Is Your Salary Schedule Up to Speed?

by Roger Neugebauer

Low pay has been a hot topic for many years in the early childhood arena — and deservedly so. There is no question that people employed in our profession are seriously underpaid. If more resources were available for salaries, this would relieve a great deal of stress from employees and centers, and environments for children would improve.

But even within a strictly limited budget, there is much a center can do to improve center performance by the way it structures its salary schedule. In this article, I will offer some ideas on how to evaluate the impact of your salary schedule. In a second article, in the May 1994 issue of ***Exchange****, I will present several model salary schedules.*

Both of these articles are the result of an analysis of more than 100 salary schedules submitted by Exchange Panel of 200 members. Based on this review, here are four basic questions to consider in evaluating your current salary schedule:

1.

What are we paying for?

Sometimes it's important to step back and ask some really basic questions: *Why are we paying people? What are we expecting to get in return?*

In child care centers, when you hire someone, you could be . . .

• Paying for time;
• Paying for skills; or
• Paying for results.

You need to decide which of these factors you are paying for, because your choice dramatically impacts how you pay people.

If you are paying for time, your assumption is that you are paying for a warm body to fulfill ratio requirements over a period of time. In order to maintain adequate coverage, you would simply need to pay enough to attract and retain staff who meet minimum legal requirements.

If you are paying for skills, your assumption is that people knowledgeable and practiced in early childhood education will perform significantly better than persons without training and experience. Therefore, you would tailor your salary schedule to attract well prepared individuals and to reward their continuing acquisition of knowledge and skills.

If you are paying for results, your assumption is that all that really matters is who performs well on the job. You would design your salary schedule to reward those who are effective performers.

It is my observation that large numbers of centers behave as if they are simply paying for time. By not attaching any monetary value to skills or performance, these centers get what they pay for — mediocre to poor performance.

On the other hand, the overwhelming majority of salary schedules I reviewed for these articles reflect a strong bias toward paying for knowledge and skills. There is considerable research support for this bias.

The landmark 1976 National Day Care Study concluded that ". . .

caregivers with education/training relevant to young children deliver better care with somewhat superior developmental effects for children (Ruopp)." More current research, the 1988 National Child Care Staffing Study, found that teachers with either a bachelor's degree or specialized training in early childhood education at the college level exhibited higher quality caregiving (Whitebook).

Less than 5% of the salary schedules reviewed gave significant weight to on-the-job performance in setting salary levels. Many centers require that employees receive a satisfactory rating before receiving a step increase, but very few awarded significant upgrades for above average performance.

> "Automatic increases assure staff that their value is noted and will be acknowledged in predictable increments at predictable times. In a historically underpaid field such as child care, automatic increases validate the necessary to upgrade salaries for all who work in the field."
>
> — ***Working for Quality Child Care***

2.

Is our pay equitable?

The premise behind the equity issue is that people should receive equal pay for equal work. There are several ways to evaluate equality of pay — you can compare the pay of a teacher in your center with the pay of people doing comparable work in other professions, teachers in other centers, or other teachers within your own center.

Clearly the pay of child care teachers compares poorly to the pay of kindergarten teachers, for example. Many centers are struggling creatively to take small steps toward narrowing this gap. Only a concerted effort by a broad spectrum of players in the child care arena will make a serious impact.

Equity from center to center is another matter altogether. A center committed to providing quality services certainly wants to attract and retain the best teachers available. One way to do this is to offer salaries above the community average. At least once every two years you should do a market survey on teacher salaries in your community to make sure you are not falling behind. In addition, you should keep an eye on salaries offered by new centers when they open.

It is also important to be alert to equity issues within your own center. Sometimes when you have a mix of new and long-term teachers, inequities will develop. You may pay two teachers performing the same job with the same level of performance at significantly different levels. This can potentially be discouraging to the lower paid teacher.

3.

Should we offer annual increases?

Centers grant salary increases based on the following factors:

- Responsibility;
- Longevity;
- Cost of living; and
- Performance.

It is possible that there still exist a few staff cooperatives, where all staff members are paid the same regardless of the job they perform. With these possible exceptions, all centers today offer increased salaries as staff assume new jobs with increasing responsibility within the center. In the next article, we will examine some of the issues involved in granting promotions.

Most centers also make some provision for granting annual increases based on longevity and/or cost of living. While such increases are viewed as important and expected, the way in which they are administered does raise some interesting questions and consequences.

Longevity salary increases are based on the assumption that the longer persons work in a job, the better they will perform. While this may be true in some professions, there is little evidence to support it in child care. The National Day Care Study found little relationship between years of day care experience and caregiver or child behaviors (Ruopp). The National Child Care Staffing Study found "child care experience is a poor predictor of teacher behavior toward children" (Whitebook).

