

*Traditional and Innovative Practices*

# Guidelines for Fine Tuning Your Salary Schedule

by Roger Neugebauer

In one of my first forays into the child care world, some 20 years ago, I applied, unsuccessfully, for a job at a staff cooperative. All employees at New Morning Children's Center were paid the same hourly wage and shared equally in responsibilities and decision making. The team spirit of the place is what attracted me to it.

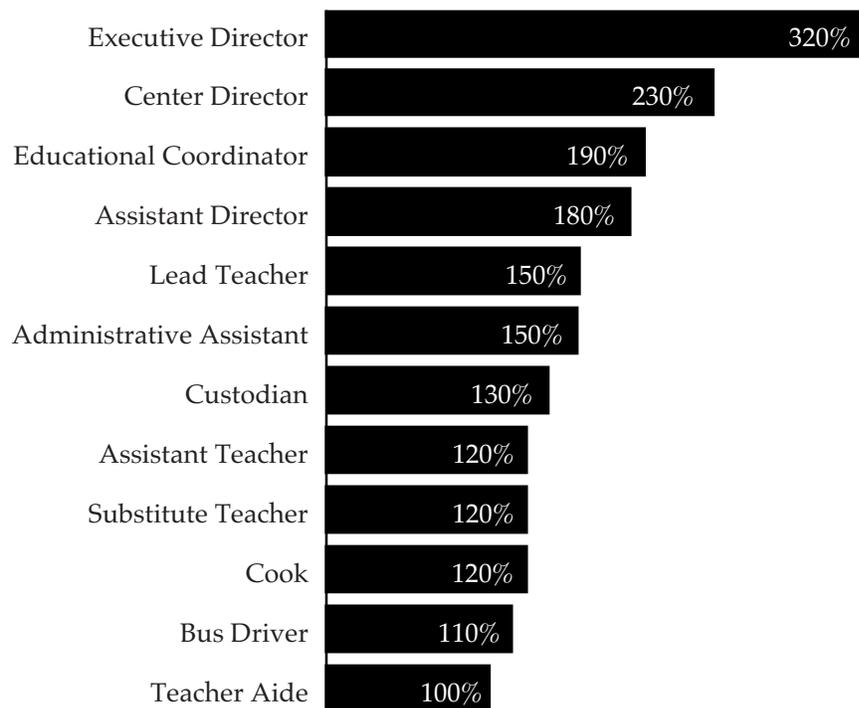
Even in my brief encounter with the center, it was clear that this team spirit was developing a few chinks. The founders of the center shared a strong commitment to equality of pay and power. However, state licensers looked upon the staff structure with horror and were aggressively fighting it. In addition, as new staff members came on board whose ideologies and priorities did not match the founders, internal enthusiasm for equal pay declined.

Eventually, New Morning gave in to the pressures of capitalism and began paying the cook, the administrative coordinators, and the teachers differing amounts. Eventually, too, it changed its name to something like Preschool Prep Learning Center. Eventually, too, it went out of business.

The moral of this story is never turn down a future publisher who can

Table A  
Early Childhood Salary Relationships

This chart demonstrates the relationship of average salaries for different positions in early childhood centers, using Teacher Aide salaries as the base. For example, the average Lead Teacher salary is 150% of the average Teacher Aide salary. Based on a review of over 200 salary schedules.



give you bad press. It also demonstrates that the administration of salaries is not a simple mechanical procedure. Rather, it is direct expression of the values of the organization. How differences in pay are distributed, and the size of these differences, intentionally or unintentionally, communicate what the organization values.

Pay differentials are typically spelled out in a center's salary schedule. In research for the two articles in this series (see March 1994 also), we analyzed over 100 salary schedules submitted by Exchange Panel of 200 members. In these schedules, four factors were used to measure the monetary value of employees: responsibility, training, experience, and performance. In this article, I will share with you how centers weigh these factors in developing their salary schedules.

### Pay for Responsibility

None of the centers whose schedules were reviewed were staff cooperatives — all centers paid differing amounts for persons carrying out different responsibilities. Pay differences by position are in fact quite dramatic, as can be seen in Table A. A lead teacher typically earns 50% more than a teacher aide, and directors 50% more than a lead teacher.

