

# Full Cost of Quality Report

*Addressing the inadequate compensation of many early childhood staff is a priority for NAEYC and the purpose of the Full Cost of Quality in Early Childhood Programs Campaign. Presented as part of the Full Cost of Quality Campaign, this two-part article (to be concluded in May) provides a specific tool to address employee compensation concerns, timed to coincide with this year's Worthy Wage Day.*

## "But I'm Worth More Than That!"

### Addressing Employee Concerns About Compensation

Paula Jorde Bloom

Virtually every study examining teacher satisfaction in early childhood education indicates that child care workers are dissatisfied with the low pay and paltry benefits they receive. Teachers' salaries have never been high, but the situation seems to be worsening as salaries have not kept pace with inflation. Real earnings by child care teachers have actually declined by nearly one quarter since the mid-1970s (Whitebook, Howes, & Phillips, 1989; Kisker, Hofferth, Phillips, & Farquhar, 1991).

We know that both prospective and practicing teachers are influenced by salary levels. Indeed, the number of teachers who leave early childhood education for other occupations is directly related to the amount the individual is underpaid as a teacher compared to potential earnings in other fields. The statistics and the consequences of turnover are well known (Whitebook et al., 1989; Willer & Johnson, 1989; Daniel, 1990). While there are some promising federal and state initiatives to enhance child care staff compensation (Boyer, Gerst, & Eastwood, 1990; Whitebook, Pemberton, Lombardi, & Galinsky, 1990; Child Care Employee Project, 1992), and increased attention is being focused on the issue through the Worthy

Wage Campaign and the Full Cost of Quality Campaign, we need not wait for the results of these national efforts to improve the plight of the early childhood workers in our programs. There are important steps that can immediately be taken to improve policies and practices regarding employee compensation.

An organization's compensation system deals with the distribution of pay and fringe benefits, policies regarding tenure and job security, and how promotion opportunities are handled. Even though early childhood workers may feel underpaid and undervalued by society, they can feel valued by their own center or school. Work environments that have a healthy organizational climate generally have a compensation system in place in which pay, job security, and promotion policies are both fair and equitably administered. Good compensation systems also increase the level of professionalism of workers by providing incentives for staff to achieve higher levels of education and training. Compensation systems that are both equitable and include incentives for professional growth result in greater commitment to the employer and to the profession.

This is in sharp contrast to policies that exist in many early childhood centers. The National Child Care Staffing Study (Whitebook et al., 1989) found that 70% of the teaching staff included in their sample worked without a written contract, and 40% had

no written job description. In another study of the organizational policies and practices of 85 child care centers, only 11% provided any kind of counsel for professional advancement or had implemented a career ladder (Jorde-Bloom, 1989).

#### *The symbolic importance of rewards—the equity issue*

Compensation is more than simply an economic issue; it can be a potent emotional issue (Jensen, 1979). This is because pay, benefits, and opportunities for promotion mean different things to different people. While the importance of pay and benefits as a source of motivation is often downplayed in workers' self-reports of job satisfaction, the extrinsic rewards that workers receive are important for their symbolic value. Pay is a means of communicating recognition and, for many, is a symbol of the value placed on their work. As such, it affects feelings of self-esteem.

Opportunities for promotion, as well, have strong symbolic importance. Many people regard promotion policies as recognition of past performance and as providing a sense of security for the future. For some, especially those in the early stages of their careers, promotion—or the likelihood of promotion—may be more important than current wages (Ochsner & Solmon, 1979).

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## Understanding Internal and External Equity

### Internal equity

Internal equity refers to the relationships of different jobs within a center, school, or agency. Internal equity has two aspects: the relative similarities and differences in work content of jobs and the relative value or contribution of the work to the center's goals. Internal equity is achieved through job analysis, the development of job descriptions, and the evaluation of jobs to determine a structure based upon the value of the jobs to the organization's goals. There are two types of internal equity.

**Equal pay for equal work.** Equal (or substantially similar) work means work requiring similar behaviors and tasks being performed under similar working conditions and requiring similar responsibilities, efforts, and abilities (e.g., a preschool teacher and an infant/toddler teacher). The 1963 Equal Pay Act outlawed paying different wages for equal work in most instances, and Title VII of the Civil Rights Acts called for an end to discrimination based on sex or race.

**Equal pay for comparable worth.** The yardstick for achieving this aspect of internal equity is determining the relative worth of different jobs in the center as they contribute to the overall mission of the agency (e.g., a preschool teacher and the office secretary).

### External equity

External equity refers to the relationships among employees in the external labor market. External equity is established by determining the going rate for similar work in relevant labor markets.

