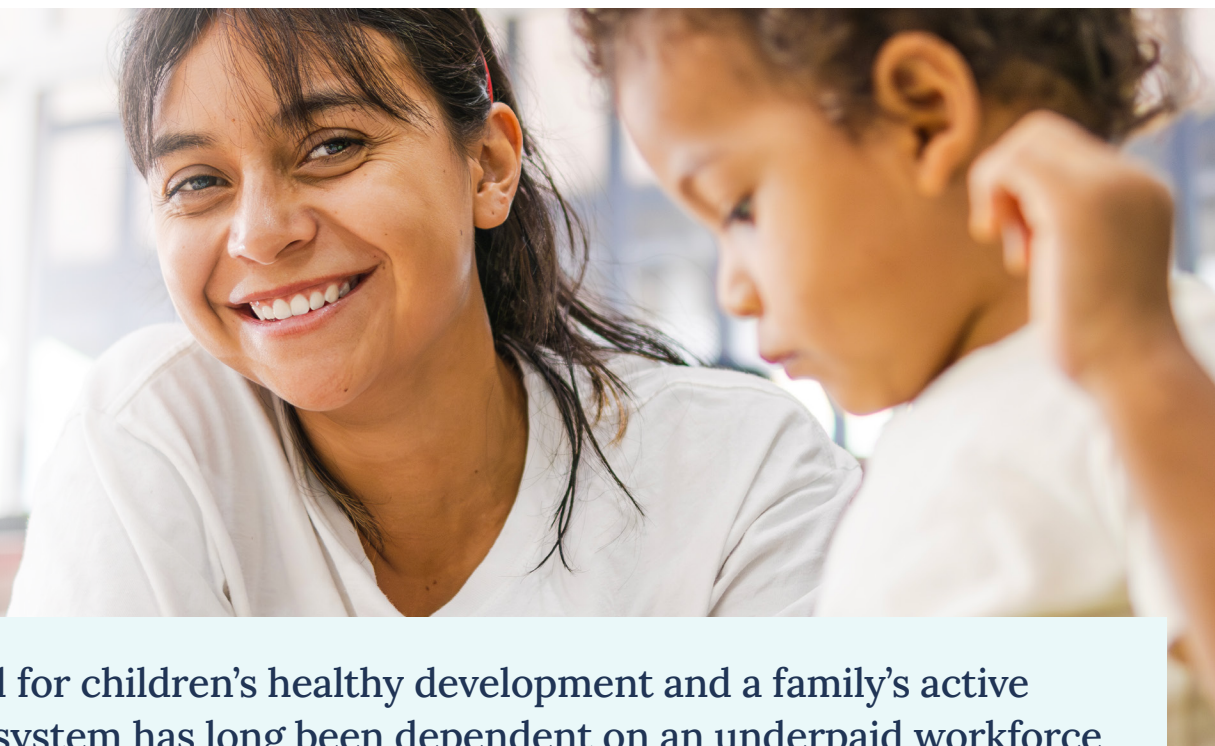


Approaches to Improving Early Educators' Compensation



Access to high-quality child care is essential for children's healthy development and a family's active workforce participation. Yet, the child care system has long been dependent on an underpaid workforce of early educators.

The national median wage for early educators is \$13.07 per hour—lower than 97 percent of all other occupations—and below the living wage for a single adult with no children in every state.¹

Inadequate compensation has contributed to high turnover, with national estimates showing that between 15 and 25 percent of early educators leave their jobs each year.² This instability in the workforce has broader economic impacts; lack of infant and toddler care costs the country \$122 billion annually in lost earnings, productivity, and revenue.³

To address these workforce issues, states have developed policies that increase compensation, including wage supplements, bonuses and stipends, and tax credits. States have also pursued policies to strengthen benefits for the early educator workforce, such as health care, retirement plans, and subsidized child care. This brief provides an overview of these policy approaches and highlights examples of state programs.