The 1988 National Child Care Staffing Study (Whitebook), also found significant differences in the average hourly wages of center employees:

Director	=	\$9.85
Teacher/Director	=	6.38
Teacher	=	5.58
Assistant Teacher	=	4.86
Teacher Aide	=	4.48

In the staffing study results, the pay differentials among teachers is not as

dramatic and the differential between teachers and directors is more dramatic than in the **Exchange** survey. The differences may be accounted for by the samples — the staffing study examined 227 randomly selected centers in five cities, and **Exchange** examined 100+ hand-picked centers from throughout the country. The five year time difference may also be a key factor. During these five years, the supply of qualified teachers has decreased, causing an escalation in the wages offered to attract and retain experienced teachers.

In any event, we are not recommending that your center adapt either of these pay patterns. We are simply reporting what is standard practice in the early childhood arena.

What we are strongly recommending is that you take a close look at your own pay patterns. Do the differences in your pay for different

positions truly reflect the value you place on these positions? The way you invest your resources in personnel should support your understanding about what it takes to deliver quality child care.

In the salary schedules we reviewed, for example, it was clear that a growing number of centers have identified the lead teacher as a key to quality. In these centers, lead teachers are paid anywhere from 65% to 85% more than teacher aides.

### Pay for Training

Centers clearly place a value on training. The more training a teacher has, the more she is likely to be paid. However, how training is factored into salary schedules varies considerably.

About one in four centers build training into job requirements, but offers no financial incentives. For

Table B  
Typical Educational Differentials

Child care centers typically pay more to employees with higher levels of educational attainment. Using the average pay for high school graduates as the base (100%), the following are the average increases provided for education:

MA degree in ECE-related field	135%
MA degree in unrelated field	130%
BA degree in ECE-related field	130%
BA degree in unrelated field	125%
AA degree in ECE-related field	125%
AA degree in unrelated field	115%
High school diploma or equivalent	100%

example, a center might require that a teacher aide have a high school diploma, an assistant teacher have at least two years of college, and a lead teacher have a college degree. In these centers, an assistant teacher with a college degree would earn no more than one with two years of college, and a candidate with only a high school degree would not be considered for an assistant teacher position.

The majority of centers, however, recognize the value of training in establishing job requirements as well as in setting salaries within job categories. In these centers, an assistant teacher with a college degree would earn more than an assistant teacher with two years of college. As can be seen in Table B, typically a teacher with an AA degree will earn 15% more, and one with a BA degree 25% more, than a teacher with only a high school degree. A master's degree only adds another 5% to one's pay.

Some centers place additional value on education that is specifically related to early childhood education. In these centers, for example, a teacher with an AA degree in early childhood education is valued just as highly as a teacher with a bachelor's degree in an unrelated field (Table B).

While the 1976 National Day Care Study (Ruopp) found training relevant to young children was a better predictor of teacher performance than years of education overall, the 1988 National Child Care Staffing Study (Whitebook) yielded more mixed results. In the latter study, it was found that teachers with either a bachelor's degree or specialized training at the college level performed equally well in the classroom. In addition, it found that "specialized training at the post-secondary level is more effective in preparing good teachers than is

specialized training at the high school or vocational education level."

In the days when the supply of teaching candidates seemed inexhaustible, there wasn't great pressure on centers to pay more to hire teachers with college training. Directors would rationalize their fiscal conservatism by observing that in their experience college trained teachers often weren't well prepared for the real world of child care.

Research findings now make it clear that teachers with college degrees or college level ECE training will typically do a better job. With the returning shortage of qualified teachers, it would be a mistake for centers not to place high value on college education in establishing or refining their salary schedules.

### Pay for Experience

Three out of every four center salary schedules we reviewed offered some form of annual pay increases. Increases ranged from 1.5% to 5% annually, with the average falling in the 3% range.

These increases tend to be described more as cost of living adjustments than as rewards for improved performance. As was observed in the first article in this series, experience tends to be a poor predictor of teacher performance (**Exchange**, March 1994). Teachers with more years on the job are not necessarily better performers than less experienced teachers. Therefore, centers are probably exercising good judgment in not investing heavily in longevity.