**Equal pay for equal work.** How do other centers pay for equal or substantially similar work? To apply this standard it is necessary to determine the relevant comparison group and whether the work content of the different jobs is really equal. NAEYC guidelines on compensation (1990) state that early childhood professionals with comparable qualifications, experience, and job responsibilities should receive comparable compensation, regardless of their job setting. This means that a teacher working in a nonprofit community child care center, a family child care provider, and a prekindergarten teacher working at a public school who have comparable qualifications should receive comparable compensation for their work.

**Equal pay for comparable worth.** This area of external equity is the most difficult to assess. We know for a variety of reasons (market forces and the devaluation of "women's work") that child care workers earn less than half as much as comparably educated women and less than one-third as much as comparably educated men in the civilian labor force (Whitebook et al., 1989). For the present, however, statutory provisions have not provided an easy remedy for evaluating the relative worth of dissimilar jobs and reducing inequities across occupations (Milkovich, 1980).

Compensation practices also constitute a means of comparison, both within and outside the immediate program. Early childhood workers, for example, compare themselves to others holding similar positions within their own organization, as well as to others holding similar positions in other centers or schools. For many workers, questions of internal and external equity may be just as important as questions of adequacy. These equity issues clearly affect how employees feel about their work and how committed they are to their jobs.

Equity can also be construed from a more personal perspective—the degree to which an individual's pay and benefits are equitable given the effort she or he puts into the job. There appears to be an element of relative justice that underlies our perceptions of equity (Adams, 1963). The phrase "After all I've done for you . . ." is a simple, outward expression of an inner feeling that what a person has given does not equal what she or he

received in return (Huseman & Hatfield, 1989, p. 8). People evaluate their jobs by comparing what they give to it (their inputs—time, energy, commitment) with what they get from it (their outcomes—pay, recognition, security, friendship).

The issue is complicated because people use different yardsticks to measure their inputs and outcomes. Some compare what they give and get to what other people who are like them (their co-workers, friends, people in similar jobs) appear to give and get. Others compare their inputs and outcomes to previous jobs. What is certain is that people do make comparisons, and this is the perspective they use to decide if they are being treated fairly. People feel underrewarded when their inputs are greater than the resulting outcomes. When what they perceive they give to a relationship does not equal what they get from it, they feel distressed. The natural response in this situation is either to reduce inputs (by coming

to work late, doing less, doing careless work, calling in sick, forgetting to follow through) or to terminate the work relationship (Huseman & Hatfield, 1989).

What this means for child care program administrators is that an integral part of managing staff must be managing the equity factor—that hidden dimension that guides, controls, and, to a certain extent, shapes people's perceptions and behaviors. Put simply, "managing equity involves managing people's perceptions of what they give and get" (Huseman & Hatfield, 1989, p. 26).

What makes the whole equity issue such a potential minefield for administrators of early childhood programs is that directors and staff often have quite different perceptions of organizational practices (Jorde-Bloom, 1988). Administrators tend to view organizational life far rosier than do their staff. Administrators may perceive that they have instituted fair and equitable practices, but their em-

ployees may interpret policies and practices quite differently. Objective truth is less important than perceptions because people act on the basis of their perceptions.

Intrigued with this issue, I recently conducted a study of the compensation practices of 200 centers in 30 states. I was struck by a pattern in the results. Of the 1,450 respondents, only 41% of the teachers and assistant teachers thought that pay at their centers was distributed fairly; only 39% believed that fringe benefits were equitably distributed; less than one-half (48%) thought that the pay at their centers was fair compared to what other centers paid; and only 19% believed that their centers offered good opportunities for promotion. In each of these areas, the administrators had more positive perceptions (e.g., 72% of the directors believed that fringe benefits were equitably distributed). In all areas, the differences were statistically significant. If we are serious about improving the quality of work life for early childhood workers, I believe that we cannot ignore differences in perceptions.

So what can program administrators do? Most importantly, they can talk to employees about a wide range of equity issues. Sometimes the mere act of asking people in what ways they feel underrewarded can affect the perspectives they have. Second, administrators can implement policies and practices that reduce inequities and provide the incentive for staff to make a long-term commitment to the field of early childhood education.

### ***The importance of having a written compensation policy***

We take for granted the importance of communicating to parents and to the community our philosophy of education with respect to classroom teaching practices. Such a statement embodies what we believe about the educational process and how we interpret our role as caregivers. It is surprising, then, that so few centers actually have a staff policy manual detailing their philosophy of compensation. How can we say that our employees deserve less?

