

Family Providers' Effective Hourly Wage, Employee Benefits, and Child Meals

Georgia's Department of Early Care and Learning Collected Data from 980 Licensed Family Homes to Understand Child Care Service Costs

For Child Care and Development Fund (CCDF) Lead Agencies that oversee the administration of child care subsidies and seek to understand provider costs, family homes present a special case. Their business model typically differs from child care centers in that they operate a single classroom out of their primary residence, not a separate leased or owned facility, but they desire treatment parity with their center-based peers. In 2023, the Georgia Department of Early Care and Learning (DECAL) conducted research targeting licensed Family Child Care Learning Homes (FCCLHs) to address this question of parity. The research included a survey that focused on three cost categories: family home provider compensation, employee benefits, and child meals. The survey was conducted as part of DECAL's Short-Term Assistance Benefit for Licensed Entities (STABLE) program, and 980 licensed FCCLHs participated. Using data from its internal systems, DECAL sorted these survey responses by geographic location, quality rating, and whether a provider is serving children enrolled in a child care subsidy program.

Family Home Provider Compensation

A family home provider typically operates as a sole proprietor and derives compensation from the revenue generated by their business minus the expenses they incur. Their expenses fall into two categories: out-of-pocket and embedded. Out-of-pocket expenses would not occur if the provider did not run the home-based business. Food for child meals is an example of an out-of-pocket expense. Embedded expenses would occur regardless of whether the provider operates a home-based business. Housing costs are an example of an embedded expense. Tax regulations allow family child care home providers to deduct a portion of their housing costs as a business expense, while teachers at child care centers are expected to pay for their housing out of their hourly wage. This is central to why family home providers present a special case in the question of treatment parity, because matching the annual wages of a child care center teacher against the reported net taxable income of a family home provider is not an apples-to-apples comparison.

DECAL hypothesized that the following formula for an effective hourly wage of family home providers would provide a more meaningful comparison with center-based lead teacher wages (or other center-based staff):

- ADD: Gross annual revenue from all sources: private pay, CCDF subsidies, CACFP reimbursements, and other state, local, and federal sources of funding
- SUBTRACT: Total annual reported expenses deducted from gross revenue
- ADD BACK: Deductions for reported housing costs including mortgage or rent, utilities, property insurance, cleaning, and maintenance
- ADD BACK: Deductions for major home repairs and improvements

- ADD BACK: Deductions for home office equipment such as computers, printers, etc., and telephone and internet service
- DIVIDE: The resulting subtotal by the total hours of care per year reported by the family home provider in the DECAL survey. The total hours of care can be derived by multiplying the average number of hours of care per day by the average number of days per week, and then multiplying the result by the number of weeks of care per year.

DECAL considered any remaining deductions to be out-of-pocket expenses including, but not limited to, paid employee wages and benefits for staff other than the family provider; child meals; child transportation; professional development and training; child assessments; purchases of education equipment and consumable education supplies; purchases of consumable office supplies; professional services including tax and legal consultations and advice; and annual business fees and permits.

Table 1 shows selected statistics from the distribution of the effective hourly wage of family home providers by geography, as defined by market rate zone (MRZ). MRZ 1 represents the larger urban and suburban areas of Georgia, mostly centered in and around metropolitan Atlanta. MRZ 2 represents smaller urban and suburban areas. MRZ 3 represents the remaining, mostly rural, areas.¹

Table 1: Effective Hourly Wage of Family Home Providers by Market Rate Zone in the State of Georgia

EFFECTIVE HOURLY WAGE	25th Percentile				50th Percentile				75th Percentile				90th Percentile			
	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State
Family Home Provider	\$6.61	\$5.53	\$4.08	\$5.77	\$12.14	\$10.14	\$7.87	\$10.56	\$18.47	\$15.81	\$13.29	\$17.03	\$23.97	\$23.41	\$19.61	\$23.49

FAMILY PROVIDER EFFECTIVE HOURLY WAGE BY MARKET RATE ZONE															
PROVIDER COUNT				MEAN VALUE				STANDARD DEVIATION				T-TEST AT 95% CI			
MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	
404	290	151	845	\$12.17	\$10.68	\$9.13	\$11.11	\$8.23	\$7.95	\$7.32	\$8.05	0.0	-2.40	-2.04	

