What Factors Influence Wages and Benefits in Early Learning and Child Care Settings?

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Introduction

A large body of Canadian and international research demonstrates a strong correlation between the compensation of early learning and child care staff and the quality of services delivered. Attracting and retaining skilled and well-trained staff is critical for two reasons:

- High quality child care helps ensure positive outcomes for children.
- Consistently provided quality child care allows parents to participate in Canada's labour force and contribute to the overall Canadian economy.

In spite of the important contribution early learning and child care staff make to society, wages in the sector remain among the lowest of all workers. According to the Child Care Human Resources Sector Council Labour Market Update Study, *Working for Change: Canada's Child Care Workforce*, the income of early childhood educators and assistants is about half the average of all occupations, sometimes considerably less:

- Average earned income in 2000 was $19,194 for all early childhood educators and assistants working full-time.
- Average earned income in 2000 was $21,519 for those who worked outside their home, most likely in child care centres [1].

Those who work in early childhood education and care do not, on the whole, receive more generous benefits to help compensate for low wages. The *You Bet I Care!*, [2] study shows that:

- 74% of full-time staff persons are entitled to paid sick days averaging 7.6 days per year.
- 58% have extended health benefits.
- 39% have short-term disability benefits.
- 8% have long-term disability benefits.
- 25% receive some type of retirement benefit or belong to a pension plan.
- Just 6% of assistants and 16% of early childhood educators have their EI maternity benefits topped up.

THE CHILD CARE WORKFORCE

In 2001, there were:

> 137,000 early childhood educators and assistants (ECE/As) in the broader regulated and unregulated child care sector:

- 93,000 worked outside the home in a variety of settings including nursery schools and child care centres.
- 44,000 worked at home [3].

> More than 96% of ECE/As are women.

[1] Note that the 2001 census data used to tabulate these earnings included income from all types of work, including outside of regulated child care

[2] Doherty, G., Lero, D. S., Goelman, H., LaGrange, A. & Tougas, J. (2000). *You Bet I Care! A Canada-wide Study On: Wages, Working Conditions, and Practices in Child Care Centres.* Guelph, ON: Centre for Families, Work and Well-Being, University of Guelph.

[3] 2001 census

The variables that determine compensation levels

No single factor can explain the low compensation levels in the early learning and child care sector. Instead, the reasons stem from a complex relationship between four variables that—depending on the jurisdiction and particular circumstances—combine to influence compensation:

- **Revenue** (parent fees, subsidies, and operating/recurring government grants)
- **Employment and labour issues**
- **System design**
- **Public policy**

This paper examines these variables and their impact on the compensation of early childhood educators and assistants working in programs licensed by provincial or territorial governments, including child care centres, preschools, and family day homes serving children aged 0 - 12.

VARIABLE 1: REVENUE AND WAGES

Early learning and child care programs usually generate their revenue from a variety of sources, including ***parent fees; government subsidies*** to help eligible parents pay these fees; ***government grants***; or ***in-kind services*** such as free or reduced rent, endowments, business loans and fundraising.

Parent fees and government subsidies

Since a large portion of program revenue comes from parent fees, affordability drives wage levels more than skill and training, or the value of the work. Centres collect program fees directly from parents, or from government in the form of subsidies paid on behalf of eligible families. Since most subsidized parents are required to pay any difference between the full fee and their government subsidy, programs try to keep fees at, or close to, subsidy levels to make services affordable. As a result, early childhood educators often subsidize the true cost of quality child care through low wages and minimal benefits.

Government grants

Government grants can generally be broken down as:

- one-time grants for capital, start-up, or equipment costs; or
- recurring or "operating" grants, such as funding for wages or program operation, supporting children with special needs, or for other targeted funds.

All provinces/territories now provide some form of direct operating funding to programs (or to staff).[5] Unlike subsidies paid on behalf of individual families and linked to parent fees, operating grants provide funds directly to the centre usually benefitting on *all* children who attend. Operating grants are generally calculated on a per space formula. Higher operating grants are able to keep the cost to parents at a reasonable level while providing revenue to the centre to address wages, program enhancements, and manage factors such as energy costs and emergency repairs. Grants ensure a level of stability to programs that parent fees alone cannot provide. Table One indicates the average revenue generated by parent fees and current levels of operating grants across Canada.

