

THE HIDDEN COST OF LOW PAY



Analyzing and Addressing
Compensation for Early and
School-Aged Learning (EASAL)
Educators in Indiana

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EXECUTIVE SUMMARY

ABOUT THIS REPORT

In response to the need for working families to have more access to high-quality, affordable child care, the Indiana Senate in 2024 drafted legislation, Senate Act 2, with several key reforms for Early and School-Aged Learning (EASAL).

Senate Act 2 earned broad bipartisan support and was signed into law by Gov. Eric Holcomb on March 13, 2024. Because wages are a major influence on employment levels in the EASAL sector – and therefore, childcare capacity – the act included a requirement to examine compensation

and to issue a report with recommendations. The

development of this report has been led by the Indiana Early Learning Advisory Committee (ELAC) of the Family and Social Services Administration.



About Indiana Early Learning Advisory Committee

The Early Learning Advisory Committee was established in 2013 by the Indiana General Assembly. Committee members are appointed by the governor and leaders in the General Assembly. Membership also includes representation from the state Family and Social Services Administration's Office of Early Childhood and Out-of-School Learning, the Department of Education Office of Kindergarten Readiness, and the Head Start State Collaboration Office.

About TalentFirst

TalentFirst is a 501c3, CEO alliance providing leadership on today's complex talent challenges. It relies on data and expertise to illuminate gaps, evaluate strategies, and advocate for solutions to attract, retain, and develop the talent employers need and to ensure all individuals and the region can thrive. TalentFirst is headquartered in West Michigan and works in partnership with organizations and communities across the state. TalentFirst has a track record of developing reputable research reports, including wage studies and wage scales, for the early childhood sector and other industries.



\$4.22B

A shortage of child care costs Indiana's economy an estimated \$4.22 billion annually due to employee turnover, absenteeism, and disruptions to parents' schedules.

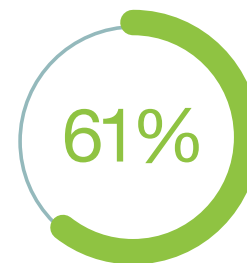
\$14.67

overall median hourly wage of EASAL professionals in Indiana – lower than 94% of the occupations in the state's workforce

Early and School-Aged Learning professionals in Indiana do not earn wages that adequately reflect the skill requirements and complexity of their work.

| The Value of Early and School-Aged Learning

Child care is an important driver of Indiana's economy, enabling parents to work while nurturing the cognitive and emotional development of the future workforce. Even so, affordable, high-quality child care is in short supply: **The current capacity serves just over 61% of children needing care.¹ This shortage translates to a potential loss of \$4.22 billion annually for Indiana's economy due to employee turnover, absenteeism, and disruptions to parents' attendance in class or work training.²**



of children needing care in the state can be served through existing capacity.

Childcare shortages also have expensive lasting consequences – children without access to high-quality early care and educational opportunities face greater lifelong challenges in health, criminal justice interaction and earning potential.³

Despite the importance of their roles, however, Early and School-Aged Learning (EASAL) professionals earn wages markedly lower than comparable K-12 roles and other professions requiring similar skills and qualifications. In fact, 81% do not earn enough to afford basic necessities for themselves, let alone their families.

This issue is not unique to Indiana but may explain why the state's EASAL workforce has grown by only 13% from 2001 to 2023, an increase of 1,578 early educators. If Indiana's EASAL workforce grew at the national rate of 34.7%, the state would have over 3,000 more early educators, providing care for 38,000 more children. This could translate to \$26.9 million to \$34.7 million annually to the state's revenue through income taxes, fees and economic activity.

Until wage disparities and structural challenges are addressed, providers will continue to struggle to attract and retain qualified staff, which in turn affects the quality of care and education that children receive.

¹ Early Learning Indiana, Closing the Gap: An Assessment of Indiana's Early Learning Opportunities, 2023 Update.

