eight Career Lattice Levels. Using the results of their cost modeling study, Maine can understand how well these salary supplements are filling the gap between current salaries and target salaries.

Wage Pilot Evaluation Results

Introduction to the Pilot

A key component of this Project was a 9-month wage pilot. The purpose of the wage pilot was to determine whether increased compensation, based on the Pilot Scale in the Balancing the Scales report, could improve staff retention, satisfaction, and service quality. Due to the limited funding available for the pilot, the Pilot Scale was implemented at only two child care centers: Someplace Else Learning Factory in Detroit and Northern Explorers Child Development Center in Charlevoix.

Case Study: Experiences of Two Child Care Employers and their Teaching Staff

The wage pilot brought substantial positive change for both Someplace Else Learning Factory and Northern Explorers Child Development Center, positively influencing staffing, morale, and the quality of care.

Someplace Else Learning Factory (SELF):

This six-classroom Detroit-based child care business, founded in April 2019, faced ongoing challenges in hiring and retaining quality staff before participating in the pilot.

As a result of the pilot, Someplace Else Learning Factory was able to hire two lead teachers, increasing their enrollment capacity and service quality. Staff members reported enhanced job satisfaction and stability, as wage supplements made it possible to offer paid time off—a new benefit for the business. This financial boost also supported professional development; one assistant teacher earned her Child Development Associate (CDA) credential, while others were encouraged to pursue further education.

Table 1 below provides demographic and additional impact data from Someplace Else Learning Factory (SELF).

"[The Pilot] helped me to keep the staff and enroll more children. I was able to both bring qualified teachers into my center, and pay my staff what they deserved, showing them that what they are doing matters."

Business Owner, Someplace Else Learning Factory

Demographic Metrics	Baseline March 2024	Mid-Point July 2024	Final November 2024
Total Number of Eligible Teachers (Non-GSRP Teaching Staff)	9	11	8

Race/Ethnicity	Baseline March 2024	Mid-Point July 2024	Final November 2024
White	11.1%	9.1%	12.5%
Black or African American	88.9%	90.9%	87.5%

Gender	Baseline March 2024	Mid-Point July 2024	Final November 2024
Woman	77.8%	81.8%	75%
Man	22.2%	18.2%	25%

Age Range	Baseline March 2024	Mid-Point July 2024	Final November 2024
18-24	11.1%	9.0%	12.5%
25-34	22.2%	18.2%	12.5%
35-44	33.3%	54.6%	37.5%
45-54	0%	0%	0%
55-64	22.2%	18.2%	37.5%
65+	11.1%	0%	0%

Average Base Wage	Average Pilot Wage
$13.00	$27.08

Retention Rate	Teacher Turnover
88%	One teacher left to start a home-based child care business

Northern Explorers Child Development Center:

In Charlevoix, Northern Explorers, founded in 2018, faced similar workforce challenges. Thanks to the pilot, this five classroom child care business hired one lead teacher and two assistant teachers. Additionally one of the assistant teachers was promoted to lead teacher and one substitute teacher was promoted to assistant teacher. Teachers reported increased financial security and work-life balance due to wage supplements and health insurance stipends, which allowed them to focus more fully on their roles. As a result of the pilot, two teachers began their CDA coursework, one enrolled in a bachelor's degree program, and two others are now considering higher education, encouraged by the potential for state investment in compensation.

Table 2 below provides demographic and additional impact data from Northern Explorers Child Development Center.

"[The Pilot] definitely pushed me to finish my CDA. Without the pay increase, I probably would have had to find an additional means of income in order to afford childcare for my children. That additional job would have taken the time and energy I put into earning my CDA."