How much is needed

Wages are the biggest part of a programs' budget, estimated by *You Bet I Care!* to account for 80% of all recurring expenses. ELCC programs in most provinces/territories confirm what the figures in Tables One and Two show: that the current levels of parent fees, government fee subsidies, and operating funding do not provide enough revenue to pay staff adequate salaries. For the most part, none produce sufficient revenue to provide for the lower wage in Table One (see page 4) of $26,000 per year, and, not surprisingly, none have average parent fees that would be high enough to support an annual salary of $35,000.

Cleveland and Krashinsky (2004) prepared calculations (Table One) of the revenue required per space in centre-based care using two compensation levels:

- "Lower" level wages with early childhood educators earning an average annual salary of $26,000 and assistants $18,000, and
- "Higher" level wages, with early childhood educators earning $35,000 and assistants $24,000.[6]

4 Estimated by *You Bet I Care!*

5 For a provincial and territorial breakdown of direct operating funding, see Appendix A

6 Calculated by Cleveland and Krashinsky in *Financing Early Learning and Child Care in Canada*, a discussion paper presented at Child Care for a Change conference in Winnipeg 2004. Estimates assume one director for every 50 children (not included in the staff-child ratio), 75% of staff are early childhood educators and 25% are assistants, rent or depreciation and non-teaching operating costs add 20% to total costs, and centres are open 10 hours a day, 260 days a year.

Table 1: Estimated annual (monthly) cost of centre-based ELCC space by wage level

Staff: child ratio	Annual (monthly) cost with lower wages (ECE, $26,000)	Annual (monthly) cost with higher wages (ECE $35,000)
1:3* *The usual staff to child ratio for an infant	$15,200 ($1,267)	$20,700 ($1,725)
1:8** **The usual staff to child care ratio for pre-school age child	$6,200 ($516.67)	$8,600 ($716.67)

Table 2: Estimated average revenue per space per month

Province/Territory	**Column A:** average monthly parent fee for a 3 yr old 2003/04 (unless otherwise noted)	**Column B:** recurring government funding per regulated space per month 2003/04 (excludes subsidies and one-time funding)[7]	**Column C:** total average revenue per space per month for a 3 yr old (Column A + B)
Newfoundland and Labrador	$455	$53.25	$508.25
Prince Edward Island	$428	$24.90	$452.90
Nova Scotia	$497	$66.00	$563.00
New Brunswick	$425	$53.23	$478.23
Quebec	$154 (maximum)	$399.41/$550.32[8]	$553.41/$704.32
Ontario	$541 (1998)	$73.32/$91.65[9]	$632.65
Manitoba	$376 (maximum)	$125	$501.00
Saskatchewan	$409	$92.82	$501.82
Alberta	$532	$15.98/$21.98[10]	$553.89
British Columbia	$494 (2001)	$87.48	$581.48
Yukon	$514	$137.75	$651.75
Northwest Territories	$600 (2001)	$102.54	$702.54
Nunavut	$578	$115.96	$693.96

7 The total recurring public funding per space (Column B) is a crude estimate since in some provinces not all programs receive funding. In others, funding varies by age of the child or the education levels of staff. However, if all the recurring funding was allocated equally across all spaces, the grant revenue plus the parent fee would provide the approximate revenue per centre space.

8 The first figure in the Quebec estimates includes the funding from both the Ministère de l'Emploi, de la Solidarité Sociale et de la Famille (MESSF), for CPEs and garderies, and the Ministry of Education, for school age care. The second estimate includes only the funding from MESSF for CPEs and garderies.

9 The first figure in the Ontario estimates is the provincial allocation only, the second figure includes an estimated 20% of costs paid by the local delivery agents (local governments).

10 The first figure in the Alberta estimates is an average of recurring funding over all regulated spaces; the second excludes school age spaces as they receive no provincial funding or subsidies.