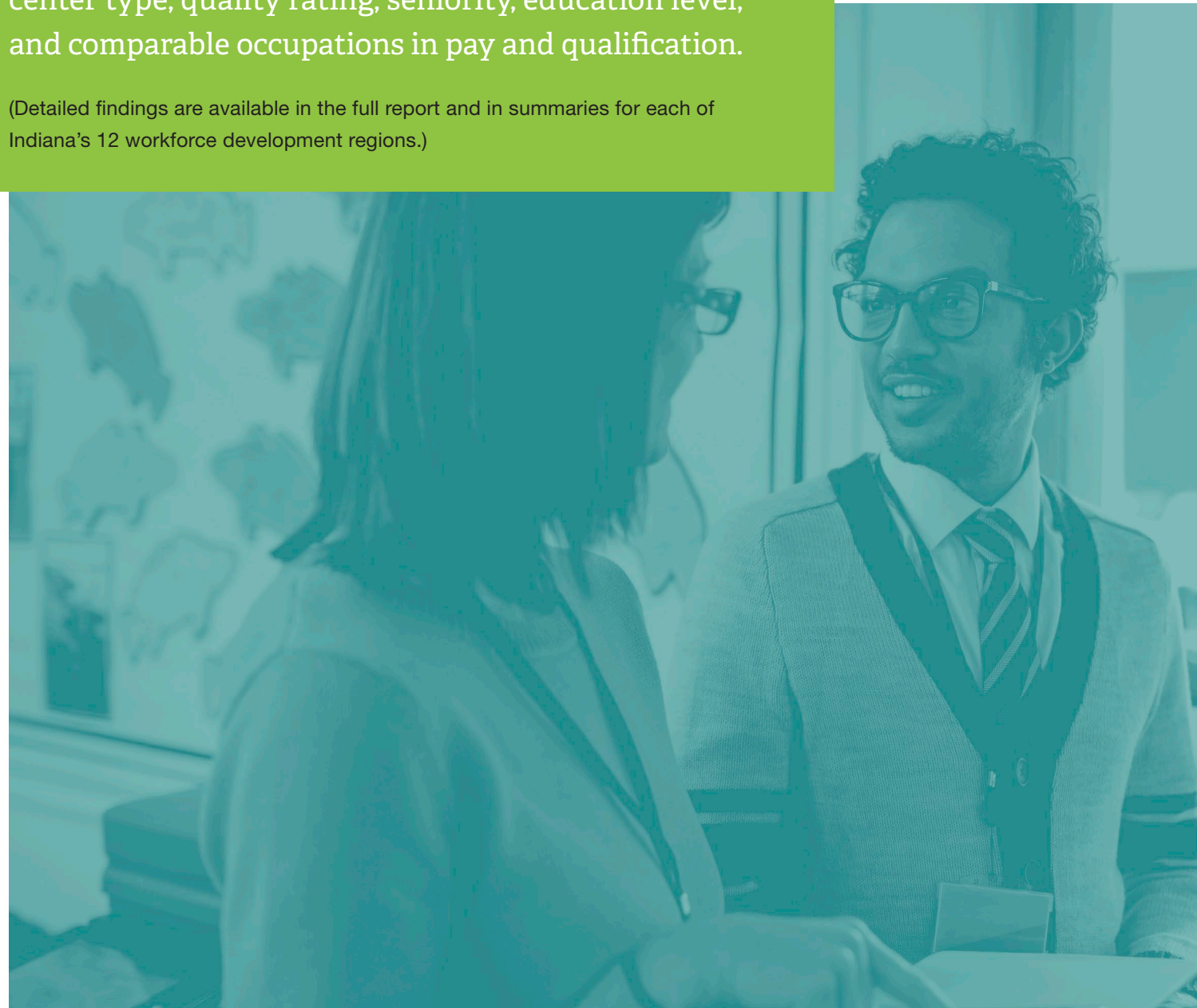
² U.S. Chamber of Commerce Foundation, Untapped Potential: How Childcare Impacts Indiana's Workforce Productivity and the State's Economy.