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## **Many program administrators have been successful in eliminating the adversarial relationship with their staff by being more open about budgetary matters and sharing information regarding compensation issues.**

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Small programs are often reluctant to make their policies formal because they fear becoming too bureaucratic, but most people work best when they know the philosophy underlying their compensation and their potential for promotion. Without a well-written compensation philosophy, employees may perceive that their pay is determined by whim and that decisions guiding promotions are arbitrary.

A philosophy statement should describe how compensation policy decisions are made regarding pay, benefits, and promotions. It should also include a statement about beliefs regarding the confidentiality of compensation information. Does the organization embrace a policy of open disclosure—that employees should be entitled to know what other employees of the center are paid? How much information and what type of information will be made public?

An employer's compensation philosophy should describe beliefs regarding internal and external equity (see box on p. 66). How are decisions made regarding the pay, benefits, and opportunities for promotion for employees in similar positions (preschool teacher vs. infant/toddler teacher) or for individuals holding different types of positions (office secretary vs. preschool teacher)? How are vertical equity decisions made (how much more should the teacher in the classroom be paid than the assistant teacher)? How do pay and benefits compare with those being paid by other early childhood organizations in the community or for other jobs requiring similar training? The written philosophy should include a statement that acknowledges that teachers make a financial sacrifice to work in child care, and that the center's ongoing goal is to narrow the external equity gap as much as possible.

Misunderstandings can often occur when individuals do not have enough information on matters that directly affect their welfare. Many program administrators have been successful in eliminating the adversarial relationship with their staff by being more open about budgetary matters and sharing information regarding compensation issues. This need not be full disclosure of where every dollar is spent, but sometimes sharing with employees concerns about the rising cost of workers' compensation and disability insurance can give them greater awareness of the complexities involved in balancing a budget.

### ***Implementing a comprehensive compensation system***

Developing a fair and equitable compensation system may be the most challenging management task that a program administrator faces. With limited financial resources and competing organizational needs, administrators may agree with Jensen (1979) that salary management is really "the fine art of distributing dissatisfaction equitably" (p. 1). Unavoidably, some compensation decisions will involve subjective judgments, but the goal should be to develop as many objective criteria as possible to guide compensation decision making.

Good compensation systems are based on differentiated staffing patterns—a variety of different positions at different levels, each requiring different responsibilities and each receiving a corresponding differentiated level of compensation. Movement in the system may be horizontal (between different jobs with similar pay) or vertical (between different jobs requiring

greater responsibility and paying more). Vertical movement is based on increasing levels of education, experience, and performance in carrying out assigned roles.

As a profession, we are achieving consensus on a model of professional development that provides a career lattice for defining different job roles, requisite qualifications, and a career advancement progression from one level of professional responsibility to another (Bredenkamp, 1992; Bredenkamp & Willer, 1992; NAEYC, 1992). Most centers also employ a variety of additional support staff (e.g., secretary, cook, custodian) and other professional staff (nurse, social worker) who must be included in a comprehensive compensation plan. This complicates the task but is essential to eliminate cross-categorical discrimination in salary compensation. From an equity perspective, the goal is to get pay and benefits to reflect a just assessment of the skills and responsibilities demanded by a job rather than false assumptions about the financial needs of the worker or the skills involved in the job based on the sex or race of the worker (Whitebook & Ginsburg, 1985).

Because each early childhood program is unique in its philosophy, goals, and needs, each center must develop its own distinctive version of a compensation system (programs that are part of a larger human service agency or corporation must also ensure that their compensation plan is consistent with that of their sponsor). By reviewing the program's staff roles and responsibilities, budget limitations, and professional goals,

an administrator can design a system that is responsive to the program's unique character.

There are five steps that will aid in this review. First, conduct a job analysis for each position in order to determine the duties, responsibilities, and work requirements for successful performance in that position. Second, write a job description for each position. Third, evaluate jobs to determine comparable worth. Fourth, set salaries and determine benefits. Finally, determine how individuals advance within the organization. These five steps will be discussed more thoroughly in part two of this article.

### For further reading

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### Share Your Full Cost of Quality Success Stories!

If your center, school, or family child care home has a success story as to how you've worked to address the full cost of quality by (1) fostering good relationships among children and adults, (2) ensuring adequate numbers of well-qualified adults, (3) ensuring sufficient compensation to recruit qualified staff, and (4) fostering good learning environments

for children and good working conditions for staff—we want to hear from you! We're particularly interested in success stories for improving compensation and establishing career ladders linking improvements in professional development to increased compensation. Watch for such strategies in future issues of *Young Children*.