Cost of living increases, on the other hand, are very important to teachers. With salaries as low as they are, teachers have little cushion against the impact of inflation.

Slightly less than half of the salary schedules we reviewed stated that

there were no automatic cost of living increases. When funds permitted, these centers typically give across the board increases in the range of 2% to 4% to all employees.

Most of the other salary schedules we reviewed treated annual increases regressively, i.e. the higher your salary the lower your annual increase. In some cases, this is done intentionally. Recognizing how low their entry level salaries are, some centers deliberately gave employees at the bottom third of the salary schedule a higher percentage annual increase than employees at the top third.

In many centers, the regressive nature of their salary schedules appeared to be unintentional. In some, annual increases varied unpredictably from year to year and from position to position. In others, where the center elected to increase all employees' hourly wages by a flat amount every year (typically 10¢ or 15¢), the result is the higher your hourly wage, the lower the percent your increase will be.

From reviewing salary schedules, we conclude that all centers need to take a close look at their provisions regarding annual increases. First, consider whether you want to lock your center into automatic annual increases for all employees. Especially for your low income employees, automatic increases offer some degree of security. However, if your center is struggling to achieve financial stability, annual increases may not always be affordable.

Second, in granting cost of living increases, you should deliberately decide what your priorities are. Do you want to give an equal percentage increase to all employees, or do you want to give a higher increase to low income employees, or do you

want to invest the greatest share of the increases in your top employees?

## Pay for Performance

In the first article, we made a case for paying for performance rather than longevity. We suggested granting raises based on how well teachers perform, not on how long they have been at the center.

While a strong case can be made for merit raises, in fact, the concept is not a popular one in this field. Less than one in 15 of the salary schedules we reviewed offer any form of merit pay. Tying pay to performance is often viewed as running counter to

the nurturing team spirit we promote in our centers. This case was strongly put by one of our Panel of 200 members (see “No to Merit Pay” box). In addition, many directors are reluctant to attach dollars to performance since measures of performance are so subjective in this field.

Those few centers that do tie pay to performance do so in a variety of ways. The most common approach is a two to four category rating system. One center rates each employee annually as either *unsatisfactory*, *satisfactory*, or *highly satisfactory*. Employees rated *unsatisfactory* are given no annual increase and are scheduled for close monitoring. Those rated *satisfactory* are granted

a 3% increase, and those rated *highly satisfactory* earn a 6% raise.

Several of the more ambitious plans we reviewed calibrated their reward systems more finely. For example, employees might be awarded points for attendance, training attended, teaching skills, staff relations skills, and parent relations skills. Employees’ annual increases would then be calculated based upon how many points they earned — if they earned 50% of all possible points, they would earn 50% of the maximum possible raise.

One after school program offered a unique approach. They start all teachers at a low entry level wage.

## No to Merit Pay

It is our policy NOT to give merit increases or bonuses. We are aware that this is somewhat of an unusual policy, but our reasoning is tied to our respect for teachers and our philosophy, which understands that quality education comes from a community of professionals working together to serve the needs of the children and families in its care.

Teachers need to be paid the highest salaries possible for the challenging work they do. Our board of directors makes significant efforts to provide maximum funding for salaries and benefits. Teachers get “rewarded” with knowing the salary increase is maximal (ours has ranged from 6% to 8% per year) and that the board and administration are continually working to provide a place where teachers can practice their profession.

We have no teacher aides in the school, only teachers and head teachers, who have supervisory and administrative responsibilities. We have hired them to do the same job (within job classifications), not to do a “better” job than others. Moreover, we believe that a primary obligation of the professional early childhood administrator is to develop team building skills. ECE teachers need to have the skills to be able to work with peers sometimes under stressful conditions.

If we were to try to reward some teachers at a differential rate, it would be very difficult to make a decision that would accurately reflect the precise truth about who deserved what. Merit pay is by nature exclusionary and we believe counterproductive to building a stable, quality environment in which to teach. No matter what criteria “merit” is measured by, if monetary value is assigned individually, team boundaries are crossed, possibly damaged, and probably discouraged. The hierarchical relationship between the administration and the individual teacher is promoted to the exclusion of the teacher’s development of complex, sophisticated, and subtle communication with his/her peers. This is the very communication necessary for meeting the complex, sophisticated, and subtle educational needs of young children and their families. This, in our view, is counterproductive to our goal of respecting our teachers as professionals and contrary to our view of what quality education is all about.