Teacher, Northern Explorers Child Development Center

Demographic Metrics	Baseline March 2024	Mid-Point July 2024	Final November 2024
Total Number of Teachers	8	9	10

Race/Ethnicity	Baseline March 2024	Mid-Point July 2024	Final November 2024
White	100%	100%	100%

Gender	Baseline March 2024	Mid-Point July 2024	Final November 2024
Woman	100%	100%	100%

Age Range	Baseline March 2024	Mid-Point July 2024	Final November 2024
18-24	25%	45.4%	40%
25-34	25%	22.2%	10%
35-44	25%	22.2%	30%
45-54	25%	22.2%	10%
55-64	0%	0%	10%

Average Base Wage	Average Pilot Wage
$13.95	$30.47

Retention Rate	Teacher Turnover
90%	One teacher left to move across the state for personal reasons related to family and housing. Of note, two teachers indicated on the final evaluation survey that they intend to leave at the completion of the pilot to pursue better compensation elsewhere.

In both businesses, over 90% of teaching staff indicated that the wage increase was a major factor in their decision to remain employed. High levels of satisfaction with wage increases and benefits, such as health insurance stipends and paid time off, bolstered their commitment to staying in the ECE field.

Overall Impact of the Wage Pilot

The wage pilot had positive impacts on teaching staff retention, satisfaction, and stability, with both centers reporting notable improvements. The majority of teaching staff at each child care business, representing a diverse workforce in terms of age, race, and educational background, cited the wage supplements as a primary reason for staying employed at the centers. The increased compensation not only improved teaching staff retention but also enabled professional development and career growth, with several educators planning to obtain additional credentials, from CDAs to bachelor's degrees. This commitment to career advancement underscores the pilot's success in creating a more stable, invested workforce.

ECIC provided ongoing technical assistance to both child care businesses throughout the pilot, helping both

"[The Pilot] helped me to keep the staff and enroll more children. I was able to both bring qualified teachers into my center, and pay my staff what they deserved, showing them that what they are doing matters."

Business Owner, Someplace Else Learning Factory

centers manage the administrative aspects of the wage supplements. By assisting with the completion and submission of monthly teaching staff rosters, wage supplement totaling, and other reporting requirements, ECIC minimized the administrative burden on business owners. This support allowed the centers to focus on improving operational effectiveness and workforce engagement, rather than navigating complex administrative tasks.

"Sometimes it's hard to make a decision... Do I do what I love, or work somewhere else that pays more? With the pilot that is one thing I haven't had to think about."

Teacher, Someplace Else Learning Factory

Recommendations

The following recommendations drawn on extensive data analysis of Michigan child care and economic data, the evaluation of the wage pilot, and the experiences of other states. The Taskforce members have informed and guided the preparation of these recommendations.

These recommendations must be implemented simultaneously, but will be realized over different time horizons. Implementation must be strategic, preparing Michigan to leverage and take advantage of funding opportunities as they arise.

Recommendation 1: Invest state funds to establish a fair and competitive compensation structure for the early care and education workforce.

A ***To design effective compensation strategies for Michigan's early care and education workforce, the state should use tools like Michigan's cost of care calculator, from the Comprehensive Fiscal Analysis report, and a model salary scale. These tools can help quantify the level of state investment needed to support fair and competitive pay. This data driven approach ensures that compensation strategies are appropriately tailored to address the actual costs and needs of providers, enhancing workforce stability and program sustainability.***

Michigan's Comprehensive Fiscal Analysis report calculated the cost of care using two wage conditions. The first was the current median wages of child care workers according to the Bureau of Labor Statistics. The second configuration calculated the cost of care using teacher wages based on the MIT Living wage to estimate the "true cost of care." If all ECE teachers receive a wage based on this living wage, the Michigan system would require $3.5 billion. This current estimate, however, does not consider the differentiation in wages that will occur based on individual provider credentials. Further, it does not allow the user to understand the cost difference in a program that, for example, only employs lead teachers with bachelor's degrees. The current estimate also does not differentiate based on regional wage differences; instead, it uses a statewide wage.