The bottom of Table 1 includes a test for significance, known as the t-test, between the mean values at a 95% confidence interval (CI). The green-shaded cells indicate when the difference between the mean of an MRZ and that of the preceding MRZ is statistically significant.² The median (50th percentile) statewide hourly wage shown in Table 1 is \$10.56, and wages are highest in MRZ 1, followed by MRZ 2 and MRZ 3. The difference in the mean values between MRZ 1 (\$12.17) and MRZ 2 (\$10.68) passes the test for statistical significance, meaning it exceeds a threshold t-test value of +/-1.96, as does the difference in the means between MRZ 2 and MRZ 3 (\$9.13).

¹ A list of Georgia counties by market rate zone can be found at <https://caps.dec.state.ga.us/assets/downloads/CAPS/AppendixC-CAPS%20Reimbursement%20Rates.pdf>.

² A total of 845 providers were considered in the test for significance. In all, 878 providers (90% of participants) provided the financial information necessary to complete the effective hourly wage calculation, with 33 of those providers (3.4%) identified as extreme outliers, defined as more than three times the interquartile range above the third quartile (75th percentile). An inspection of these 33 cases revealed that it is likely the providers incorrectly answered one or more of the questions used in the calculation.

A total of 522 (53% of providers participating in the survey) received a quality rating of 1, 2, or 3 stars from Quality Rated, DECAL's quality rating and improvement system. Table 2 shows selected statistics for the effective hourly wage by MRZ and QR star rating; the bottom of Table 2 includes the t-test values for significance by star rating within the same MRZ. Only providers receiving star ratings based on an onsite Environment Rating Scale (ERS) observation are included in the analysis, and providers rated during the pandemic using temporary virtual options are excluded. In three cases, the t-test passes the threshold for significance at the 95% CI of +/-1.96, while in two more cases the t-test passes the threshold for significance at the 90% CI of +/-1.645. The results suggest a relationship not only with MRZ but also with star rating level.

Table 2: Effective Hourly Wage for Family Home Providers by Market Rate Zone and Quality Level

EFFECTIVE HOURLY WAGE BY QUALITY RATING		25th Percentile				50th Percentile				75th Percentile				90th Percentile			
		MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State	MRZ 1	MRZ 2	MRZ 3	State
Family Home Provider	1 Star	\$6.78	\$4.56	\$6.34	\$5.14	\$11.97	\$9.17	\$8.19	\$10.76	\$17.59	\$12.26	\$11.29	\$16.13	\$34.28	\$16.19	\$15.12	\$23.63
	2 Star	\$8.48	\$3.35	\$5.25	\$5.41	\$13.33	\$8.18	\$8.28	\$11.79	\$19.64	\$14.52	\$13.51	\$19.03	\$24.43	\$26.61	\$24.23	\$25.36
	3 Star	\$10.67	\$9.54	\$6.90	\$8.89	\$17.18	\$14.35	\$9.46	\$14.46	\$21.38	\$22.01	\$15.03	\$20.64	\$22.96	\$31.43	\$17.85	\$25.84
	Total	\$8.39	\$4.68	\$5.74	\$6.48	\$13.69	\$10.75	\$8.94	\$12.11	\$20.23	\$15.76	\$14.29	\$18.64	\$24.33	\$26.72	\$18.47	\$25.18

FAMILY PROVIDER EFFECTIVE HOURLY WAGE BY QUALITY LEVEL AND MARKET RATE ZONE																	
		PROVIDER COUNT			MEAN VALUE			STANDARD DEVIATION			T-TEST AT 95% CI						
			1 Star	2 Star	3 Star		1 Star	2 Star	3 Star		1 Star	2 Star	3 Star		1 Star	2 Star	3 Star
	MRZ 1		91	113	53		\$10.56	\$13.57	\$15.96		\$7.91	\$8.40	\$8.54			2.63	1.68
	MRZ 2		76	80	35		\$10.56	\$11.06	\$14.53		\$7.39	\$9.42	\$8.59			0.37	1.94
	MRZ 3		30	30	14		\$10.77	\$10.09	\$12.21		\$7.82	\$8.34	\$7.89			-0.32	0.81
	State		197	223	102		\$10.59	\$12.22	\$14.97		\$7.66	\$8.84	\$8.49			2.02	2.68

A total of 876 (89% of providers participating in the survey) were successfully identified as either serving one or more children enrolled in Georgia's Childcare and Parent Services (CAPS) subsidy program or serving no children enrolled in CAPS.³ After controlling for MRZ and star rating level, DECAL found no consistent relationship between wages and CAPS participation. Therefore, the relationship between wages and star level, in the absence of a relationship between wages and CAPS participation, suggests that higher rated family home providers are more likely than lower rated providers to succeed in charging higher rates and improving their level of compensation.