— Susan Britson, *Step One School, Berkeley, California*

Then, over the course of two years, they rapidly move up those teachers who demonstrate good skills into teaching positions paid above the going rate.

(Note: If you are thinking about incorporating performance into your salary schedule, you should review the first article in this series. It discusses points to consider in granting merit raises.)

## Putting Together the Pieces

Now the hard part. Once you've decided what your center intends to value monetarily in its salaries, you need to translate these values into a usable salary schedule. Here are some factors to weigh in developing or refining your schedule:

**Simplicity.** Heed Accounting Law #1 — "Salary schedules inevitably expand to fill every square on the spreadsheet." Resist the urge to make your salary schedule more elaborate than it needs to be. Many small and some not-so-small child care organizations get by with no more than a list of starting salaries for each job category. Every year the director then either decides on giving an across-the-board raise or makes decisions on a one-to-one basis.

**Security.** The main disadvantage with very simple salary plans is that they fail to provide employees with a long range view. Employees who plan to make a career of child care want to know what they can aspire to — What is the maximum salary they can earn? How can they advance within the center? A good salary schedule informs employees about their career options and opportunities.

**Clarity.** Some of the salary schedules we reviewed could just as well have been written in Chinese —

maybe they were. They were incomprehensible. Give your new salary schedule the man-on-the-street test. Have several of your friends not involved in child care review it. When they can understand it, it's ready to be unveiled at your center.

**Flexibility.** Some of the salary schedules we reviewed left no room for maneuvering. The steps and levels for all positions were set in stone. Make your plan flexible enough so that you can add positions, upgrade or downgrade positions, or change step sizes without redoing the entire plan.

**Liability.** Before committing to any salary schedule, you should evaluate the long range worst/best case scenario. What if your salary plan works and you totally avoid turnover? What would your total salary costs be three years from now? Five years from now? Can you afford this?

**Relevancy.** At the beginning of this article, I observed that your salary schedule should be a direct expression of your organization's values. Sometimes, however, in developing a schedule you get so wrapped up in the mathematics and logistics that values and goals fade into the background. You should analyze your new or your current salary schedule to see if it truly supports your values. Are the positions that are most valuable to your organization properly rewarded? Are the factors you value the most (training, experience, or performance) rewarded the most?

## Three Types of Salary Schedules

In developing your salary schedule, you have some choices to make. The salary schedules we reviewed fell into three general categories. One in

three of these were very simple or basic plans; most of the rest were traditional salary schedules; and less than one in ten fell into the innovative category.

The basic plans were not much more than lists of positions with starting salaries. In some cases, these spelled out the starting, mid-range, and top of the line salary for each position. While these plans are seldom inspiring, they are probably perfectly adequate for small, stable centers.

What we call the traditional salary schedules are grids with multiple levels and steps. Typically, the columns across the page represent different levels of education (high school diploma, AA degree, etc.), and the rows down the page represent years of employment. In some centers, there is a separate grid for each position, while in others all the positions are covered in one megagrid.

The advantage of these traditional schedules is that they can be easily understood. People are accustomed to seeing salaries presented in grids and can easily figure out where they currently fit in, where they can progress, and what they need to do to get there (complete that AA degree, survive ten years, etc.).

A possible disadvantage is that the beauty of these plans is often only skin deep. The traditional schedule looks very impressive — it looks organized and standardized, and it fills the page with numbers that appear to have been calculated with great precision. Yet some of the most impressive looking grids we reviewed were seriously flawed. Some had steps that increased in erratic non-patterns; some had step increases that were so tiny as to be insulting; and one contained math errors that resulted in the assistant

teacher making more than the lead teacher after six years.

A few of the schedules we reviewed were innovative. There were some creative attempts to factor in performance, ongoing training, and participation above and beyond the call of duty. Unfortunately, a few of the most creative plans were also some of the most complicated ones — it would take a computer whiz to calculate all the points and percentages. Overall, however, we appreciated the courage centers demonstrated in blazing new ground with these plans and only wish that we could convince some foundation to fund a study of their impact.