Wage Supplements

Wage supplement programs provide additional pay to raise early educators' wages to a defined salary level. States can determine these salary levels through the creation of salary scales that account for an educator's experience, educational attainment, and/or role. Some states have aligned their salary scales for early educators with those of public school teachers to promote pay parity.

Colorado



The [livable wage pilot program](#) for early educators provided wage increases between \$2.99 and \$7.58 per hour to over 300 early educators serving children from birth through age 5 between 2023 and 2025. Child care centers were eligible for the pilot if over 40 percent of children enrolled in the center used a subsidy.

District of Columbia



The [Pay Equity Fund](#) provides quarterly payments to child care programs to raise early educators' compensation to promote pay parity with K-12 educators. Programs are required to pay early educators between \$24.52 and \$36.11 per hour, with distinctions made based on role and qualifications.

Illinois



[Smart Start Workforce Grants](#) provide quarterly awards to invest in staff wages to child care programs serving children using subsidies. Programs are required to pay early educators between \$17.00 and \$19.25 per hour, with distinctions made based on geographic location and roles.

New Mexico



The [Infant Toddler Pay Parity Program](#) provides wage supplements to infant and toddler educators to reach pay parity with public school teachers. The supplement is available to educators working in licensed child care programs that serve at least one child receiving a subsidy, as well as those in Early Head Start programs. Educators submit their current annual salary, and the program fills the gap needed to reach a salary between \$40,000 and \$77,000, depending on education level and years of experience.

Bonuses and Stipends

Bonuses and stipends offer financial support to early educators through fixed dollar amounts, delivered either as one-time incentives or on a regular schedule. States may choose to provide these payments annually, bi-annually, quarterly, or monthly. Using federal relief funds, states issued stabilization grants to support child care workers, and [at least nine states](#) continued these grants after federal relief funding ended. [Recent research](#) from the District of Columbia and Virginia suggests that workforce bonuses can increase the number of early educators and reduce turnover.

Minnesota



The [Great Start Compensation Support Payment Program](#) provides monthly payments to eligible child care and early education programs to fund bonuses for educators. Each full-time staff member receives \$375 per month, and providers receive a 10 percent increase if they care for children using subsidies or are in areas prioritized for child care.

Wisconsin



The [REWARD Wisconsin Stipend Program](#) provides bonuses between \$150 and \$500 to early educators earning less than \$25 per hour. Educators can apply for stipends every 6 months, and the awarded amounts are based on the educator's level on the Wisconsin early childhood workforce registry.

North Carolina



The [Child Care WAGES[®]](#) program provides education-based bonuses to early educators and directors earning up to \$23 per hour who work with children from birth to age 5 in certain counties. Bonuses are issued in 6-month installments if educators remain in the same child care program. The [average bonus](#) is \$1,281 for each 6 month period, dependent on the educator's education level, ranging from a Child Development Associate up to a doctorate degree. Other [states](#), such as Arkansas, Iowa, Nebraska, Rhode Island, and Tennessee, have also implemented WAGES[®].

West Virginia



The [WV STARS Pathways to Earnings](#) program provides annual bonuses to early educators and directors working in child care programs that serve children using subsidies. Educators are eligible if they have worked for at least 12 consecutive months prior to applying. The bonus is dependent on the educator's credentials and ranges from \$75 to \$2,000 per year.

Tax Credits

Several states have explored providing tax credits for early educators as one way to increase overall compensation. States can tailor these credits by deciding whether they are refundable, setting eligibility based on experience or education, establishing a required amount of time in the workforce, and specifying which early learning programs qualify (e.g., child care, Head Start, Early Head Start).



Colorado

The state provides two tax credits for early educators. The [Early Childhood Educator Income Tax Credit](#) provides educators a refundable tax credit between \$750 and \$1,500 (annually adjusted for inflation), based on the level of state credential they hold. Starting in tax year 2025, the Care Worker Tax Credit will provide a refundable \$1,200 state income tax credit for early educators registered in the state's professional development system, including Family, Friend, and Neighbor care providers.