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# Full Cost of Quality Report

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*This second part of a two-part article describes the specific steps that early childhood administrators can use to create an equitable compensation structure for their program. For additional background information refer to part 1 of this article, which appeared in the March 1993 Young Children.*

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## **“But I’m Worth More Than That!”: Implementing a Comprehensive Compensation System**

Paula Jorde Bloom

**D**eveloping a fair and equitable compensation system may be the most challenging management task a program administrator faces. Unavoidably, decisions about compensation will involve subjective judgments, but the goal should be to develop as many objective criteria as possible to guide compensation decision making.

Good compensation systems are based on differentiated staffing patterns—a variety of different positions at different levels, each requiring different responsibilities and each receiving a corresponding differentiated level of compensation. Movement in the system may be horizontal (between different jobs with similar pay) or vertical (between different jobs requiring greater responsibility and paying more). Vertical movement is based on increasing levels of education, experience, and performance in carrying out assigned roles.

Because each early childhood program is unique in its philosophy, goals, and needs, each program must develop its own distinctive version of a compensation system (centers that are part of a larger human service agency must also ensure that their compensation policy is consistent with that of their sponsoring agency).

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By reviewing the roles and responsibilities of staff, budget limitations, and the professional goals of the agency, a program administrator can design a system that is responsive to the program’s unique character. The following steps will aid in that process.

### ***Step 1. Conduct a job analysis of each position.***

The purpose of this step is to obtain information regarding the duties and responsibilities of each position at the center and the work requirements for successful performance of the job.<sup>1</sup> A job analysis should include a detailing of the variety and frequency of different tasks that comprise the job and the priority or importance of each. Included in this analysis should be the degree of accountability and decision-making responsibility as it relates to the successful performance of different tasks.

It is critical that employees be involved in this process. It is important that they understand, however, that the analysis is being done on the job or position, not on the person currently holding the position.

### ***Step 2. Write a job description for each position.***

Well-written job descriptions serve many functions in personnel management: they delineate job specifications for the recruitment, hiring, and

orientation of new employees; they clarify relationships between jobs so that overlaps and gaps in responsibility can be reduced; and they describe the center’s expectations for performance. When implementing a comprehensive compensation system for your center, you will find that job descriptions provide the framework for making rational decisions about salary structure and how individuals will advance in the center.

Central to writing clear job descriptions is clarifying appropriate job titles. One of the benefits that will result from using an established set of professional categories and role titles such as those proposed in the NAEYC draft model of early childhood professional development (1992) is consistency in nomenclature for programs across the country. This is important because the lack of consistency in job titles in our field has been one of the principal roadblocks to achieving professional status (Hostetler & Klugman, 1982).

Table 1 lists some of the many jobs that exist in early childhood programs. The number and variety of positions will vary, of course, depending on the size and needs of the program; for example, a program may have several types of teachers with different specializations (e.g. infant/toddler teacher, preschool teacher), each requiring a different job description. A small program may not necessitate a social service coordinator or

**Table 1. Job Evaluation Using a Point-Factor Approach**

Position	Job Factor								Total
	1	2	3	4	5	6	7	8	
Program administrator*	40	20	20	20	40	20	20	10	190
Education coordinator*	35	20	20	20	40	20	10	10	175
Office manager	25	15	15	20	30	15	20	15	155
Master teacher*	25	15	15	15	30	15	10	15	140
Social service coordinator*	25	10	15	20	15	10	10	10	115
Parent education coordinator*	25	10	15	20	15	10	10	10	115
Teacher*	20	7	10	15	15	15	10	15	107
Secretary/bookkeeper	20	10	10	10	10	5	15	15	95
Assistant teacher*	15	5	5	15	10	15	10	15	90
Cook	15	5	10	5	10	15	10	20	90
Bus driver	10	2	5	10	2	20	10	20	79
Custodian	10	2	10	2	5	10	10	20	69
Receptionist	10	7	5	20	5	5	5	10	67
Teacher aide*	10	2	2	10	2	10	5	15	56
File clerk	10	2	5	2	5	5	5	15	49
Kitchen helper	5	2	2	2	2	5	5	15	38

\*Positions included on the early childhood professional career lattice (NAEYC, 1992)

**Code to factors**

- 1. **Education and specialized training** (0-40 points). Minimum education and specialized training required to perform duties successfully
- 2. **Experience** (0-20 points). Minimum length of time required with appropriate training to perform duties successfully
- 3. **Decision-making responsibility for policy and program operations** (0-20 points). Degree of responsibility for identifying problems; authority to take action in resolution of problems

- 4. **Client and public relations** (0-20 points). Degree of impact on center's image resulting from direct or indirect contact with client families and the community at large
- 5. **Responsibility for work of others** (0-40 points). Degree of supervisory responsibility for other employees
- 6. **Responsibility for safety of others** (0-20 points). Degree of responsibility for the direct welfare of others

- 7. **Responsibility for funds or property** (0-20 points). Degree of responsibility for the effective use of financial or physical resources
  - 8. **Working conditions** (0-20 points). Exposure to adverse hardships or environmental conditions affecting personal safety and well-being
- Total column reflects sum of all factors for each position.

a parent education coordinator. Likewise, in a small program an individual with the title of director may fill the roles of both the education coordinator and program administrator.