We attempted to capture the best thinking we observed in the 100+ salary schedules we analyzed and present it in two models. These models are presented in Table C, "Traditional Salary Schedule," and Table D, "Performance Based Salary Schedule."

*Before we present these models, a major note of caution is in order: Do not adapt these models in your center! These are presented as starting points only. You need to modify these to incorporate your own values, priorities, and fiscal realities.*

### Model 1 — The Traditional Approach

This model is in the form of the standard grid with levels going across the page and steps going down the page. Here is how to modify it to your needs:

**Decision 1.** What increments do you want to build into your grid? In Model 1, we set the increases for the levels in 4% increments. These increments typically account for levels of education. We set the increases for the steps, which

typically account for annual increases, in 2% increments.

We purposely made the steps smaller than the typical 3% increments to provide more flexibility. When increments are large, the center has an all or nothing choice — you either move an employee up to the next step or you don't. With smaller increments, you can decide to move each employee up one, two or even three steps a year, or you can move them up one step every six months.

One disadvantage with these small steps is that it adds to the size of your grid. If you want to include all staff members on the same grid, you may need to include as many as 70 to 100 steps.

We also chose, for simplicity's sake only, to make the increments for the steps uniform throughout the grid. Thus the salaries of employees at the bottom and top of the grid would increase at 2% for every step. What this means is that employees at the bottom end would receive smaller increases in actual dollars and cents than those at the top. You may elect to reverse this by starting the increments at 3% or 4% at the bottom and gradually reducing them to 1% at the top end.

(Note: Throughout this article we refer to salaries and salary schedules in reference to all employees. Many centers actually pay hourly wages for some employees and annual salaries for others. We are not arguing for or against this classifica-

Table C  
Traditional Salary Schedule

	I	II	III	IV	V	VI	VII	VIII	IX	X
<b>1</b>	1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36
<b>2</b>	1.02	1.06	1.10	1.14	1.18	1.22	1.26	1.30	1.34	1.38
<b>3</b>	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	1.40
<b>4</b>	1.06	1.10	1.14	1.18	1.22	1.26	1.30	1.34	1.38	1.42
<b>5</b>	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44
<b>6</b>	1.10	1.14	1.18	1.22	1.26	1.30	1.34	1.38	1.42	1.46
<b>11</b>	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.48	1.52	1.56
<b>21</b>	1.40	1.44	1.48	1.52	1.56	1.60	1.64	1.68	1.72	1.76
<b>31</b>	1.60	1.64	1.68	1.72	1.76	1.80	1.84	1.92	1.96	2.00
<b>41</b>	1.80	1.84	1.92	1.96	2.00	2.04	2.08	2.12	2.16	2.20
<b>51</b>	2.00	2.04	2.08	2.12	2.16	2.20	2.24	2.26	2.30	2.34
<b>61</b>	2.20	2.24	2.26	2.30	2.34	2.38	2.42	2.46	2.50	2.54

NOTE: This is an abbreviated model. To save space we have left out Steps 7-10, 12-20, etc.

tion of employees. We use the term salaries as a generic term for all monies paid to staff.)

**Decision 2.** What is your base salary, i.e. what is the starting salary for your lowest paid employee? Once you set this entry level amount, you can translate all the increments on your grid to actual monetary amounts. For example, using our grid in Table C, if your base salary is \$5.00 per hour, the succeeding amounts in row 1 would be \$5.20, \$5.40, \$5.60, etc. Step 2 amounts would be \$5.10, \$5.30, \$5.50, etc.

**Decision 3.** How much are you going to reward various levels of education? For example, if we were to take the typical educational differentials from Table B, here is how they would fit into our salary schedule:

High school diploma starts at Level I  
AA degree would start at Level V  
BA degree would start at Level VII  
MA degree would start at Level IX

You may elect to value these levels differently or to define the levels differently. Some centers, for example, set levels based on credit hours of college completed. Others factor in CDA status or workshop attendance.

