

Understanding the Market for Talent in Your Area



DECAL
Thriving Child Care
Business Academy

How do I know how much I should pay?

Getting compensation right is critical for your child care business. If you go too low, you won't be able to attract or retain the educators you need to keep serving children. Too high, and you can weaken your financials.

In this tool, we will share easy ways to find out how much others in your state and community are paying child care educators and how you can use this knowledge in making decisions for your own business.

Why Does Compensation Matter to My Child Care Business?

Compensation is a key driver of your business. Your child care business relies on the educators you hire. Payroll is also your single highest cost.

More broadly, compensation can help you:

- **Attract and Retain Talent** - By offering salaries and benefits that are competitive and attractive to potential employees you can attract and keep the best educators in your area – which will mean higher satisfaction among parents.
- **Ensure Fairness** – Unbiased pay can prevent discrimination and bias in the workplace and promote a more diverse and inclusive environment.
- **Improve Employee Satisfaction** - When employees feel that they are being compensated fairly for their work, they are more likely to be satisfied with their jobs and stay with you for longer periods of time.

All of these points are especially true in our current labor market which is highly competitive and likely to remain so as more workers retire or choose remote jobs. With the reduced labor market, even more providers are competing to get workers where they can as most are experiencing shortages that are impacting their enrollment.

This means even greater stress on your bottom line as you increase wages to keep up. So, getting fair and competitive compensation is even more important because mistakes could be costly for your business.

How do I determine what is fair and competitive compensation?

Finding out what is competitive compensation in your area can be done in three steps that you or someone on your team can do:

First, **identify similar child care businesses**. You only need to look at three to five typically to have a sense of the market. Start with those you know of already, such as “competitors” that are similar in size, location, and type of staff they are hiring. Search on Care.com, Google, or other sites to identify other similar operations. Family care providers may struggle to find other family care providers advertising for positions. However, we have found that smaller centers (those with ten employees or less) tend to have similar compensation to family care providers, so looking for smaller centers could give you a comparison.

Second, **collect your data** - Look at posted job descriptions of those organizations current or closed within the past six months (positions closed longer than six months may not give you the current information you need). You can check the child care business's website, job boards (Indeed, Monster, LinkedIn, CareerBuilder, even Google), Care.com, or salary sites like Glassdoor. You may even find listings on your community's Facebook page. Don't hesitate to call and “secret shop” jobs – it can be a very effective way to find out about open positions and pay. As you collect data, make sure you check the type of job and how it aligns with your position. For example, if you are hiring an assistant educator, compensation for an assistant director will likely not be helpful.

Third, **analyze your data**. It is usually easiest to start by creating a similar chart with what you learned about each job. For example:

| Business | Job Title | Where I found it | Rate of Pay | Other Benefits | Other notes |
|-----------------------------|---------------------|------------------|-------------|-----------------------------------|---------------------------|
| Happy Bear Child Care | Classroom Assistant | Indeed | \$12/hour | • None | They are only a mile away |
| Little Angels | Classroom Assistant | Gave them a call | \$13/hour | • Paid vacation • Telemedicine | They are within 5 miles |
| Small Geniuses | Classroom Assistant | Gave them a call | \$16/hour | • Retirement • Healthcare | They are within 5 miles |
| Tykes and Trikes Child Care | Classroom Assistant | Their website | \$12/hour | • None | They are only a mile away |
| Smiles for Miles | Classroom Assistant | Their website | \$14/hour | • Paid vacation | They are within 5 miles |

Next, you may want to remove any outliers, which are the ones that are very high or very low, and may throw you off because they are exceptions and not the rule. In our example, Small Geniuses is in a high-end community. They can afford much higher compensation than some of the others who are closer to you, so you may want to take them out of consideration.

Now arrange them by low, medium, and high. In this case, we took out Small Geniuses, so our list might look like this now:

| | Business | Job Title | Where I found it | Rate of Pay | Other Benefits | Other notes |
|---------------------------------|-----------------------------|---------------------|------------------|-------------|-----------------------------------|---------------------------|
| Low | Happy Bear Child Care | Classroom Assistant | Indeed | \$12/hour | • None | They are only a mile away |
| Low | Tykes and Trikes Child Care | Classroom Assistant | Their website | \$12/hour | • None | They are only a mile away |
| Medium | Little Angels | Classroom Assistant | Gave them a call | \$13/hour | • Paid vacation • Telemedicine | They are within 5 miles |
| High | Smiles for Miles | Classroom Assistant | Their website | \$14/hour | • Paid vacation | They are within 5 miles |
| Outlier – not comparable | Small Geniuses | Classroom Assistant | Gave them a call | \$16/hour | • Retirement • Healthcare | They are within 5 miles |

Typically to be competitive you want to aim for paying in the upper half of the market. In this case, you would want to consider paying from \$13 an hour or higher and likely \$13.50 or higher (so you are above average). Keep in mind many workers are very focused on compensation (as they should!) so even a \$0.25 or \$0.50 difference an hour can make you more competitive.