A salary scale can support a deeper cost analysis to understand the cost of care using wage targets set with K-12 parity and market competitiveness considerations. Further, a salary scale can build on existing cost estimate work by including wage differentiation across regions and in teacher credentials. This allows Michigan to understand potential differences in the cost of care in different regions or in programs that employ teachers with higher educational attainment. These types of analysis would be supported by a more comprehensive understanding of the workforce and its credentials. Data on the current ECE workforce is limited, given the current MiRegistry is voluntary. Data collection on workforce credentials can be bolstered by aligning this goal with Recommendation 3.f below.

B ***Establish a dedicated early childhood fund in the state budget, with identified revenue sources to support.***

The Comprehensive Fiscal Analysis report found that Michigan's early childhood system would require $3.5 billion to ensure a living wage for the early childhood workforce, funding all home visiting models and expand service capacity. However, CELFE's analysis suggests that investing approximately $200 million in wage supplements for early educators could stabilize the workforce by bringing their current wages to a level that better reflects their value. This targeted investment would have a significant impact by addressing immediate wage disparities and creating a foundation for long-term workforce stability.

Potential revenue sources for consideration include:

- Revenue from taxes on digital activities and data
- Temporary Assistance for Needy Families (TANF) Funds
- Increase in marijuana taxes
- Include as an eligible investment from the 21st Century Jobs Fund
- Broaden the overall tax base
- Tax on bottled water companies
- Increase the flow-through entity tax.

Recommendation 2: Continue the development of a comprehensive early care and education workforce strategy that establishes clear career pathways by aligning existing educational and training opportunities and funding. This will enable early educators to earn higher credentials, receive competitive compensation, and advance on the MiRegistry Career Pathway.

A ***By coordinating educational and training opportunities with financial support, Michigan can realize a sustainable early care and education career ladder, allowing individuals to progress from entry-level positions, like assistant teachers, to advanced roles like PreK for All teachers.***

Michigan's model salary scale will be based on the MiRegistry Career Pathway and will use educator credentials to assign levels within the model salary scale. As the educator's Career Pathway level rises, so do wages on the salary scale. Given Michigan's goal to both improve the quality of early childhood experiences for children in care while ensuring the child care workforce is adequately and equitably compensated, the state should invest in ECE workforce development strategies that create professional development pathways for and earn higher credentials and advance on the MiRegistry Career Pathway. Further, clear pathways to attain education and training will be critical to attracting new workers into all positions across the field of early childhood education.

Further consideration is recommended regarding how a model salary scale might intentionally be related to formal measures of program quality through Michigan's quality rating and improvement system known as Great Start to Quality.

The Think Babies Michigan Workforce Work Group provided the additional related workforce recommendations below in 2023. The Taskforce endorsed the inclusion of these recommendations in this report.

- The State of Michigan invests funds in alignment with the Comprehensive Fiscal Analysis report toward current professional development structures, including MiRegistry, Early On Training and Technical Assistance, and Infant Mental Health, to support the early childhood workforce by facilitating the expansion of programming and professional development opportunities.
- MiLEAP broadens the requirements for scholarship programs, such as the Teacher Education and Compensation Helps (T.E.A.C.H.) Early Childhood® Michigan Scholarship Program, to include students from the broader early childhood field to increase access to higher education and integrate the field across sectors.
- Higher education institutions provide flexibility in apprenticeship programs and with practicum requirements, while also offering students opportunities to gain entrepreneurial and business ownership skills, which are often necessary for career advancement, particularly in home visiting and child care.
- The Michigan Department of Education (MDE) expands the Future Proud MI Educator program to include the early childhood field.

Think Babies Michigan

Think Babies Michigan is a collaborative of more than 2,550 members — leaders, experts, families, organizations and providers — working together to improve the lives of babies prenatal to three years old.The Think Babies Michigan Workforce Work Group has published a plan to support a statewide, cross-sector infant-toddler workforce.

Recommendation 3: Develop the tools Michigan needs to invest in the early care and education workforce efficiently and equitably.

A

Engage child care directors, child care business owners, and the larger ECE workforce in developing a model salary scale and any initiatives designed to address compensation.