VARIABLE 2: WAGES AND EMPLOYMENT / LABOUR ISSUES

Lack of employment standards and gender issues

Until the advent of human rights legislation in the 1970s, provincial labour standards differentiated between the sexes, and employers openly segregated men's and women's jobs and paid women less [11]. While inequities are not as overt today, legislated minimum wage levels in every jurisdiction contribute to a low wage labour market that particularly affects the child care workforce. Canadian economists estimate that 20 to 30 percent of the overall gap between men and women's earnings reflects attitudes toward women and the jobs they have traditionally held [12]. As previously noted, 96 per cent of all early childhood educators and assistants are women who perform work that is traditionally viewed as women's responsibility, regardless of their labour force status.

The 2001 census showed that 1,482,000 full-year, full-time workers earned minimum wage or less than $20,000 annually in Canada. Over half (about 54%) were women. Among these female low earners, the fastest growth among occupational categories occurred in early childhood educators and assistants. [13]

Unionization

Unionized women earn 90% of what unionized men make. Non-unionized women earn 77% of their male unorganized counterparts. [14] In the child care sector:

- Unionized child care staff earn 8.3% higher than their non-union counterparts. [15]
- Unionized child care settings are more likely to provide benefits such as supplementary health care, life insurance, employer top-up on maternity and parental and other benefits. [16]

As Table Three shows, close to 23% of the regulated child care workforce belongs to unions (31,500 [17] out of an estimated total of 137,000 [18]). This compares to a 30% overall unionization rate for women, and public sector unionization for both sexes averaging 61.4%.[19] Quebec has the largest percentage of unionized child care workers and this union density rate has helped deliver a province-wide wage scale with consistent increases and a provincial pension plan. Pay equity adjustments have been negotiated for school-age child care staff and staff working for Centres de la petite enfance (CPEs). In Ontario, municipally-operated programs are highly unionized.[20] Their comparatively higher wages and benefits have become the benchmark for compensation in the community programs.

Table 3 : Unionized rates in regulated child care settings compared to the overall workforce

Sectors	% of sector unionized
All sectors – both sexes	30.6
All sectors – men	30.4
All sectors – women	30.8
Public services – both sexes	61.4
Commercial services– both sexes	20.0
Female-dominated sectors	43.0
Child care	**22.9**

11 Canadian Human Rights Commission , Time for Action: Special Report to Parliament on Pay Equity – *Equal Pay for Work of Equal Value: Employers' guide*.

12 Canadian Human Rights Commission (1997), *Time for Action: Special Report to Parliament on Pay Equity*. Author.

13 *Statistics Canada. Earnings of Canadians: Making a living in the new economy* http://www12.statcan.ca/english/census01/Products/Analytic/companion/earn/canada.cfm.

14 Canadian Research Institute for The Advancement of Women. (2005) *Women and Poverty, Fact Sheet* available on line at http://www.criaw-icref.ca/indexFrame_e.htm

15 Doherty, G., Forer, B. (2002) *Unionization and Quality in Early Childhood Programs*. Canadian Union of Public Employees.

16 Doherty and Forer, *Unionization and Quality in Early Childhood Programs*.

17 *Working for Change* p. 87

18 *Working for Change*. p. 12

19 Perspectives on Labour and Income, Summer 2005. pp. 30, 31

20 Doherty and Forer, *Unionization and Quality in Early Childhood Programs*.

VARIABLE 3: WAGES AND SYSTEM DESIGN

Socio-economic status of parents

The ability of parents to pay fees influences wages and benefits in a market environment. Because potential child care service users are often younger adults at the lower end of their earning potential, the amount they can afford to pay for programs is limited. This in turns affects the funds programs have available to pay wages.

Impact of the unregulated child care market

An estimated 270,000 family and in-home caregivers provide early learning and care services in Canada[21]. Of those, only about 29,692[22] are regulated. The unregulated sector reduces the demand for regulated spaces by providing an alternative source of care for moderate income families who are ineligible for a fee subsidy yet are unable to pay the fees charged by regulated programs. Aside from the inability to verify quality care levels, or the training and skills of care-givers in the unregulated sector, its lower fees act as a downward pressure on wages in regulated child care.