What else should I think about?

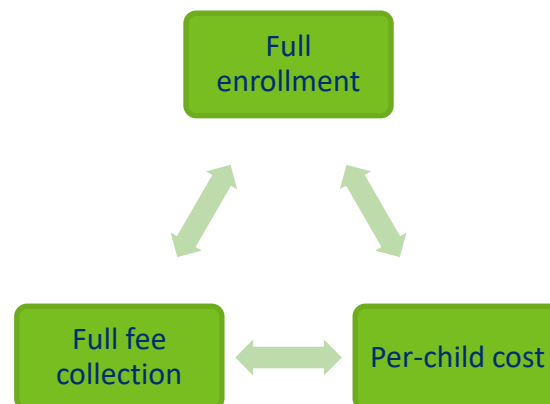
There are three other thoughts to keep in mind on compensation. First, **benefits are important!** They are a key part of compensation, especially those related to *health care*, *retirement*, and pre-tax deductible accounts. Offering the right *benefits* for your staff lets employees know they are valued and that you support them, and it can save or make

them money, making your job more attractive. Often, offering employee benefits also has financial benefits to you and the business: including, reduced training and turnover costs, increased enrollment stability, and less recruiting time. Remember to highlight the benefits you offer in job advertisements and interviews so potential employees know the advantages of working for you.

Second, compensation should **be studied at least annually and in the competitive environment we have now, even twice or four times a year**. As you can see from this tool, studying compensation may not be difficult and it is vital to staying competitive. You don't want to lose track of what is a fair and competitive wage in your area and start losing employees — that could be tragic for your business.

Third, and most important, **consider budget and cash flow**. No matter what you may want to pay, you don't want to go out of business doing it. In some cases, you will review your current financials and find that you can pay a competitive wage currently or offer new benefits. In other cases, you may need to “bootstrap” your way to higher pay – that is finding ways to get more money before increasing compensation.

A great way to think about how to bootstrap is the Iron Triangle, a concept developed by [Opportunities Exchange](#) – a national organization working to advance child care businesses. There are three sides to the Iron Triangle all of which help to increase or stabilize revenue:



- **Having full enrollment** – Child care programs rely heavily on tuition payments. Therefore, accurately estimating enrollment is critical for budgeting and financial planning. While most businesses have a break-even point, child care programs typically aim for full enrollment and base their budgeting on 85% enrollment to account for fluctuations. In order to maximize revenue, class sizes should be as close as possible to the adult-to-child ratio mandated by the state.
- **Covering costs per child** – To ensure the financial sustainability of a child care center, it is important to ensure that revenue covers the per-child cost of providing high-quality care. The cost of quality care is driven by factors such as child-to-staff ratios, staff salaries and benefits, rent, furnishings, food, and educational materials. This is why it's important to determine the employee pay that works best for your unique child care business.
- **Full fee collection** – The money that you haven't received from parents means less cash to attract and retain staff through compensation. Accordingly, collecting all the money owed to you is critical.

As you think about ways to pay for increased compensation, the Iron Triangle could be a guide. For example, you may want to raise rates to reflect increased staffing costs, collect unpaid fees to ensure your cash flow is strong, have strong policies that protect your cash flow in your parent handbook, or pre-enroll a new classroom so you have the enrollment needed before you hire staff.

Additional Resources

If you have questions or need help, assistance is available.

[GaPDS Website](#)

[DECAL Thriving Child Care Business Academy Website](#)

To Find Other Study Guides: Click on [Resources](#) on the Academy home page

To Find Training: Click on [Trainings](#) on the Academy home page

To Register for Training: Click on [Schedules & Registration](#) on the Academy home page

To Sign Up for Study Groups: Fill out the [Intake Assessment](#)

For questions about coaching or study groups: Email GAcoaching@civstrat.com

To Find Other ECE Resources: Visit the [DECAL Website](#)

For General Questions about the Academy: Email thriving@dec.al.ga.gov

For More Information:

[Family Child Care Learning Home Rules and Regulations](#)

[Child Care Learning Center Rules and Regulations](#)

The DECAL Scholars program offers scholarships and incentives to early childhood educators who pursue further education and skill development:

<https://www.decalscholars.com/>

The content included in this guide has been adapted from *Lean Recruitment: Finding Better Talent Faster* (2017), by Gary Romano and Alison LaRocca.

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