³ Heckman, James J. Letter to the U.S. Senate Joint Select Committee on Deficit Reduction on Investment in Early Childhood Development, September 21, 2011.

| A Compensation Review

In accordance with Senate Act 2 of 2024, this report examines EASAL compensation in Indiana and provides recommendations based on the findings. The analysis examined the EASAL workforce by role, region, service center type, quality rating, seniority, education level, and comparable occupations in pay and qualification.

(Detailed findings are available in the full report and in summaries for each of Indiana's 12 workforce development regions.)



| Key Findings Statewide

Falling behind: Wage growth for EASAL roles has lagged inflation and wage increases in other occupations. Most EASAL professionals today are worse off financially than their counterparts from two decades ago.

Wage/qualification mismatch: The highest-paid EASAL classroom occupation, Lead Teachers, earned a median hourly wage of \$16.28 in 2023 — less than the median for 90% of the 797 occupations that comprise Indiana's workforce. Comparable occupations in the 10th percentile statewide include restaurant cooks, floor layers, and motor vehicle operators — all roles that typically require only a high school diploma or less. The lowest-paid EASAL role, Aides or Floaters, earned a median wage of \$13.90, which ranks in the 4th percentile of all occupations, a group that includes dishwashers, hotel clerks, and cooks — jobs that typically require no formal education.

Disparity with K-12: Despite working in roles that require 94% of the same competencies as Kindergarten teachers, EASAL Lead Teacher median wages rank 42 percentage points lower than those of their K-12 counterparts, a gap of \$8.20 per hour.

Public assistance burden: Nearly 81% of EASAL educators in Indiana earn below the self-sufficiency standard required to support a single adult (\$20.44), while 98% do not earn enough to support two children (\$44.16). As a result, many must rely on public assistance, imposing high costs on the state and its taxpayers — between \$39.9 million to \$382 million each year, depending on family size.

Falling between the cracks: Although Senate Act 2 expanded EASAL income eligibility thresholds for the Childcare and Development Fund, the threshold still leaves barriers for many. Despite their need for financial support, many educators earn slightly above the limits, making them ineligible.

Advancement not rewarded: Experience and advanced education for EASAL workers does not translate into financial rewards comparable to those in the K-12 system. The median wage for a senior-most Lead Teacher (13-15 years' experience) stands nearly \$6.00 less than a Kindergarten Teacher with no experience.

Geography is the biggest variable: While modest disparities exist for EASAL wages across Indiana's Paths to QUALITY™ rating and improvement system, regional economic climates appear to play the most influential role in determining compensation after experience and education.