There are many helpful resources to assist program administrators in writing job descriptions (Travis & Perreault, 1981; United Way of Chicago, 1987; Sciarra & Dorsey, 1990; Bloom, Sheerer, & Britz, 1991). As with job analyses, job descriptions focus on the position, not on the individual currently holding that position.<sup>2</sup> Staff input is essential, however, because no one knows a job better than the person doing it, but current incumbents may not know how one position relates to another. It is important that descrip-

tions be concise and summarize job content and responsibilities as they relate to the agency's mission and objectives.

Most human resource management consultants recommend writing job descriptions for key administrators and supervisors first. If supervisors' jobs are clearly defined, then delineating subordinates' responsibilities and functions will be easier<sup>3</sup> (United Way of Chicago, 1987). A job description should include the following:

- purpose of the job;
- specialized training and education (knowledge and skill) required for successful performance;
- minimum experience required for successful performance;

- desired disposition characteristics (e.g., degree of flexibility);
- accountability (to whom the position reports) and where the position fits in the overall chain of command in the center;
- supervisory responsibility;
- specific required tasks, amount of time to be spent on tasks, and degree of responsibility for each;
- examples of work to be performed;
- authority and decision-making influence;
- required contact with the public;
- physical/emotional demands (e.g., stamina required); and
- working conditions (e.g., travel, risk of physical injury, noise level, exposure to illness, exposure to hazards).

### **Step 3. Evaluate jobs to determine comparable worth.**

Job evaluation is an objective, systematic, and analytical process that assesses both similarities and differences in work content and the relative value of the work to the organization. An evaluation of job descriptions will yield a job structure for the center. Through this procedure internal equity is translated into a structure of jobs based upon the work performed and the value of this work to the organization (Milkovich, 1980). The ultimate goal is to achieve a system whereby equal pay will be administered for equal work and for comparable worth.

Job evaluation is also concerned with jobs, not with individuals. People fill jobs, and ordinarily their compensation reflects how well they perform their jobs; but job evaluation places a relative value on the job regardless of the current incumbent (Patten, 1988). The result is a ranking of positions, which will form the basis for making an equitable differential in compensation and benefits. In conducting an evaluation of jobs, it is important to communicate to employees that all work has dignity and is important to the center or school.

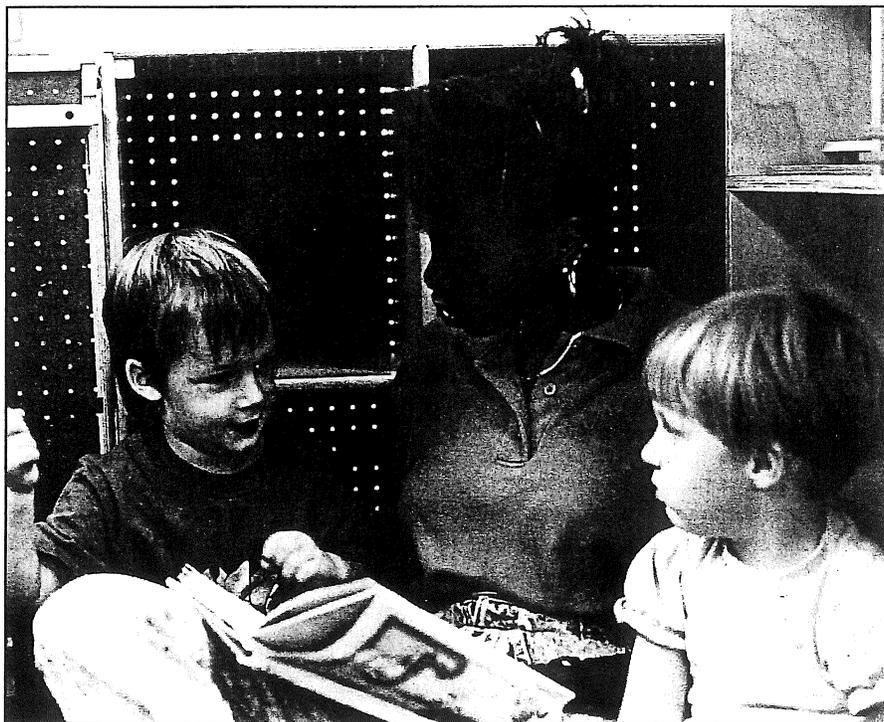
There are several approaches to job evaluation.<sup>4</sup> The following three methods are among the most popular. The approach best suited for your center or school will depend on the size of your program, the nature of the jobs to be evaluated, and your overall compensation goals.