**Decision 4.** Where do you want to set the entry point for each position at your center? If we were to use the typical position differentials from Table A, here is how they would fit into our model:

Teacher Aide	=	Step 1
Bus Driver	=	Step 6
Assistant Teacher	=	Step 11
Lead Teacher	=	Step 26
Center Director	=	Step 66

As with educational levels, you will need to take the job categories used

at your center and place them on the grid based on how you value them.

**Decision 5.** When will center employees qualify for moving up a step or to another level? Do employees move up one step every year automatically, or only if they receive a positive evaluation, or only if monies are available? Do employees progress to a higher level every time they complete a higher level of education?

## Model 2 — Performance Based Approach

This model is a variation of some of the innovative schedules we reviewed. It assigns significant weight to a staff member's performance in setting annual increases. Here is how to modify it to your needs, keeping in mind that every point awarded in Steps 1, 2, and 3 is worth 100% of your base rate:

**Decision 1.** What is your base salary, i.e. what is the starting salary for your lowest paid employee? You will use the hourly rate for the base salary in Step 4.

**Decision 2.** What value do you want to assign to each job category in your center? In Model 2, we have used the differentials from Table A. You will want to modify these to apply to your center.

**Decision 3.** What value do you want to assign to each level of education? In Model 2, we have used the differentials from Table B. You will want to modify these to apply to your center.

**Decision 4.** How many points do you want to award for different levels of performance? Keep in mind that if you go this route you must find or develop a tool for measuring performance that is viewed by all concerned as fair.

Once you have completed these adjustments, you should test it out. Based on your recent experience, use this format to determine, hypothetically, the salaries of several employees at different levels in your organization. Does this result in salaries that are fair? Does it result in any radical increases or decreases in current pay levels? Can you afford it?

If your test is unsuccessful, keep tinkering with the points or come up with a similar set of steps that fit your needs better.

## A Final Caution

Your organization may well have a salary plan in place, so you may not be interested in going through a big production to establish a new one. That is probably a wise decision. However, I would encourage you to at least take the time to review your current schedule against the key points raised in the two articles in this series. Make sure that you are getting the maximum positive impact out of the resources you devote to salaries.

## Credits

We reviewed over 100 salary schedules from Exchange Panel of 200 members in preparing the two articles in this series. The following centers' plans were especially helpful :

Central Learning Center, Memphis, TN; Children's Learning Center, Yardley, PA; Children's Programs Inc., Brookfield, WI; Community Children's Project, Jackson, WY; Gertrude B. Nielsen Child Care and Learning Center, Northbrook, IL; Graham Memorial Preschool, Coronado, CA; Gretchen's House, Ann Arbor, MI; Janet Rich Day Care, Rochester, NY; Learning Tree Montessori, Seattle, WA; Moffett Road Baptist Child Development Center, Mobile, AL; The

**Table D**  
**Performance Based Salary Schedule**

*How to use this instrument:* For Step 1, insert the points assigned for the employee's position. For Step 2, insert the points earned for the employee's highest level of education completed. For Step 3, insert the number of points earned first for years of satisfactory performance at your center, second for the years of above average performance, and third for the years of superior performance. Now determine the employee's new hourly rate by completing Step 4.

**Step 1 — Responsibility** \_\_\_\_\_

Teacher Aide	1.00
Cook	1.20
Assistant Teacher	1.20
Custodian	1.30
Lead Teacher	1.50
Assistant Director	1.80
Director	2.30

**Step 2 — Training** \_\_\_\_\_

AA Degree	.05
ECE-Related AA Degree	.10
BA/BS Degree	.10
ECE-Related BA/BS Degree	.20
Master's Degree	.15
ECE-Related Master's Degree	.30

**Step 3 — Experience/Performance**

Years of satisfactory performance (add .02 points/year)	_____
Years of above average performance (add .04 points/year)	_____
Years of superior performance (add .06 points/year)	_____

**Step 4 — New Hourly Rate Determination**

Multiply total points earned in Steps 1 through 3 times base rate for center.

\_\_\_\_\_ points x \$\_\_\_\_\_ per hour = \$\_\_\_\_\_ per hour

Nursery Foundation of St. Louis, St. Louis, MO; St. Elizabeth's Day Home, San Jose, CA; Wausau Child Care, Inc., Wausau, WI; World Bank Children's Center, Washington, DC.

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