Louisiana

The [Credit for Child Care Directors and Staff](#) provides a refundable income tax credit to child care directors and staff who hold certain state qualifications. The credit ranges from \$1,500 to \$3,000, adjusted annually for inflation.



Nebraska

The [School Readiness Tax Credit](#) provides a refundable tax credit to early educators who meet the state's base training requirements and work experience in the quality rating system. The credit ranges from \$2,300 to \$3,500 based on the educator's training level.

Benefit Supports

In addition to salaries, benefits are an important component of an educator's compensation package. States have taken innovative approaches to improving benefits for early educators by providing health care, retirement plans, and subsidized child care. Eligibility for these benefits may vary based on a worker's role, employment duration, and whether their program accepts subsidies.

Health Care



The District of Columbia

The [HealthCare4ChildCare Program](#) provides free or low-cost health insurance to child care workers, funded through the Pay Equity Fund.



Washington

As a result of a [collective bargaining agreement](#), licensed home-based child care providers are eligible for health care and dental benefits at a premium of \$30 per month. Providers must care for at least one child who is funded through a subsidized child care program in the state.

Retirement



Arkansas

The state enacted [legislation](#) in 2025 to allow early educators employed in programs that receive state or federal funding to participate in the Arkansas Teachers Retirement System. The employer must opt in for the child care worker to receive the benefit, and, although the state does not provide a contribution, employers are able to provide matching funds.



California

A [collective bargaining agreement](#) between home-based child care providers and the state provides up to \$80 million annually from state funds for a retirement fund. Benefits are determined based on the number of years and months that a provider has been licensed, and the number of months providers cared for children using a subsidy.

Subsidized Child Care



Kentucky

In 2022, the state [expanded](#) child care subsidy eligibility to child care workers regardless of their income.



North Dakota

In 2024, North Dakota [announced](#) that child care workers who work a minimum of 25 hours per week were eligible for subsidized child care regardless of their income and the state waived copayments.

In addition to Kentucky and North Dakota, at least ten other states ([Arkansas](#), [Georgia](#), [Indiana](#), [Iowa](#), [Maine](#), [Massachusetts](#), [New Hampshire](#), [Rhode Island](#), [Utah](#), and [Washington](#)) have enacted legislation, piloted, are piloting, or fully implemented this strategy.

Early educators play a vital role in supporting children's development and enabling parents to work, yet they remain one of the most underpaid workforces in the nation. States may consider ways to increase or sustain investments in educators' compensation to stabilize the workforce and strengthen the broader child care system.

Research from the District of Columbia and Virginia shows that bonuses and stipends can improve educator retention, but additional research is needed to fully understand the impact of wage supplements, tax credits, and expanded benefits. States have the ability to tailor these compensation strategies to meet the unique needs of their early educator workforce, and doing so is key to promoting educator retention and strengthening the supply of child care.

The Case for Sustainable Support

Improving compensation for early educators requires sustainable funding to ensure salary and benefit stability. States can leverage general fund allocations, [develop dedicated funding stream](#), and establish public-private partnerships to meet the specific needs of the workforce. In 2021, the [District of Columbia](#) approved a first of its kind income tax increase on residents' incomes over \$250,000 a year to provide a wage supplement and health care benefits to early educators.



Citation

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¹ Center for the Study of Child Care Employment. (2024). Early childhood workforce index 2024. <https://cscce.berkeley.edu/workforce-index-2024/the-early-childhood-educator-workforce/early-educator-pay-economic-insecurity-across-the-states/>

² Bassok, D., Dromal, J. B., Michie, M., & Wong, V. C. (2021). The effects of financial incentives on teacher turnover in early childhood settings: Experimental evidence from Virginia. Virginia Early Childhood Foundation. <https://vecf.org/wp-content/uploads/2021/12/6de6fd54-e921-4c88-a452-ad7cabccc362.pdf>

³ Council for a Strong America. (2023). \$122 billion: The growing, annual cost of the infant-toddler child care crisis. <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>