\$39.9M - \$382M

annual spending on public assistance for EASAL workers in Indiana

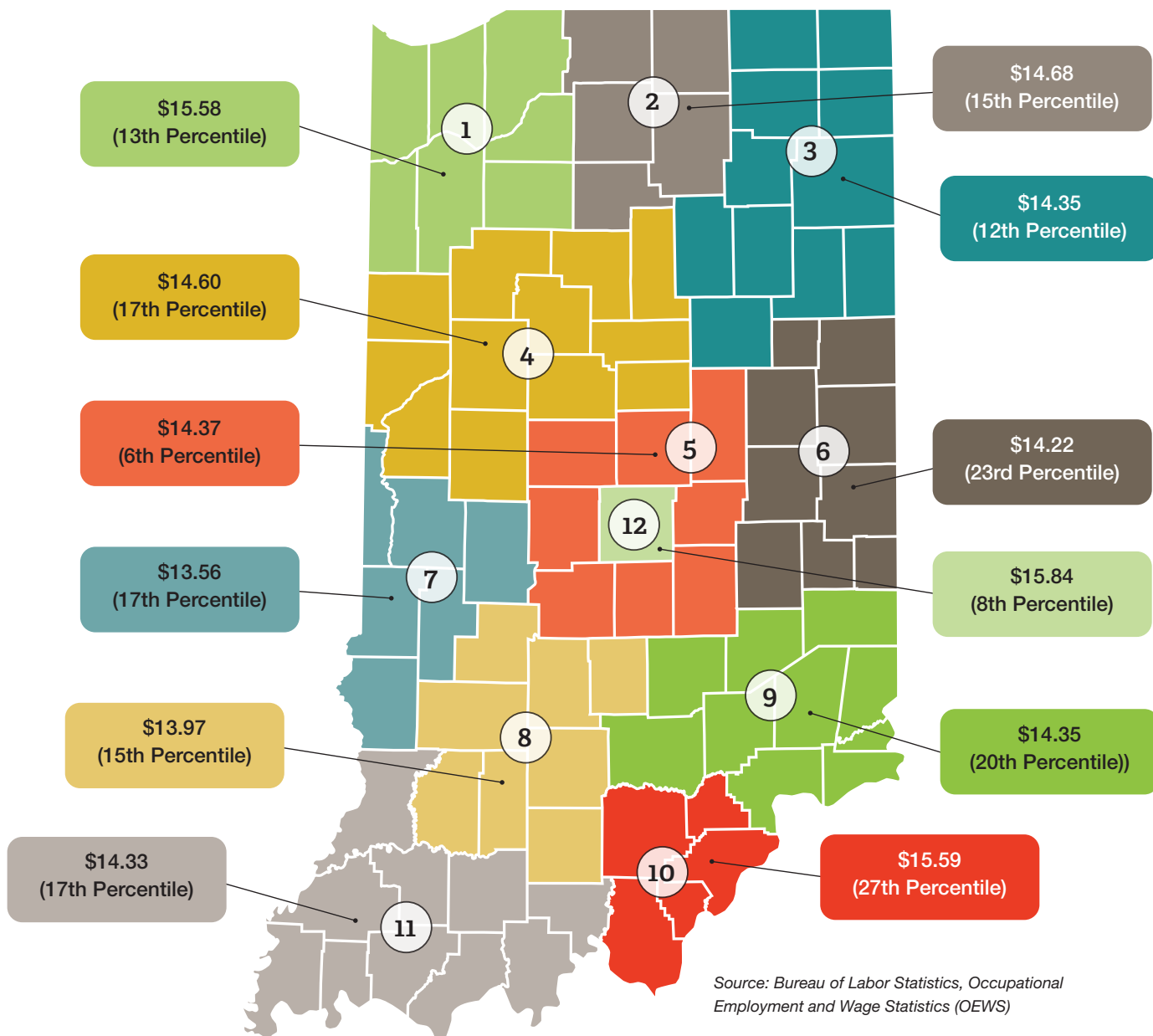
Most EASAL professionals today are worse off financially than their counterparts from two decades ago.

Regional Overview

The early and school-aged learning educator workforce in Indiana can be segmented into four distinct occupational categories: Lead Teachers, Assistant Teachers, Center Aides, and Substitute Teachers. Job titles vary across settings and organizations, but responsibilities and compensation remain largely the same.

Combined, the median hourly wage attributed to these four EASAL occupations statewide stands at \$14.67 – ranking in the 6th percentile of all occupations in the state. Differences in the cost of labor across Indiana’s workforce development regions mean the same wage might be more, or less, competitive in one region compared to another.

Overall Median Hourly Wage and Percentile Ranking of EASAL Educators Compared to All 797 Occupations in DWD Region, Indiana, 2023



The ROI of Early and School-Aged Learning

Ensuring affordable, high-quality early and school-aged learning opportunities are accessible to more Hoosiers will bolster the state’s economic competitiveness in several ways.

Boosting the EASAL workforce: Elevating wages of all current and projected EASAL workers to achieve financial self-sufficiency for a single adult (\$20.44) would see their combined annual earnings rise by \$619.7 million. Increased early educator pay would translate to a gain of \$19.5 million in state income tax revenues annually.

Reducing public assistance costs: Given that over 80% of EASAL workers have at least one child under 18,⁴ the state and federal governments would see annual savings of approximately \$662.2 million in public assistance expenditures if EASAL wages aligned with the self-sufficiency standard for a single adult.