DECAL was also interested in understanding if family home providers with higher education credentials earn more than their peers with lower credentials. A total of 880 (90% of participating family home providers) were successfully assigned an education credential using data previously collected by the STABLE program. Table 3 shows statistics for the effective hourly wage by credential. Although higher wages are generally observed for providers with a bachelor's (BA) degree or higher in early childhood education or child development (ECE/CD), the count is relatively low. Furthermore, there is no evidence of lower effective hourly wages coinciding with lower credentials.

³ The assignment of CAPS participation was based on pre-pandemic CAPS enrollment, and a total of 104 family homes participating in the survey were assigned provider ID numbers after the pandemic began. These providers were also unrated by QR or rated using temporary virtual options at the time of the survey.

Table 3: Effective Hourly Wage Statistics for Family Home Providers by Education Degree or Credential

EFFECTIVE HOURLY WAGE BY CREDENTIAL		Percentiles					Count
		10th	25th	50th	75th	90th	
Family Home Provider	BA Degree or Higher ECE/CD	\$0.29	\$6.19	\$12.91	\$21.39	\$29.54	36
	BA Degree or Higher non-ECD/CD	\$1.96	\$5.86	\$12.13	\$17.56	\$24.48	63
	AA Degree ECE/CD	-\$0.01	\$5.92	\$10.38	\$12.32	\$20.39	61
	AA Degree Non-ECE	\$1.41	\$6.78	\$10.34	\$17.88	\$26.73	31
	CDA or Equivalent (TCC or TCD)	\$1.96	\$6.38	\$11.60	\$18.56	\$24.27	295
	No Credential or Degree Reported	\$1.42	\$5.54	\$9.90	\$16.01	\$22.37	394
Total		\$1.52	\$5.90	\$10.76	\$17.19	\$23.46	880

Note: Bachelor of Arts (BA); Early Childhood Education or Child Development (ECE/CD); Associate of Arts (AA); Child Development Associate (CDA); Technical Certificate of Credit (TCC); Technical Diploma of Credit (TCD). Licensed family home providers possessing No Credential or Degree are exempt from state minimum qualifications requiring a credential or degree if they submitted their application for license prior to June 30, 2009, and did not close their business and then submit a new application for license on or after July 1, 2009. These providers must also possess a high school diploma or general education diploma (GED). A complete list of qualifications for family home providers can be found at <https://www.decal.ga.gov/documents/attachments/FCCLHRulesAndRegulations.pdf>.

DECAL explored whether a pattern of increasing effective hourly wage with increasing education credentials would be stronger after controlling for market rate zone and star rating, but low provider counts complicated the analysis. Table 4 shows the median effective hourly wage by credential level, MRZ, and quality rating. Cases with no data points are shown as blanks, and cell values shown in bold font with an asterisk (*) indicate cases with 20 or more data points. There are only ten such cases. The results suggest that higher education credentials are not a strong determinant of higher family home provider wages.

Table 4: Median (50th Percentile) Family Home Provider Effective Hourly Wage by Credential Level

