

# Wage Supplements Improve Early Educators’ Financial Well-Being

## Reflections on the DC Early Childhood Educator Pay Equity Fund

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Survey findings show **Pay Equity Fund payments helped DC early educators afford basic needs** such as housing, utilities, and food, and **increased their financial well-being**, helping them pay off debts and build savings.

**DC early educators report low wages and high rates of financial and food insecurity**, underscoring the **significance of wage supplements** for these essential workers. Financial insecurity tends to be even higher among eligible educators who have not received Pay Equity Fund payments.

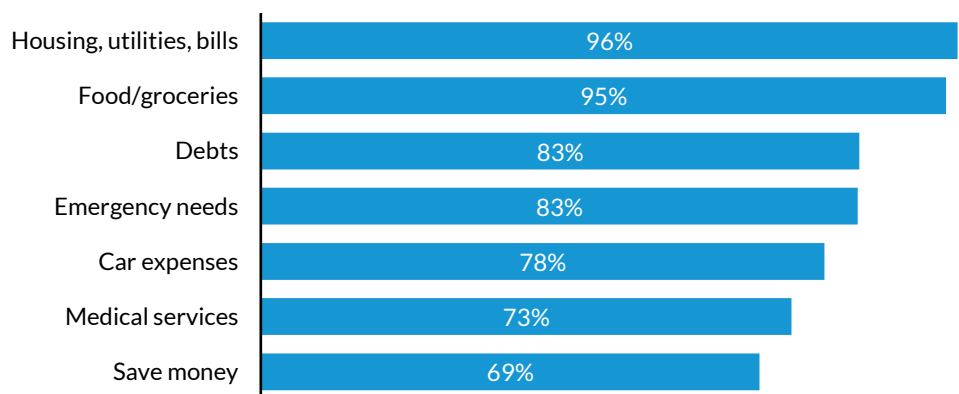
### ECONOMIC CONTEXT FOR DC’S EARLY EDUCATION WORKFORCE

Our survey data reveal that early educators eligible for payments received median wages of \$35,000 per year and \$19 per hour before Pay Equity Fund payments.

Although their earnings are slightly higher than those of child care workers nationally (who are among

In 2021, the Council of the District of Columbia (DC) established the Early Childhood Educator Pay Equity Fund (“Pay Equity Fund”), aimed at achieving pay parity between early educators in child care programs licensed by the Office of the State Superintendent of Education and teachers in DC public schools. Beginning in FY 2022, eligible early educators could receive a lump-sum payment of \$10,000 if a full-time assistant and \$14,000 if a full-time lead teacher. In FY 2023, early educators received quarterly payments totaling the same. In FY 2024 and beyond, continuing payments will go to child care providers to help them meet salary minimums for their educators. Beginning in May 2023—following the disbursement of the lump-sum payment and first two quarterly payments—we conducted a survey of all early educators eligible for one or more payments as well as follow-up focus groups. This fact sheet summarizes the perceived effects of the Pay Equity Fund on early educators’ financial well-being.

**FIGURE 1**  
**With the payments you received from the Pay Equity Fund, has it been or was it easier to do or pay for any of the following? (“Yes” responses)**



Source: Urban Institute 2023 survey of eligible DC educators.

Notes: Percentages represent the weighted proportion of educators responding “Yes” among those for whom the expense was applicable. Sample represents current and former early educators as well as home-based owners/operators who had received at least one payment, unweighted N = 1,486. The top seven most popular categories are presented here.

the lowest-paid workers, with a 2022 median annual wage of \$28,520), their wages are far below the median wage in DC (\$74,436 for all workers with earnings).<sup>1</sup> These low wages persist despite early educators' important role in children's education and development and families' workforce participation. Low wages also intensify ongoing challenges to the sector's staffing and workforce retention, especially in the wake of the COVID-19 pandemic.

### HOW EARLY EDUCATORS USED THE PAY EQUITY FUND PAYMENTS

The level of financial insecurity reported among early educators underscores the importance of greater and more equitable compensation. The Pay Equity Fund is a promising start to meeting this need. We estimate that 89 percent of eligible educators surveyed received at least one payment. The overwhelming majority of recipients report the payments helped them pay for basic needs such as housing, utilities, and other bills, as well as food, groceries, and medical services. Payments also contribute to recipients' financial well-being, allowing them to pay off debts, cover emergency needs, and build savings.