Auspice-who owns and operates child care

YBIC! found that non-profit centres had consistently higher levels of staff wages compared to commercial centres. In further analysis of YBIC! data, Cleveland and Krashinsky[23] found a $1.41/hour advantage for staff in non-profit programs even when all other factors (public funding levels, education, employment length, etc.) were held constant.[24] They attribute the gap to structural differences between profit and non-profit programs.

Unique barriers for family child care providers

The work of family child care providers combines managing a small business with educating children and supporting families. Regulated caregivers are responsible for food, equipment, and supplies for their program and are required to maintain their residences in compliance with provincial or territorial regulations.

Working full-time/full-year, family child care providers gross $15,600 annually for an average 48-hour week. Care-related expenses – food, supplies, equipment, and overhead – consume 44% of earnings, leaving $8,400 in net income before taxes.[25]

The piecework nature of family day care affects earnings – income can only increase if the family child care provider minimizes operating expenses, which often means that quality care is compromised.

In spite of a number of court challenges in Ontario, Alberta and Quebec, family child care providers are classified as self-employed or independent contractors, making them unable to use labour and employment laws to improve compensation. Without employee status, these providers are not able to take advantage of the achievements made by their counterparts working in centre-based programs and have access to few work benefits.[26]

Few variables under the control of the family child care care provider have a positive influence on earnings. Post-secondary education has a slightly positive effect. Regulation brings marginally higher earnings because some provinces allow licensed providers to care for more children. It also expands the market of users since in most jurisdictions, fee subsidies must be used in regulated programs.

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21 *Working for Change*, 2004

22 Calculations by authors from Friendly, M., Beach, J. (2005) *Early childhood education and care in Canada 2004*. Table 9. Toronto:ON. Childcare Resource and Research Unit. University of Toronto. Based on the number of regulated family day care spaces at 133,615 divided by 4.5 spaces per caregiver.

23 Cleveland, G., Krashinsky, M. (Dec. 2004) *The Quality Gap, A study of nonprofit and commercial child care centres in Canada*. Division of Management, University of Toronto at Scarborough.

24 Cleveland, G., Krashinsky, M. (July, 2004) *The Non-profit advantage: Producing quality in thick and thin child care markets.* Department of Management, University of Toronto.

25 Cox, R. (2005) *Making Family Child Care Work: Strategies for improving the working conditions of family child care providers*: Status of Women Canada. Retrieved from http://www.swc-cfc.gc.ca/pubs/pubspr/0662381041/200501_0662381041_e.pdf January 25, 2007.

26 Surveys report that only 2% have extended health benefits, pension plans, or sick leave; 4% have disability insurance; 43% have group liability insurance; and 7% have paid vacation leave. In their ongoing efforts to avoid employer responsibilities, agencies are even more reluctant to extend benefit coverage to their providers.

Affiliation with an agency can afford caregivers a greater degree of income stability. However, in Canada, only two jurisdictions set parent fees. In the other provinces and territories, child care policy establishes a maximum daily fee for subsidy, which defines how much fee subsidy will be paid on behalf of the parents for whom care is purchased. This effectively sets the market price for all child care, including family day care. Providers are left with little flexibility to charge fees outside the going rate in their community. While subsidy payments vary across jurisdictions, even the most generous do not cover the actual cost of care.

In addition, unionization has not occurred in significant numbers and as a result has produced minimal gains. However, in some cases work procedures have improved and benefit coverage has expanded. For example, union intervention resulted in an Ontario Workers' Compensation Tribunal ordering compensation for an injured caregiver. Eventually, the agency extended coverage to all its providers.[27]

VARIABLE 4: WAGES AND PUBLIC POLICY

The public policy decisions of the federal, provincial and territorial governments determine whether early learning and child care services will be developed in a coherent manner using a "system" approach, or in an ad hoc, market-based way. Policy decisions also have an impact on levels and priorities of child care funding.