While data analysis is the first step to identifying salary scale targets, child care employers and business owners must also be further engaged in developing a model salary scale. ECE business owners and administrators will implement the scale and have the lived experience to determine which factors are most important. Additionally, they provide important insights on scale implementability and can share how the scale structure does or does not align with current practice.

Likewise, ECE teachers should be engaged to ensure the scale is clear and understandable. In addition to being an essential tool for stabilizing the workforce and recruiting and retaining staff, a well-designed salary scale can serve as an incentive for the workforce to attain higher credentials. To be most effective, Michigan must gather teacher feedback to understand if the wages laid out in the scale would indeed motivate current workers to obtain higher credentials. For example, stakeholder engagement should explore what wage would be high enough to incent a teacher to gain a CDA or a bachelor's degree. Finally, a well-designed and structured scale serves as a powerful tool for the recruitment of new people into the early childhood workforce.

B ***Given the unique nature of home-based child care providers' business models and practices, develop a separate and unique salary scale for that sector of the overall child care infrastructure/workforce.***

The Pilot Scale recommended in the Balancing the Scales report was agnostic to setting and did not differentiate between home-based child care, centers, Head Start programs, and school-based settings. However, the characteristics of home-based providers, such as operating as a sole proprietor, require an intentional funding design that differs from that of a child care center. By combining all settings into the same salary scale, the scale will not accurately represent the structure differences by setting and will confuse both state implementation and provider understanding of the scale.

The role of home-based child care providers is unique. They provide direct care to children while balancing the responsibilities of teacher, business manager, and cook. So, while the number of children cared for may be far fewer than a center, the responsibilities held by the business owner/provider are significant. Therefore, it is perhaps more appropriate to consider compensation in terms of annual salary rather than an hourly wage. Stakeholder engagement will need to be conducted to identify the appropriate target salary for a home-based child care provider.

Additionally, the unique structure of home-based child care necessitates that Michigan differentiate the mechanism by which it improves home-based child care compensation compensation. Home-based child care owners/operators do not typically pay themselves a traditional "wage" and instead take the profit from their small business as a 'proxy salary,' often resulting in a sub-minimum wage. Therefore, initiatives to raise home-based child care compensation must raise the potential profit of these child care businesses to ultimately increase their compensation. Cost modeling is essential for understanding what revenue would be necessary for home-based providers to reach target salaries in the salary scale (see Recommendation 1).

C ***Simplify the Pilot Scale and better align it with Michigan's ECE system, including the MiRegistry Career Pathway.***

A simplified salary scale benefits Michigan's providers, workforce, and state ECE system administrators. From the state's perspective, a simplified scale is easier to design, keep updated, and administer for a diverse workforce. A simplified scale also benefits providers by improving transparency, as it enables the workforce to more easily understand where they can expect to fall on the scale and how that compensation target was set. For ease of understanding and alignment with Michigan's broader system goals, the adopted salary scale should also align with the MiRegistry Career Pathway and data system.

Importantly, the scale should set a wage for BA level classroom ECE teachers with BA level K-12 teachers. This is an important scale element as it ensures wages for teachers in ECE programs are equitable to those in the K-12 system and allows the scale to be implemented in Head Start programs who must set a plan in place to K-12 wage parity by 2031 in compliance with the Supporting the Head Start Workforce and Consistent Quality Programming rule. A complete list of recommendations for simplifying the Pilot Scale and better aligning it with the MiRegistry Career Pathway is in Appendix A of this report.

D ***Align any model salary scale to the state's larger financing strategy for early care and education.***

According to MiRegistry wage data and Bureau of Labor Statistics wage data for occupations in other industries, there is significant variation in both ECE and competing industry wages, perhaps as much as 15% to 20%. This supports Michigan considering geography as it develops a model wage scale to ensure it can effectively design a compensation strategy that recognizes the wage that is adequate to retain and attract the workforce in a geographic area.