	BA Degree or Higher in ECE/CD	BA Degree or Higher non-ECE/CD	Associates Degree in ECE/CD	Associates Degree Non-ECE	CDA or Equivalent	No Credential or Degree	Total
1 Star-MRZ 1	\$17.04	\$15.65	\$10.62	\$6.78	\$8.88*	\$12.13*	\$10.94
2 Star-MRZ 1	\$16.34	\$9.34	\$12.15	\$1.05	\$14.08*	\$14.65*	\$14.02
3 Star-MRZ 1	\$12.65	\$20.53	\$5.77	\$12.86	\$16.07*	\$17.24	\$16.45
1 Star-MRZ 2	\$12.85	\$4.83	\$10.76	\$20.78	\$10.80*	\$9.04*	\$10.09
2 Star-MRZ 2	\$67.75	\$12.35	\$14.98	\$9.98	\$8.07*	\$10.79*	\$11.35
3 Star-MRZ 2		\$15.21	\$10.75	\$8.43	\$14.84*	\$12.65	\$14.41
1 Star-MRZ 3			\$8.84	\$1.86	\$8.95	\$10.38	\$8.90
2 Star-MRZ 3		\$4.17	\$9.69		\$11.00	\$9.11	\$9.11
3 Star-MRZ 3	\$15.89		\$9.32	\$11.20	\$12.11	\$8.64	\$9.46
Rated 1-3 Stars in MRZ 1-3	\$12.92	\$11.90	\$10.24	\$10.34	\$11.60	\$9.82	\$10.76

DECAL's recent study of 8,213 center-based lead teachers reported a pattern of increasing median hourly wage with increasing education credentials but not with increasing provider quality rating, and it suggested that center-based lead teachers with the same level of education can generally

expect to be paid similarly regardless of their provider's star level.⁴ In a separate study, DECAL reached similar conclusions with center directors.⁵ In contrast to these results, the results in Tables 2-4 suggest that quality rating level is a stronger determinant of family home provider effective hourly wage differences than education credentials. A recent analysis of DECAL's QR program data supports this assertion, wherein it was found that the median credential level of family providers did not vary by star level.⁶

Family Home Provider Costs for Employee Benefits

The U.S. Bureau of Labor Statistics (BLS) cites an average benefits rate for private workers in the education services industry of 27.9% of wages, or 12.9% of wages excluding paid leave and legally required benefits.⁷ It does not break out the private child care industry of family home providers specifically, nor does it provide statistics solely for the State of Georgia or its regions. In a recent study of employee benefits at child care centers, DECAL found that more than half of licensed child care learning centers reported paying no employee benefits beyond those that are legally required.⁸ Fewer than 10% of child care centers, including fewer than 10% of 3-star centers, reported benefits approaching the average rate cited by the BLS. An analysis of licensed family child care learning home (FCCLH) provider survey responses found that 314 (32% of FCCLH's surveyed) reported having paid employees and the occurrence of additional employee benefits was less prevalent than in child care centers with only 24 (2.5% of FCCLH's surveyed) reporting paying employee benefits. The incidence of benefits does not appear to vary as a function of quality level.

Family Home Provider Costs for Child Meals and Snacks

Child and Adult Care Food Program (CACFP) reimbursement rates for free child meals, supplements, and snacks can be reasonable assumptions to use in a child care cost model. However, DECAL wanted to understand if any providers, particularly those with higher QR star ratings or those who do not serve children enrolled in CAPS, are incurring expense above these rates. As of July 2023, the CACFP rates for family child care homes serving children from families with low income in the contiguous United States were: \$1.65 per breakfast, \$3.12 per lunch or

⁴ Georgia Department of Early Care and Learning. (2024). *2024 Cost of Care Analysis Report 1: Wages for Lead Teachers Vary by Education and Subsidy Participation, But Not Provider Quality*.

https://www.decal.ga.gov/documents/attachments/CostofCareReport_WagesforLeadTeachers.pdf

⁵ Georgia Department of Early Care and Learning. (2024). *2024 Cost of Care Analysis Report 2: Wages for Assistant Teachers and Center Directors Vary by Education and Subsidy Participation, But Not Provider Quality*.

https://www.decal.ga.gov/documents/attachments/CostofCareReport2_WagesforAssistantTeachersandCenterDirectors.pdf

⁶ Georgia Department of Early Care and Learning. (2024). *2024 Cost of Care Analysis Report 4: Using Quality Rated Data to Model the Cost of Child Care Quality in Georgia*.

https://www.decal.ga.gov/documents/attachments/CostofCareReport4_QRISDatatoModelCostofQualityChildCare.pdf

⁷ U.S. Bureau of Labor Statistics. (2024, March 13). Employer Costs for Employee Compensation – December 2023. Retrieved May 28, 2024, from <https://www.bls.gov/news.release/pdf/eccec.pdf>. Legally required benefits include Social Security, Medicare, and unemployment and worker's compensation insurance.