From these findings we draw several conclusions. If we want teachers' performance to improve, we can't abandon them in their classrooms. We need to provide continuous feedback, regular training, and ready support to help them improve. Using longevity as a reason for raising salaries without any reference to improved performance does not appear to be justified.

Cost of living adjustments are made to compensate for the impact of inflation. If an employee's salary stays the same but the cost of living increases, her salary has in effect decreased.

Not all employees are equally impacted by inflation. Someone earning $30,000 per year is not nearly as impacted by a 5% increase in the cost of bread as someone earning $10,000. However, since the average child care teacher earns just below the poverty level (Whitebook), there is little question that annual adjustments are of vital importance for most employees in this profession.

For a center to guarantee annual cost of living adjustments could be a hollow promise. Every salary increase must be paid for with a commensurate rise in income. If your center gives an across the board cost of living increase of 5% and your income declines 5%, you could be courting disaster. Many centers inject this reality into their personnel policies with statements such as "Every effort will be made to provide annual cost of living raises subject to the availability of funds." Such cautious promises offer scant assurance to staff members living on the edge of poverty. If the center can't give an annual increase, they will have to wait 12 months for a much needed raise. Certainly being sincere about exploring every avenue to increase salaries is essential. Another small way to ease anxiety is to review financial projections quarterly or semi-annually with the idea of offering smaller, more frequent adjustments. (Of course, then you will have to figure out a way to alleviate the stress on your bookkeeper.)

Determining the amount of an annual cost of living adjustment is not an exact science. Many companies peg their increases to the Consumer Price Index (CPI). The CPI is calculated by the price of goods and services purchased by a family of four with an annual income of $12,000. This index, therefore, has little relevance for families of different sizes or in higher income brackets. But because the majority of child care teachers do earn under $12,000, the CPI is a fairly reliable measure for centers to use as a benchmark.

4.

Should we offer merit raises?

There is much to be said for paying for performance instead of longevity. You want staff who work hard and continue to improve to believe that their contributions are valued. You can show appreciation by frequently observing and acknowledging their good deeds, by providing all the materials and moral support they need, and by publicly praising their performance. However, it is hard to give a clearer, more welcome signal than cash.

Clearly people don't gravitate to child care for its financial benefits. Over and over again, teacher surveys have shown that the true rewards of teaching relate to making a difference in the lives of children. However, at some point even the most committed teacher will become discouraged if year after year they do a great job for the center but are paid no more than anyone else, or less than teachers in other centers.

If your center is considering granting merit raises, here are some points to consider:

• **Merit raises should not be given in place of cost of living increases, but in addition to them.** If raises are only given to exceptional performers, you run the risk of alienating the majority of your teachers who may be performing adequately but not spectacularly. Some centers employ systems whereby teachers with unsatisfactory performance are not given raises, those with satisfactory performance are given small raises, and those with superior performance are given larger raises.

• **Small merit raises may be more harmful than no raises at all.** Giving an employee a token raise for meritorious performance is more likely to induce cynicism than pride. If you are going to award merit raises, they must be perceived as worthy of the effort.

• **A merit raise system is only as effective as the evaluation system upon which it is based.** If you are going to base pay on performance, you need to be sure you are measuring performance objectively and fairly. You need to have in place an evaluation instrument that all staff view as valid. (Having their input in its development will go a long way toward establishing its validity.) Those performing the evaluations must be skilled at observing and giving feedback.

"Few companies can afford the kind of financial incentive that makes any real difference in the lives of their employees. Most financial rewards are quickly adjusted to. Although management seldom hears, workers often make fun of minor increases, cynically tallyingthe depreciating effect of inflation and taxes."
— David Viscott, MD

• **Annual evaluations for salary determination should not be viewed as a substitute for ongoing employee appraisals.** If an employee is to use supervisory feedback to improve her performance, this feedback needs to be frequent, nonjudgmental, and nonthreatening. An annual salary evaluation goes against all of these guidelines. Even with a merit raise evaluation system in place, you need to regularly engage in giving specific, objective feedback to employees to give them the information they need to improve their own performance.

As a center director, you need to invest your limited resources wisely in order to maintain a stable, high quality organization. We recommend, wherever possible, giving a combination of cost of living and merit raises. You need to bring out the best in your staff by rewarding their great efforts as individuals as well as by doing everything in your power to raise the salaries of all teachers. In the next article, we will present specific examples of systems to use to accomplish both goals.

References and Resources

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