Given that other parts of Michigan's early childhood system have adopted a statewide approach, a wage scale that considers geographic differences in labor costs might be an effective tool. A salary scale can bolster compensation investments in regions where the cost of living is higher or where wages in competing industries (hospitality, retail, education) are higher.

Michigan's new minimum wage requirements further complicate the question of regionalization. Based on experiences from other states, we can expect to see less wage variation across the state, perhaps making a statewide scale more viable. For these reasons, Michigan should carefully consider its compensation investment strategies with all other funding design and state policy changes.

Alternatively, many states currently implementing salary scales have adopted a statewide approach. For Michigan, using a statewide scale would align with the existing statewide funding approach for both the Child Development and Care scholarship program and the Great Start to Readiness Program (GSRP).

E ***Use the findings from this Project to inform the design of Michigan's early care and education compensation funding strategy, including future wage pilots and projects funded through Section 388.1632V of the State School Aid Act.***

As Michigan develops its ECE funding strategy, workforce compensation support will be an essential part of bolstering a high-quality, affordable, and accessible system for children. Using the results from the Wage Pilot, along with recommendations in this Report, the state should have the information needed to develop a scale that is implementable, both from the state and provider perspectives, while supporting a system that recruits and retains high-quality staff.

Importantly, the state should consider how different funding mechanisms can be deployed to improve compensation, as highlighted in this Report. States across the country are using a variety of funding approaches, including contracts, grants, or wage supplements, to target workforce compensation. Cost modeling and current wage data can be used to inform an approach - like in Maine and Washington DC, where they identify a flat "per teacher" stipend that is the same across the state, or the state could pay the actual difference between what a teacher's current wage and target wage is as it did in the Wage Pilot featured in this Report. Regardless of approach, broad workforce data, such as current wages and the number of teachers by position and career lattice level, will be needed to understand the actual fiscal impact of the scale at full implementation.

Finally, as was noted previously, the state needs to account for the unique nature of home-based child care businesses when determining how to best raise compensation for family child care providers.

F ***Align compensation strategies to collect better ECE workforce compensation data and increase ECE workforce involvement in MiRegistry.***

Robust wage and education data is an important tool to help inform future investments and measure impact. According to the National Workforce Registry Alliance, registries are information systems for the ECE workforce that:

- Promote professional growth and development
- Capture data about early childhood and afterschool practitioners in a variety of roles
- Are based on state career-level systems that provide a framework for professional development
- Place individuals on a career level based on verified educational information
- Recognize and honor professional achievements of the early childhood and afterschool workforce
- Inform policymakers and partners.

Robust registry data is an essential tool in many of Michigan's early childhood system goals and is a baseline for the state to track progress toward these goals. For example, a registry can track retention rates in the field or whether the workforce is experiencing professional growth and development.

Given the voluntary nature of Michigan's workforce registry, there are concerns about reporting bias in a voluntary registry, which can have important implications in capturing an accurate analysis of the workforce. For example, suppose teachers with higher education and/or training are more likely to participate in the registry. In that case, the registry will suggest that the workforce as a whole has more education and training and thus would need higher wages, thus necessitating a more significant investment.

To bolster the strength of MiRegistry, Michigan could require providers to participate in the registry if they want to receive public funding for compensation support. States that have included these requirements in the design of their compensation investment strategy have seen a significant jump in their registry participation because of the financial incentive, such as the state of Maine, which saw a 36% jump in registry participation as a result of its ECE Workforce Salary Supplement Program.

G ***Explore additional compensation strategies beyond wages, such as benefits.***

Wages are just one part of competitive compensation. Currently, employer-sponsored benefits are not standard in early childhood programs, resulting in great inequity between ECE teachers and the K-12 system. For example, one in six early educators lack insurance, compared to one in ten workers nationally and one in twenty-five K-12 teachers (Source: NAEYC, 2024). This lack of benefits contributes to poorer health and well-being and can contribute to teaching staff turnover. To truly be competitive with other industries and to have equitable compensation, particularly with the K-12 system, Michigan must explore and implement strategies to facilitate and fund benefits for the ECE workforce.