Very few jurisdictions consider early learning and child care a "system". As a result, access to regulated spaces tends to increase and decrease based on the interest and ability of the community or private interests to establish new spaces or expand existing services. As well, budgets for subsidies and/or operating grants are generally not allocated based on a specific amount of funding per space, which often results in a decrease in funding per space, even though the global budget for such programs may have increased. Quebec and Manitoba have introduced funding programs for early learning and child care that take a system approach. In both cases, government has set a maximum parent fee and developed mechanisms to calculate and provide the operating funds needed to support the delivery of a quality early learning and child care program, including the ability to pay wages at a determined level.

Many governments are reluctant to enhance their funding and regulatory role in the child care sector. This is in part due to broader public policy debates, such as the value of universal versus targeted programs, or the government's role in the regulation/deregulation of the private sector. Other reasons include:

- Increased "system" funding might be seen as allocating funds to spaces for families who are not "in need".
- Support for universal programs could be seen as competing with the needs of specific populations, like children with autism or children living in poverty.
- Improving subsidy rates might drive up the cost of child care for full fee paying parents.
- The cost to "fix" early learning and child care is unknown and assumed to be high.
- Quebec's experience with high costs has made other provincial/territorial governments wary of "creating" high demand for child care.
- By imposing wage scales or wage subsidies, governments fear they may become employers, with related responsibilities and liabilities.

[27] Making Family Child Care Work. The 1996 ruling resulted in MacAulay extending workers compensation coverage to all its providers.

CONCLUSIONS

Low wages and few benefits among ECE/As are not unique to Canada. The Organisation for Economic Co-operation and Development (2001) highlighted the problem in *Starting Strong: Early Childhood Education and Care, the report of the first Thematic Review of Early Childhood Education and Care Policy*. It notes that those working with the youngest children have the lowest pay, poorest working conditions, and little access to in-service training. In Australia, the United States, and the United Kingdom, all of which are countries with a market approach similar to Canada's, many in the ELCC workforce do not receive benefits.

As noted above, the factors responsible for low wages and benefits in the early learning and child care sector are complex. What appears to be a pattern in one jurisdiction does not have the same impact in another. Research suggests that the causes are multiple; are related to broader employment issues; patterns and trends in any one area; and at times, are unique to a province/territory or region. Real improvements will require the concerted efforts of key players, including employers, unions, governments, and early learning and child care organizations.

The opinions and interpretations in this publication are those of the author and do not necessarily reflect those of the Government of Canada.

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Appendix A: Types and conditions of operating funding in provinces/territories in 2004 [28]