⁸ Georgia Department of Early Care and Learning. (2024). *2024 Cost of Care Analysis Report 5: Employee Benefits, Facilities, and Child Meal Costs Paid by Child Care Providers*.

https://www.decal.ga.gov/documents/attachments/CostofCareReport5_EmployeeBenefitsFacilitiesandChildMealCosts.pdf

dinner, and \$0.93 per snack.⁹ A family home scheduling one breakfast, one lunch, and one afternoon snack daily would therefore be reimbursed \$5.70 per child per day. These rates are also intended to cover the cost to prepare, serve, and clean up after meals. Table 5 shows selected statistics from the survey data for the cost per child meal of breakfast, lunch and dinner, and the cost per snack. The data are broken out by participation in CAPS and by star rating level. Only family homes receiving ratings that include onsite Environment Rating Scale observation scores are included in the analysis.

Table 5: Cost per Child Meal and Snack for Family Home Providers in Georgia

		25th Percentile			50th Percentile			75th Percentile			90th Percentile		
COST PER CHILD MEAL		1 Star	2 Star	3 Star	1 Star	2 Star	3 Star	1 Star	2 Star	3 Star	1 Star	2 Star	3 Star
Family Home Provider	CAPS	\$0.00	\$0.01	\$0.00	\$0.77	\$1.70	\$1.86	\$1.98	\$2.83	\$3.33	\$2.90	\$4.48	\$11.18
	No CAPS	\$0.00	\$0.00	\$0.03	\$1.86	\$1.49	\$1.50	\$2.60	\$2.10	\$2.22	\$4.89	\$3.24	\$3.09
	All Family Homes	\$0.00	\$0.00	\$0.00	\$1.59	\$1.52	\$1.67	\$2.40	\$2.28	\$2.41	\$4.02	\$4.22	\$4.27

		25th Percentile			50th Percentile			75th Percentile			90th Percentile		
COST PER CHILD SNACK		1 Star	2 Star	3 Star	1 Star	2 Star	3 Star	1 Star	2 Star	3 Star	1 Star	2 Star	3 Star
Family Home Provider	CAPS	\$0.00	\$0.01	\$0.00	\$0.04	\$0.48	\$0.61	\$0.95	\$1.02	\$0.78	\$1.55	\$1.80	\$2.64
	No CAPS	\$0.00	\$0.00	\$0.02	\$0.40	\$0.34	\$0.41	\$0.72	\$0.75	\$0.79	\$1.24	\$1.48	\$1.65
	All Family Homes	\$0.00	\$0.00	\$0.00	\$0.37	\$0.36	\$0.41	\$0.88	\$0.97	\$0.78	\$1.67	\$1.71	\$1.68

The survey asked providers for the following information: their total annual spending on food for child meals and snacks; the estimated percentage split between spending on meals and spending on snacks; the number of breakfasts, lunches, dinners, and snacks they typically prepare daily during the school year and, separately, during the summer; and the number of days they provide meals and snacks during the school year and, separately, during the summer. From this information, an average cost per meal and snack can be calculated.

The data in Table 5 do not suggest a pattern of increasing costs with increasing quality rating, or a pattern of costs by CAPS participation. In addition, more than 75% of family homes appear to spend less than current CACFP rates. These observations are similar to what DECAL reported in a separate study of meals cost at child care centers.¹⁰

Conclusion

The data DECAL has collected from Georgia’s family child care learning home providers have given the agency greater confidence in estimating the expenses family home providers currently incur. In particular, the agency has gathered new information to support its formula for calculating an effective hourly wage for family home providers and addressing the question of treatment parity with child care centers. Additionally, it has confirmed that family homes are similar to child care

⁹ <https://www.govinfo.gov/content/pkg/FR-2023-07-07/pdf/2023-14317.pdf>

¹⁰ Georgia Department of Early Care and Learning. (2024). *2024 Cost of Care Analysis Report 5: Employee Benefits, Facilities, and Child Meal Costs Paid by Child Care Providers*. https://www.dec.al.ga.gov/documents/attachments/CostofCareReport5_EmployeeBenefitsFacilitiesandChildMealCosts.pdf

centers with regard to the prevalence of employee benefits, which are mostly non-existent, and child meals, which in most cases are provided at a cost that falls below current CACFP rates.