These benefits can include traditional benefits as are offered by other industries, such as health insurance, retirement, and paid leave, or more nontraditional benefits that reduce the early educator's cost burden, such as categorical eligibility for state child care subsidy or affordable housing initiatives.

Investment in benefits for the ECE workforce is an opportunity for incremental investments. In some cases, states are leveraging available federal or state programs, such as supporting participation in the Affordable Care Act Marketplace. Michigan can look to states innovating with investment in ECE workforce benefits, such as DC's subsidization of healthcare deductibles or Maine's pilot to waive child care subsidy copays for ECE teachers.

Next Steps

Moving these recommendations to action will require bold actions by multi-sector partners, as we strive to bring competitive compensation resources to the child care industry in Michigan. One key to success will be the successful leveraging of multi-sector funding resources beyond the federal Child Care Development Block Grant.

Competitive compensation resources truly are the "missing piece of the puzzle" in Michigan's early care and education investments, and are key to strengthening and improving the state's child care infrastructure. Affordable, accessible and high quality child care is a key strategy in meeting Michigan's economic goals and advancing the economic mobility of Michigan families.

We invite you to join us and follow our progress here.

Appendix A- Recommendations for Revising the Wage Pilot Salary Scale

Over four months, the Center for Early Learning Funding Equity (CELFE) completed extensive data analysis of wage data in other industries and teacher credentialing trends in the MiRegistry database to understand if the current scale best accomplishes Michigan's workforce recruitment and retention goals and improves system quality. Based on this analysis, we make a series of recommendations for adaptations to the scale.

Simplify the Wage Pilot's Scale's Scope by Better Aligning It to the Michigan ECE System

Simplify the scale to just two instructional positions: lead teacher and assistant teacher and decrease the differential between positions to no more than 15%.

- We do not expect meaningful differences in job roles or responsibilities between aides and assistants that would call for a wage difference between the two (assuming two teachers with the same career pathway levels).
- The function of a floater or substitute is to manage gaps in staffing that occur through absences, vacations, or an over-8-hour day in full-day programs. We recommend the scale doesn't differentiate a floater or substitute wage from an assistant teacher wage since we don't expect the core responsibilities of these types of staff to differ. Instead, the floater or sub should be paid according to the role they are primarily meant to fill in the classroom.
- We recommend using licensing requirements and MiRegistry wage data to identify the wage differential between lead and assistant teachers, which is currently 10-15% in the field.

Simplify the scale to no more than five geographic regions.

- For simplicity and to increase geographical equity, the scale should only include as many regions as are required to reflect different regional economies in Michigan.
- Analysis of the MIT Living Wage, wages in low barrier-to-entry industries, and median county income supports the combination of several economic development regions, resulting in no more than five salary scale regions.

Eliminate the 10% wage differential between infant/toddler and preschool teachers.

- While caring for an infant requires more attention than a preschooler, we believe that this additional intensity is reflected in the licensing rules set by the state of Michigan. This reduction in workload is sufficient to address the intensity of infant care, and a further wage supplement for infant/toddler teachers is not necessary.

Add program leadership to the scale.

- Qualified and fairly compensated directors are important drivers of program quality, and including them on the wage scale would allow Michigan to include them in compensation initiatives driven by the scale. Further, a scale that does not include directors could drive within-program inequity, as it might result in teachers receiving higher pay than directors.

Eliminate longevity steps.

- A scale with longevity steps is very difficult to administer from both the state and the provider's perspective. As in other industries, we expect to see a range of wages (15%-20%) based on years of experience and other factors not accounted for on a scale. Therefore, we recommend using the scale as a wage floor for each level, recognizing that wages may sometimes be higher.

Create a new scale for home-based providers to address the complexity of the home-based business models.