*[It has] helped me pay my rent. In my case, I probably would've been in debt forever...my mom would've been in debt longer. It's been a lifeline for me. Without it, I honestly don't know what I would do. For that reason, I hope that it's sustainable and it can last. —Lead teacher*

Receipt of Pay Equity Fund payments appears to be associated with less financial stress and insecurity. Compared with educators who received no payments, those who received any payments were:

- 38 percent less likely to say they worry money will run out before their next paycheck “most or all of the time” (18 of educators receiving payments, versus 29 percent of those not receiving payments).
- 11 percent less likely to say it was “somewhat” or “very difficult” to live on their current income (64 versus 72 percent).
- 6 percent less likely to be food insecure, as defined by the USDA<sup>2</sup> (66 versus 70 percent). For reference, both recipients and nonrecipients were much more likely to be food insecure than all US households (13 percent, on average).

Nevertheless, even educators who did receive the payments experienced financial difficulties, especially with regard to educational debt and child care costs. The Pay Equity Fund shows promise in bolstering early educators' financial well-being, but further policymaking could address lingering financial concerns, education debt, child care costs, and wellness supports, as well as the housing, utilities, and medical expenses that no longer qualify for public assistance as a result of higher wages.

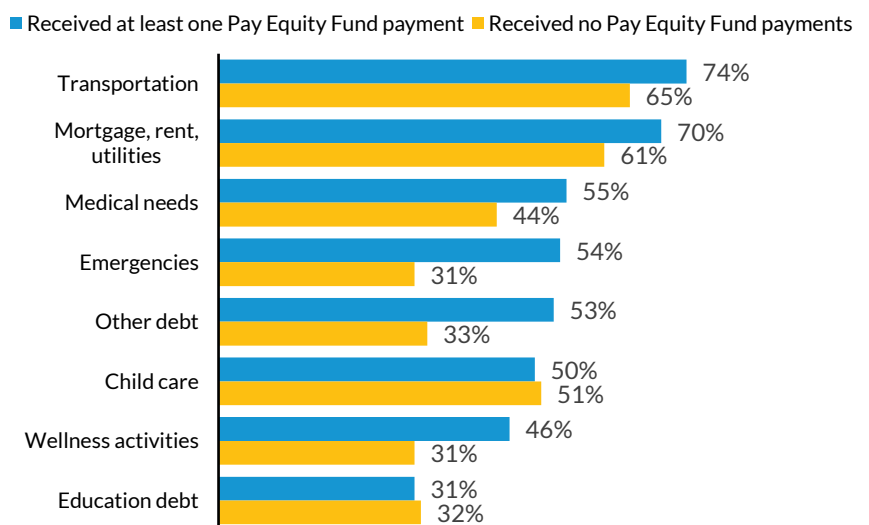
**Read more at the project's homepage DC Child Care Policy Research Partnership <https://urbn.is/3UevDIN>**

<sup>1</sup> US Census Bureau, "Earnings in the Past 12 Months (in 2022 Inflation-Adjusted Dollars)," 2022. *American Community Survey, ACS 1-Year Estimates Subject Tables*, <https://data.census.gov/table/ACSST1Y2022.S2001?q=washington-dc-median-annual-wages-all-workers-with-earnings>.

<sup>2</sup> USDA Economic Research Service, "Key Statistics & Graphics," *Food Security in the US*, accessed on February 1, 2024. <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-u-s/key-statistics-graphics/>.

FIGURE 2

**In the past three months, did you have enough money to pay for the following? ("Yes" responses)**



Source: Urban Institute 2023 survey of eligible DC educators.

Note: Percentages shown indicate the share of eligible educators who indicated that they had enough money to pay for that expense among those for whom the expense was applicable. Sample represents current and former early educators as well as home-based owners/operators, N = 1638. No Pay Equity Fund payments, N = 83. Any Pay Equity Fund payments, N = 1,486. Missing = 69.