Greater economic activity: Adding 11,600 mothers of young children to the state’s workforce at the statewide median hourly wage of \$24.19, at 35 hours per week, would increase the state’s labor market income by \$510.7 million. In addition, greater financial stability will result in more spending, further increasing revenues from sales taxes. Employment growth could be larger, based on experiences elsewhere.⁵

Increased tax revenue: Taking the example above, the flat state income tax rate of 3.15% on the wages of this influx of workers would generate additional revenue of \$16.1 million annually. Over time, the state would see an estimated \$883.8 million to \$1.1 billion annually in increased earnings from EASAL workers and caregivers reentering the workforce – resulting in a gain of \$27.8 million to \$34.7 million each year from income tax revenues.

Although it’s impossible to quantify the true impact these investments would yield, prior research⁶ indicates the financial return from these early investments would be substantial, with annual government savings and increased revenues projected to surpass annual costs within 16 years. Our mid-point scenario suggests that elevating EASAL wages to achieve self-sufficiency would result in a net positive return of \$78.1 million annually, assuming the capacity of the system increases to enable more parents to rejoin the workforce.

⁴ Indiana Association for the Education of Young Children, “2019 Indiana Child Care Workforce Study”.

⁵ Baker, Michael; Gruber, Jonathan; and Milligan, Kevin. “Universal Childcare, Maternal Labor Supply, and Family Well-Being.” *Journal of Political Economy* 116, no. 4: 709–745, <https://doi.org/10.1086/591908>. *The University of Chicago Press Journals*, August 2008.

⁶ Lynch, Robert, and Vaghul, Kavya. “The Benefits and Costs of Investing in Early Childhood Education: The Fiscal, Economic, and Societal Gains of a Universal Prekindergarten Program in the United States, 2016–2050.” *Washington Center for Equitable Growth*, December 2, 2015.

Investing in the Future

Compensation for EASAL workers is critical to Indiana's economic competitiveness and population growth.

Without addressing compensation, providers will continue to struggle to attract and retain qualified staff, limiting access to care and forcing parents to remain out of the workforce. This creates structural challenges that hold back Indiana's economy and its ability to attract new businesses and talent. By improving EASAL workforce compensation, Indiana can grow its workforce, generate needed tax revenue, and reduce the burden on public assistance through the long-term benefits of quality EASAL programs.

The bipartisan passage of Senate Enrolled Act 2 in 2024 produced multiple advances⁷ toward improving Indiana's EASAL system. Fundamental problems

remain to be solved – the greatest being the broken business model of the low wages for EASAL workers and the high cost of maintaining quality standards.

The following recommendations focus on four key strategies designed to build a sustainable EASAL system. Many of these capitalize on improvements from Senate Act 2. All are based on a national review of effective approaches, and they are explored in greater detail, including potential costs and revenue streams, in the full report. These targeted investments aim to deliver direct economic returns rather than simply increase government spending.

The recommendations are categorized into four key strategies::

1. Create the conditions necessary to enable increased workforce participation.
2. Improve, grow, and sustain the EASAL workforce.
3. Create early revenue streams and improve long-term efficiency.
4. Enhance data transparency.

⁷ Indiana Family and Social Services Administration. "Early Child Care and Education Legislative Changes: What does this change include?"

Create the Conditions Necessary to Enable Increased Workforce Participation

FURTHER EXPAND EASAL SERVICE AFFORDABILITY FOR EASAL PROFESSIONALS

Senate Act 2 altered the income threshold for subsidies from 150% of the Federal Poverty Level to 85% of the state median income for EASAL professionals. To the extent practicable, Indiana should continue this income expansion over time. Consider pairing this expansion with additional refundable tax credits to provide further attractiveness for EASAL professionals and aspiring professionals.

CREATE AN EARNED INCOME EASAL TAX CREDIT FOR WORKING PARENTS

Indiana should consider allowing working families to claim a portion of their children's EASAL expenses as deductions against state liabilities. Indiana currently has an Earned Income Tax Credit structure in place and could consider offering a similarly structured refundable credit to encompass early childhood care spending.