**Ranking**, the oldest and most straightforward method of job evaluation, may be a viable option if a center has only six to eight different jobs and no more than 20 employees. Ranking entails looking at each position and, based on the relative value of the position to the organization, placing it on a job structure hierarchy. Jobs may also be ranked by function, then ranked in relation to one another. This entails ranking the positions in each job cluster first (e.g., all caregiver/teaching positions, all administrative/clerical positions, all maintenance/support positions) and then rank-ordering jobs from the three categories in relation to one another. A job structure is built by the resultant ranking. The disadvantage of this approach is that it tends to be highly subjective because it does not rely on any specific standards for comparison. It also does not define incremental differences in value between ranked positions.

**Classification plans** are a refinement of the ranking method. The federal government's Grade/Step (GS) system is an example of the classification system. In the ranking method, the whole job is scrutinized on the basis of the job descriptions. The classification system also looks at the whole job but uses specific criteria to classify positions into different grades or levels. Each grade has a set of different standards that distinguish the jobs in that grade from those in other grades. Standards might include the nature and variety of the work, requisite qualifications, level of responsibility, decision-making authority, and value of the work to the center's mission.

**Point-factor plans** are the most widely used method for evaluating jobs. This quantitative approach involves using a set of job factors to evaluate each position in the center, with the resultant score being used to rank positions for compensation purposes. For ease in using this approach, no more than 10 factors should be considered. The weight of each factor may vary, though, to communicate the relative importance of different aspects of the job to the overall success of the organization; for example, a factor like *working conditions* may carry less weight than *responsibility for supervising others*.

Careful thought should be given to the factor definitions and the assignment of point values when using this method. Many traditional job evaluation plans have about 50% of their weight in the skill, education, and work-experience area. The point spread should be sufficiently wide to distinguish between positions but not so wide as to be cumbersome. The point system of an organization will reflect the imputed importance assigned to different jobs as well as the actual scarcity in the labor pool of competencies and talents required by the job (Patten, 1988). Objectivity in this approach is achieved by having different individuals independently evaluate each job and then comparing their evaluations. Table 1 shows how eight factors can be used to evaluate and rank 16 different positions in a center or school. The organization could have 40 to 50 employees filling these positions.



South Carolina Educational Television

**Table 2. Setting Salary Ranges**

Grade	Total point range	Positions	Salary index	Average salary
6	175-190	Program administrator Education coordinator	3.50	\$33,705
5	140-155	Office manager Master teacher	3.00	\$28,890
4	107-115	Social service coordinator Parent education coordinator Teacher	2.50	\$24,075
3	90-95	Secretary/bookkeeper Assistant teacher Cook	2.00	\$19,260
2	67-79	Bus driver Custodian Receptionist	1.50	\$14,445
1	38-56	Teacher aide File clerk Kitchen helper	1.00	\$9,360

*For this example the index of 1.00 was set at \$9,360 (FTE of position paying \$4.50/hr), thus an index of 1.50 = \$14,040 (the range might be 1.25 [\$11,700] to 1.75 [\$16,853]).*

**Step 4. Set salaries and determine benefits.**

This step involves establishing a price structure for determining pay and benefits for different jobs in the job hierarchy. In most organizations it is impractical to have a separate salary range for each position. To simplify the process, positions may be grouped into salary grades. The rate of pay for each position will then be determined by its full-time equivalency (FTE) even if the job will be filled by a part-time employee.

There is no best number of grades, but five to seven is typical except in very large organizations. Provision can be made for overlapping of rate ranges, if necessary. Each grade will have its own base (beginning) salary, intermediate steps, and upper limits. The differential between grades can be computed by percentage increases or in flat dollar amounts. If the point-factor system is used to construct the job structure, point ranges can be

converted to grades (see Table 2). The differential between steps will allow room for paying individuals doing equal work different amounts based on the level of experience they bring to the job or their overall job performance. Within this structure, individual salary decisions can be made.