Jurisdiction	Types of operating funding	Comments
Newfoundland and Labrador	Educational supplement paid quarterly directly to individual staff persons: $2,080/year for those with a one-year certificate and $4,160/year for those with a two-year diploma.	Phased in beginning in 2001/02 under the Early Childhood Development Initiative.
Prince Edward Island	$0.91/day/space for eligible full-day centres	50-80% must be allocated to wages. Fund frozen in 1992. Approximately half the centres now receive it.
Nova Scotia	Child Care Stabilization grant paid to centres of $4,000/year/trained staff person and $1,000/year/untrained staff person.	Grant implemented in 2004. At least 80% must be spent on wages and up to 20% on benefits and professional development. All full-day centres eligible.
New Brunswick	Quality Improvement Funding Support paid to all eligible centres in quarterly installments. Funding formula based on number of spaces, hours of operation, and type of program. Total spending $4.4 million.	Implemented in 2001. As of 2005 a minimum of 84% must be spent on raising the wages of primary staff persons, either through an hourly wage increase, or a bonus (up from an initial 60%, then 73%). A minimum of 10% must be spent on professional development.
Quebec	Basic allowance of $36,000/year for the first 30 spaces; $1,200 for each of next 30 spaces and $1,000 for each space beyond 60, plus overhead costs of $2,080 for each of first 60 spaces, plus $1,352 for each additional space. Special allowances for centres in disadvantaged areas, for northern or Aboriginal communities, for children with disabilities, and an allowance for group insurance plans and maternity leaves.	Current method of funding child care implemented over a four-year period beginning in 1997. Operating funding has been reduced in each of the last two years. In 2000, following a strike by child care workers, a province-wide wage scale, based on education and experience, was introduced, with an average 35-40% wage increase over four years. A task force recommended that child care workers be included in pay equity – a process that is still underway.
Ontario	Wage subsidy funding may be paid to full- and part-time staff persons in non- and for-profit centres, family child care agencies, non-profit special needs resourcing agencies, and non-profit family resource centres.	Direct Operating Grant introduced in 1987; in 1991 a Wage/Provider Enhancement Grant for non-profit programs provided a "down payment" on pay equity. Both funds were capped in 1992. Dedicated funding was stopped and existing commitments rolled into base budgets of eligible agencies. A "proxy method" for pay equity was introduced in 1992 with funds from the provincial government. The proxy mechanism was eliminated in 1996 by a new government and reinstated in 1999 after a court challenge. Retroactive payments were made to eligible non-profit centres. Programs opened after 1995 do not receive pay equity funding.
Manitoba	Non-profit, funded centres are eligible to receive annual operating grants of $6,760/infant space, $2,132/preschool space, and $606/school-age space. Programs offering extended-hour care may receive 1.5 times the operating grant.	The current model of funding was introduced in 1999/2000. This "unit funding" model provides operating funding and parent fees (for which there is a provincial maximum) adequate to pay according to the recommended salary scale established by the Manitoba Child Care Association.

[28] Source of information: Friendly, M. and Beach, J. (2004) Early Childhood Education and Care in Canada 2004. Toronto: ON Childcare Resource and Research Unit, University of Toronto.

Jurisdiction	Types of operating funding	Comments
Saskatchewan	Early Childhood Services Grants equivalent to $775/month/staff	An initial wage enhancement grant was introduced in 1996 at $75/staff/month and was increased in each of following three years. By 1999/2000 the amount was $262.50/staff person. In 2000 the grant became the Early Childhood Services Grant, equivalent to $680/staff/month and further increased in 2002/03 and 2003/04.
Alberta	Staff Support Funding Grants paid to child care centres, available to all certified staff persons. Amounts are $600/year for staff with Level I training (orientation course); $800/year for Level II (one-year certificate) and $1,200/year for Level III (two-year diploma).	In 1998 preschool grants of $85/month/space were reduced to $29/space and eliminated in 1999. The Staff Support Funding Grants were introduced in 2003/04 for accredited centres.
British Columbia	The Child Care Operating Fund is available to all eligible licensed group and family child care providers. Funding is based on enrolment and age of child. As of October 2005 full-time daily rates are $14/infant; $7.48/age three-kindergarten, and $2.80/school age child.	No requirement for a portion of the fund to be applied to wages. A wage supplement was first introduced in 1994 for non-profit centres, then extended to all centres in 1995. In 1998 the grant became Compensation Contribution Program and waiting lists for funding eliminated. In 2001 a multi-phased four-year plan to begin publicly-funding child care was introduced. The plan was repealed in 2001 with the election of a new government. In 2003 the Compensation Contribution Program was replaced with a reduced Child Care Operating Fund. The amount of funding increased in October 2005.
Yukon	All regulated programs receive an operating grant based on a point system that includes age and enrolment of children, training of staff, and building occupancy. Total spending on the operating grant is $2.23 million.	As of 1999 all centres received operating funding. Although the operating grant does specify a particular amount must be allocated to wages, in 2003 and 2004 additional allocations were made to increase wages.
Northwest Territories	Operating funding of between $3.00 and $22.80/space, depending on the age of the child and the location of the program, is available to all non-profit centres.	Current amounts were implemented in 2002. There are no specifications for wages.
Nunavut	Operating funding of between $1.93-$15.67/space, depending on the age of the child and location of the program, is available to all non-profit centres.	There have been no increases to operating grants since Nunavut became a territory in 1999.