EXPAND PUBLIC-PRIVATE PARTNERSHIPS

Indiana's Trishare Plus pilot⁸ administered by the Northeast Indiana Early Childhood Coalition⁹ is an example of a cost-effective way to pool funding from three key stakeholders who benefit economically: parents and care-givers who need the services, employers who benefit from parents being able to work due to affordable child care, and the state of Indiana, which benefits from increased workforce participation and long-term educational gains. Indiana should consider scaling more pilots of public-private partnership models based upon regional employer need.

Improve, Grow, and Sustain Indiana's EASAL Workforce

LINK COMPENSATION AND CAREER OPPORTUNITY TO PROGRAM QUALITY FOR EASAL PROFESSIONALS

Indiana should reconfigure its Paths to QUALITY™ (PTQ) rating system to incentivize providers to hire qualified staff, increase their compensation, and support their development. Similar efforts in Arkansas and Michigan have successfully improved workforce stability and competitiveness through scholarship programs and partnerships with community colleges, offering Indiana a roadmap for structured workforce compensation and career advancement. Additionally, the state could leverage existing investments in Next Level Jobs and the T.E.A.C.H. scholarship to support competency-based pathways, microcredentials, and apprenticeships that lead to credentials of value and higher earnings.

⁸ Cunningham, Timoria. "New program to lower child care costs for northeast Indiana workers." *WFYI*, June 5, 2024.

⁹ Northeast Indiana Early Childhood Coalition, <https://www.neiecc.org>

SCALE ‘GROW YOUR OWN’ APPRENTICESHIP PROGRAMS FOR EASAL WORKERS

Given that over 94% of competencies overlap between the EASAL and K-12 workforces, Indiana has the potential to become an early leader in developing a joint EASAL/K-12 apprenticeship model that connects second-career aspiring educators to fill shortages in both sectors. The state has begun some of this work through the creation of the T.E.A.C.H. Scholarship for current early childhood professionals. Increasing local apprenticeship efforts to include a broader range of participants beyond those currently employed as EASAL professionals would dramatically increase the benefits of this already successful tool. Examples from other states include Kentucky and Michigan, which have initiated similar programs by blending federal student aid with workforce funding, offering a blueprint for Indiana to follow.

ATTRACT THE NEXT GENERATION OF EASAL PROFESSIONALS

One innovative provision of Senate Act 2 is the expansion of the allowable working age in EASAL settings to 16, enabling young people to gain real-world experience at a time in their lives when they are deciding their future career paths. Indiana should complement this new opportunity by building on its existing T.E.A.C.H. Scholarship and CDA Assessment Scholarship programs to attract high school students to early childhood education and retain them through a postsecondary credential.

| Create Early Revenue Streams and Improve Long-Term Efficiency

TIE EARLY CHILDHOOD EDUCATION TO BUSINESS JOB GROWTH INCENTIVES

As part of Indiana’s economic development incentives, businesses should be encouraged, either through direct tax incentive or through retaining a portion of the tax revenue created through job growth, to invest additional resources into ensuring all employees who need EASAL have access to it. At least three current economic development tools align well with this strategy: the Economic Development for a Growing Economy payroll tax credit,¹⁰ the Headquarter Relocation Tax Credit,¹¹ and the Hoosier Business Investment Tax Credit.¹²

WORK TOWARD A STATEWIDE SHARED SERVICE MODEL

One advantage of Indiana’s EASAL provider design model is that it is very locally driven. While this contributes to solving community needs, it also means that many non-instructional services are likely duplicated. Early Learning Indiana recognized this inefficiency in 2020 and created a regional shared services pilot.¹³ An evaluation should be conducted, with particular focus on how to gain greater economies of scale across the state as new EASAL providers come online.

¹⁰ Indiana for the Bold: Investments. “Economic Development for a Growing Economy (EDGE)-Payroll Tax Credit.”

¹¹ Indiana for the Bold: Investments. “Headquarters Relocation Tax Credit.”

¹² Indiana for the Bold: Investments. “Hoosier Business Investment Tax Credit.”

¹³ Early Learning Indiana, “Early Learning Indiana awards Stronger Together grants to support long-term stability of Indiana’s early childhood education industry.”