Before setting pay differentials, data from the local labor market should first be collected to show the going rates of pay reflecting supply and demand factors. Certain jobs may be in particularly short supply and, hence, command higher pay rates than jobs requiring similar levels of skill, effort, and responsibility as reflected in the job structure hierarchy. Such pay differentials are permitted (even when they relate to gender) but only if the employer can demonstrate that the organization's ability to recruit or retain workers would be seriously compromised if the jobs in question paid less (Patten, 1988).

One approach to developing equitable salary differentials is to use an

index scale to reflect different grades on the compensation hierarchy. The differential between grades and between the lowest and highest paid employee in the center should reflect the center's philosophy of compensation. An index of 1.00 can be used as the baseline for an employee at Grade 1, with adjusted increments reflecting the average salary for each grade. Table 2 shows how an index could be used to structure salary ranges.<sup>5</sup> To ensure fairness it is important to limit the base salary that will be offered to new job candidates in each grade, no matter how qualified they are. Base salaries should be reviewed annually and adjusted, if necessary, to reflect the changing conditions in the local labor market.

Providing ample employee benefits is problematic for most small businesses in this country (Perreault, 1990; 1991), but even small centers can work to increase the amount and variety of benefits offered to staff. Benefits such as paid preparation time for teaching staff or free lunches for all employees can be offered. Other benefits, however, can be tied to longevity at the center or school and to the individual's position on the program's job structure (Neugebauer & Perreault, 1988).

One way to accomplish this is to establish an indexed menu of benefits. An index of benefits operates in much the same way as a salary index. Two categories of benefits, professional and personal, can be offered to individuals on the early childhood professional career ladder. *Professional benefits* could include such things as membership in professional organizations, paid days to visit other programs, reimbursement for college classes, subscriptions to professional journals, and paid conference registrations. *Personal benefits* could include such things as health insurance, dental insurance, retirement/pension, child care tuition, paid holidays and vacation days, and sick days. As individuals move up the salary index, their benefits package would also increase (Bloom et al., 1991). A menu of comparable benefits could be developed for support staff. Part-time employees would receive pro-rated benefits.

While the record keeping involved may be viewed as cumbersome, offering a menu of benefits is clearly advantageous to the employer. Increasing the type and variety of benefits offered to employees can have a direct effect on their level of commitment to the center. By assessing the kinds of benefits employees select from year to year, a program administrator can plan a budget for benefits that meets the changing needs of the staff. A center or school with a staff of young teachers who are using child care tuition as a major benefit each year would be able to plan for the lost revenue on child care slots within the center. A center with a staff of older employees who are interested in extended vacations or release time to visit other facilities would be able to budget for the hiring of substitutes. Accommodating staffs' changing needs in this fashion cannot help but increase employee satisfaction and result in less staff turnover (Bloom et al., 1991).

### ***Step 5. Determine how individuals advance within the center.***

The final step in developing a comprehensive compensation system is to decide on how individuals advance in the organization. In developing promotion guidelines it will probably be necessary to have different criteria for education personnel (early childhood professional and precredential staff) and support personnel (e.g., clerical, maintenance, custodial). The early childhood career lattice detailed in the NAEYC Model for Early Childhood Professional Development can provide the framework for professional advancement for early childhood staff. Decisions regarding promotion can be made according to merit (performance), length of service (seniority), cost of living (COL), acquired training and education, or a combination of these approaches.

***Merit increases.*** Merit increases are financial reward used as an incentive to continue good performance and to encourage others to work toward their potential. Theoretically, employees who are performing below

par should be denied increases until they improve (Whitebook, Bellm, Nattinger, & Pemberton, 1987). The central issue with respect to using merit as a criterion for determining advancement within each grade is how to make the criteria for evaluating performance fair. This approach requires objective standards for measuring demonstrated competence and supervisors who are well trained in methods of performance appraisal. It is also important that evaluations of performance tied to merit increases do not promote competition among staff. It is important, therefore, that merit criteria also include how well the group functions as a team. Many programs offer adjustable percentages of merit and set a ceiling on the total an individual can get within any grade or step (Johnson, 1984), but merit raises tend to be in the 4 to 12% range in most organizations, depending on an organization's ability to pay. There are a number of excellent resources to assist program administrators in developing fair and equitable performance appraisal standards for the professional and nonprofessional employees working in early childhood programs (Belcher, 1987; United Way of Chicago, 1987; Sciarra & Dorsey, 1990; Bloom et al., 1991).

***Length of service.*** Automatic salary increases based on experience are common in programs needing predictable budgets from year to year. Automatic raises also tend to be in the 4 to 12% range in most organizations. Offering automatic increases every year is based on the premise that the worth of employees increases as they gain skill and knowledge over time. The disadvantage of this approach is that it is difficult to weed out employees whose performance may be unsatisfactory (Whitebook et al., 1987).