- The current scale is agnostic to the setting and intended to apply to home-based child care. However, due to the unique business model of these home-based businesses, a salary scale should differentiate at least for the family child care owner, whose job entails both teaching and business administration.
- The home-based child care business owner does not have a direct counterpart in a center; they have unique responsibilities and skills ranging from a director to a classroom teacher. They provide direct care for children and have administrative and managerial responsibilities that also often include shopping, bookkeeping, and maintenance. However, these responsibilities are not on the scale of a center-based director, as they run a much smaller business than the typical center director. We recommend that the home-based child care community be engaged to identify the target compensation for a home-based child care business owner.
- Because home-based child care programs do not have ages separated by classrooms and instead have 1-2 adults for mixed-age groups of children, there are no "infant/toddler" or "preschool" assistant teachers in family child care, and the pilot scale would be impossible to implement in a home-based business.

Tie Wages to Qualifications Using Economic Data

Use K-12 parity to establish the base wage for a BA-level lead teacher, rather than a CDA-level lead teacher.

- Because we need to ensure we are 'comparing apples to apples,' it is necessary to consider educational attainment and credentials between schools and child care programs. K-12 teachers hold a bachelor's degree, so their equivalent in community-based child care providers are teachers with at least a P3 Lead Teacher credential on the MiRegistry Career Pathway.

Correct for variation in K-12 salaries that do not represent the regions' broader economies.

- Local school district teacher salaries vary based on local property taxes and union negotiations. The analysis of K-12 wages highlighted great variation across the five regions, which suggests that across Michigan, K-12 teacher wages may be more driven by K-12 funding variation than by the cost of living and the overall labor market.
- To protect against replicating potential inequity in the K-12 funding system, CELFE recommends correcting for this variation when identifying K-12 parity across regions, such as basing differences between regions on the cost of living.

Use wages of other low barrier-to-entry industries to set a wage floor for all entry-level teachers.

- To better align the scale with Michigan's economy, we recommend setting two anchor wages—one at the top and one at the bottom of the scale. The middle layers would be filled in accordingly, ensuring wages don't fall below or exceed these anchors.This approach establishes a wage "floor" and uses K-12 parity to determine the wage at the top of the scale.
- National research has identified that when the majority of ECE workers leave the child care sector, they move into other low-wage and low-barrier-to-entry occupations, such as cashiers, retail salespeople, waitstaff, maids and housekeepers, personal and home care aides, and customer service representatives.[1] For this reason, we analyzed low-barrier-to-entry work median wages to understand what wage would be competitive enough to retain and retract ECE employees.
- Using the low-barrier-to-entry wage allows the scale ample room for raises as teachers move up the scale, supporting system quality. It also ensures that entry-level teacher wages are competitive with other industries where child care providers compete for workers.

Do not include professional levels 4 and 5 for lead teachers or professional level 3 for assistant teachers

- The MiRegistry Career pathway does not recommend that P4 or P5 level professionals hold classroom teacher positions. These professionals, who hold at least a master's degree, are instead recommended for roles such as quality improvement and licensing consultants, research and policy, and higher education faculty. For this reason, we don't recommend including a P4 or P5 level on the current scale, as the scale is meant for classroom teachers only.

Identify a plan to keep the scale current with changes in Michigan's economy, such as minimum wage increases and inflation.

- Analysis of K-12 wages and low barrier-to-entry work wages should be completed at least every 3-5 years to ensure the scale remains competitive with these industries. In years when the analysis is not completed, the scale should be adjusted by cost of living, using CPI or another inflation index.
- In addition, any increase in the minimum wage should be reflected at each level of the scale. For example, if the minimum wage rises by $1, the wage for every position at every credential level could be raised by $1.

[1] Butcher, Kristin, Elizabeth Kepner, Kelli Marquardt, and Brianna Smith. "The Labor Market for Childcare Workers." Chicago Fed Insights, Federal Reserve Bank of Chicago, June 2024, https://www.chicagofed.org/publications/chicago-fed-insights/2024/childcare-labor-market. Accessed 26 June 2024.