INCREASE OPERATIONAL EFFICIENCY

To enhance operational efficiency and increase staff compensation, Indiana can support providers in adopting cost-saving strategies such as streamlining administrative functions through technology. The ChildcareTennessee¹⁴ initiative serves as a model, helping providers simplify processes and adopt technology, freeing up resources for wages. Additionally, maximizing enrollment through targeted marketing is essential for steady revenue, as demonstrated by North Carolina’s Smart Start¹⁵ initiative, which helps providers market their services effectively. By implementing these strategies, Indiana can help providers reduce costs and allocate more funds to competitive staff compensation.

| Enhance Data Transparency

As Indiana continues to focus on improving provider quality ratings, scaling services, and enhancing the profession, transparency with the public and policymakers about the impact and cost of these efforts is crucial. The state should develop a universal early childhood data-sharing system and public-facing dashboard to monitor and display progress by regulatory reform, investments, and the impact on EASAL compensation and workforce, broken down by region or county. Transparency supports sound decision-making and builds public trust — an approach that has been key to the success of Arizona’s early childhood funding ballot measure.

¹⁴ Community Foundation of Middle Tennessee. ChildcareTennessee.com

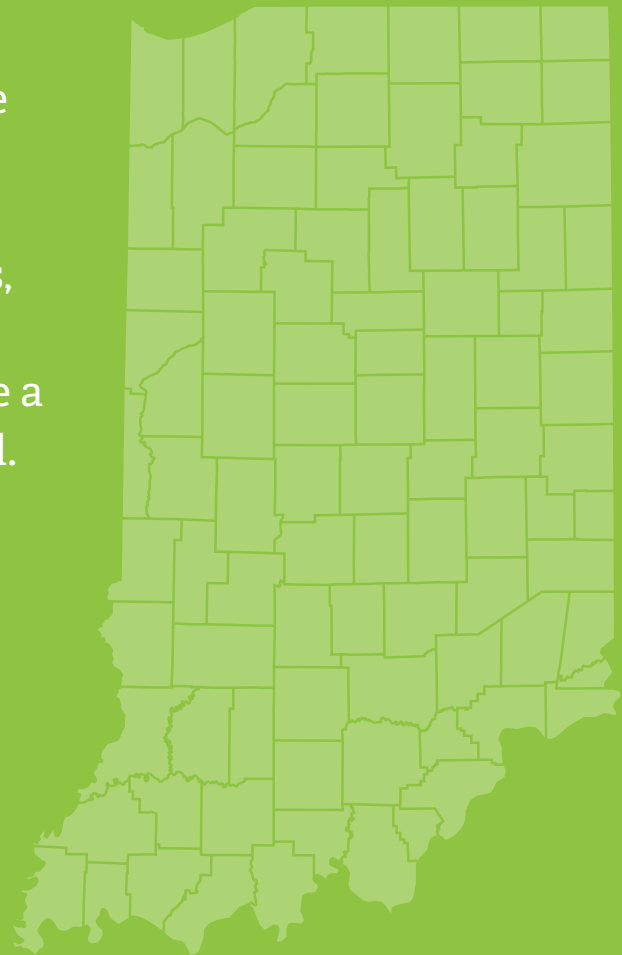
¹⁵ North Carolina Partnership for Children. Smart Start.



Conclusion

The information and analysis presented in this report highlight the significant challenges that early and school-aged learning educators in Indiana face. Despite playing a crucial role in nurturing the cognitive and emotional development of young children and enabling parents to work, EASAL professionals are not compensated commensurate with their skills and credentials.

Investing in the EASAL workforce is not a matter of fairness, but a strategic imperative for the future of Indiana's children and economy. By ensuring that EASAL professionals receive compensation aligned with the skills and competencies they possess, Indiana can attract and retain talented individuals, improve the quality of early childhood education, and create a more prosperous society for all.



By tackling interconnected challenges, Indiana can strengthen both its economy and sustain increased compensation for critical EASAL careers.



Indiana Early Learning
Advisory Committee



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