***Cost of living adjustments (COLAs).*** Cost-of-living adjustments can be used to supplement the criteria for advancing through the system. Cost-of-living adjustments are not always equitable, however, because not everyone is equally affected by changes in the cost of living. Many compensation experts believe it is better to adjust base salaries and cor-

responding steps to reflect changes in the cost of living than to give an across-the-board cost-of-living adjustment to all employees. Another disadvantage of COLA increases is that they reward the unsatisfactory worker the same as the outstanding one.

***Increased education/training.*** For individuals on an early childhood career ladder, it is essential to link horizontal and vertical progression on the ladder to increased education and training as well as performance. Using increased education and training as a criterion is important because it achieves the goal of improving the professional orientation of individuals working in early childhood programs. For support staff who are not on a professional career ladder, tying advancement to increased education and training may have limited application.

The career ladder embedded in a center's compensation system should reflect a dynamic rather than a static view of professionalism (Morgan, 1991). It should acknowledge many levels of professionalism with various roles, responsibilities, and qualifications. Although the model may appear hierarchical on paper, it should embody what Dresden and Myers (1989) call a "career path." From a career-path perspective, an individual may move from a position of lesser responsibility to one of greater responsibility, but also from a position that emphasizes one set of skills to a position that offers different kinds of challenges for additional learning and growth (e.g., from teacher to parent-education coordinator). This perspective underscores the number of options available in the field, not just "the next step on the ladder." It is also important that career ladders be constructed so that they do not draw experienced teachers away from the classroom into purely administrative roles with higher salaries and status (Copple, 1990). Offering options within a center for teachers to become master teachers who mentor less experienced staff is one way to encourage progression on the career ladder while allowing teachers to continue to use their talents in the classroom.

## Some final thoughts

The experience of the military child care centers under the auspices of the Department of Defense provides a wonderful example of the potency of addressing issues of equity in compensation systems. After years of low wages, the Department of Defense conducted a comparable-pay and comparable-worth evaluation of all teacher/caregiver positions in child care programs on military installations. At the same time, it implemented a career ladder and training standards for all individuals working in these programs. As a result of this initiative, caregiver salaries have increased more than 50%, turnover has decreased, and the professional orientation of individuals and the quality of program services have improved.

Certainly individual programs do not have the financial resources to duplicate the dramatic changes that have occurred at military child care centers, but the steps delineated in this article provide a problem-solving strategy that will help program administrators analyze the interrelationships of positions in their programs to correct inequities and reduce the arbitrary nature of compensation decisions. Programs that have successfully moved in this direction have found that the process works best when a committee is appointed for establishing, reviewing, maintaining, and monitoring the compensation system. Such a committee can also help clarify the true cost of child care and generate support for increasing revenue through parent fees or fundraising endeavors. When convening a compensation-review committee, it is important that the individuals selected for the committee represent jobs at different levels on the job hierarchy and that the committee include professional and support staff with varying degrees of seniority in the organization. It is also important that the committee reflect age, gender, ethnic, and cultural diversity.

Improving the compensation system in early childhood programs to make it more equitable is the first step to creating just and equitable compensation between child care

workers and other segments of the workforce. Our collective efforts can make a difference in making child care a viable career option, improving compensation, and attracting the best and brightest to our profession.

## Endnotes

1. Technically, *jobs* are work done by employees paid by the hour and *positions* are work done by employees paid by a monthly or annual salary; however, the terms are often used synonymously in day-to-day managerial parlance (Patten, 1988).
2. This statement does not imply that employee skills and abilities do not enter into the design and tailoring of work. "The notion that people are somehow fixed and matched to jobs as pegs to holes is antiquated. Jobs are designed and tailored to fit workforce capabilities and employees seek out education and are trained to match job requirements. It is a dynamic interplay between job content and employee qualifications" (Milkovich, 1980, p. 28).
3. In writing job descriptions, consideration must also be given to the "exempt" or "nonexempt" status of positions as defined by the Fair Labor Standards Act (FLSA). Administrative or professional employees are usually considered "exempt" in that they receive a salary that is not related to actual hours they may spend at work but rather to the overall requirements of the job. All other personnel are usually considered "nonexempt." Because their pay is for a definite number of hours worked, they must be paid overtime for all hours worked in excess.
4. For a description of other job-evaluation methods (e.g., factor comparison, decision band, and policy capturing), see Belcher, 1987; Patten, 1988; and National Committee on Pay Equity, 1987.
5. This same approach could be used to compute salaries for individuals on an early childhood career ladder (see Bloom et al., 1991, p. 138).

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