

# Provider Minimum Wage Impact Survey

*Analysis brief, March 16, 2017*

## Executive Summary

In January 2017 DEL surveyed child care centers and family homes on the impact of Initiative 1433 (“I-1433”) raising Washington’s minimum wage. The data collected indicates that providers were broadly impacted by the initiative.

**Tbl. 1: Survey Responses**

	Homes		Centers	
	Ttl	%	Ttl	%
Invites	2121	100%	881	100%
Opened	1247	59%	639	73%
Complete	417	20%	323	37%
Partial	38	2%	73	8%

**Family Home Providers:** For family homes, **46%** reported that they had paid assistants, and the average pay increase among these was **12%**. The survey data suggests a total impact on family home providers of **\$.39** per child per day, or approximately **1%**.

**Child Care Centers:** For centers, wages were reported to increase for lead teachers by **5.2%** and for assistant teachers by **8.5%**, statewide. These increases suggest a total business impact regionally of **2.3%-6.4%**. Using the survey data along with statewide unemployment insurance data, we estimate a statewide business impact for centers of **3.5%**.

The total business impact in each case represents a percent increase in provider costs that, if unmet by increased tuition rates, can be expected to result in a reduction in the availability or quality of child care for subsidy enrollees. To preserve the supply of childcare for subsidy enrollees, and to support subsidy providers progressing on improving quality, our review indicates that a percentage increase in regional subsidy rates equivalent to the percentage cost increase is needed.

An increase of 1% for homes and an increase of 3.5% for centers over the 2018 fiscal year would increase overall payments over that time period by approximately **\$7,293,080**, or **2.2%**.

The minimum wage increases enacted in I-1433 will benefit child care workers. The initiative can likewise be seen as a positive influence on childcare quality given the recognized association between employee compensation and childcare quality.<sup>1</sup> Data collected in DEL’s wage survey suggests, however, that cost increases are affecting childcare providers. Some providers report that they have been required to lower wages for employees who earned above \$11/hr. Given the increased pressure from I-1433, the state can expect that an increase in subsidy rates equivalent to the percent increase in costs will go toward employee wages and preserving the supply of child care at present levels.<sup>2</sup>

The data described in this summary provide a basis for either a statewide increase or regional increases in the subsidy rates. Although regional variation is observed, the variation does not closely match the

<sup>1</sup> A June 2016 federal report, *High-Quality Early Learning Settings Depend on a High-Quality Workforce: Low Compensation Undermines Quality*, focuses on teacher turnover, experience, and education levels.

<sup>2</sup> It should be noted that a percent increase in subsidy rates equivalent to the percent increase in costs serves only to address the costs of caring for children enrolled in Working Connections Child Care and Seasonal Child Care. We may assume that other revenue sources will increase by a similar percentage.

regional differences in current subsidy rates or other measures of relevant regional costs that we have reviewed. Accordingly, a single statewide percentage increase may be the best-supported mechanism to address a state-wide need at this time. The costs of a potential increase are laid out in Table 2.

**Tbl 2: Cost of Increasing Rates by 3.5% for Centers and 1% for Homes, FY 2018**

	Status quo FY 2018	Total increase for centers	Total increase for homes	Total Increase	Percent Increase
Base	\$320,580,514	\$6,157,181	\$895,590	\$7,052,771	2.20%
TR <sup>3</sup>	\$9,307,381	\$ 206,129	\$34,180	\$ 240,309	2.58%
<b>Total</b>	<b>\$329,887,895</b>	<b>\$6,363,311</b>	<b>\$929,770</b>	<b>\$7,293,080</b>	<b>2.21%</b>

## Survey Response Rate

The surveys were sent via SurveyMonkey to providers that were identified to serve families with young children enrolled in Working Connections Child Care and Seasonal Child Care. Two sets of questions were used: one for centers and one for homes. In total we received 851 complete or partial responses out of 3,002 sent, for a total response rate of 28%. Regional response rates varied from 14% to 35% for homes and from 28% to 61% for centers (see Table 2).

**Tbl. 3: Responses by Region**

Region	Homes			Centers		
	Sent	Resp.	%	Sent	Resp.	%
1	317	43	14%	41	19	46%
2	351	49	14%	58	30	52%
3	293	61	21%	203	74	36%
4	687	116	17%	246	68	28%
5	180	55	31%	177	61	34%
6	255	83	33%	164	76	46%
Spokane	48	17	35%	100	61	61%

Centers were more likely to respond than homes, but homes submitted more responses overall and were more likely to complete the survey upon starting. The different completion rates may reflect the additional questions for centers about specific staff positions.

## Homes Survey

Of **447** respondents, **206** family homes (**46%**) reported that they had paid assistants. Among homes with paid assistants, the average number of assistants was **1.7 per home**. For all homes, the average number of paid assistants was **.71 per home** and the average number of paid assistant hours was **16.69/wk**. Table 3 below shows the breakdown for family home programs of different sizes.

**Tbl 4: Count of homes by number of children enrolled**

# of children	1-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17+	Total
Homes (count)	10	22	82	66	67	101	31	25	37	<b>441</b>
Avg. paid assistants	0.10	0.18	0.09	0.32	0.51	1.21	1.07	1.25	1.67	<b>0.71</b>
Avg. weekly hours	4.00	4.23	1.57	6.23	13.70	28.98	27.14	33.54	36.14	<b>16.69</b>

<sup>3</sup> Tiered Reimbursement

Of **185** family home respondents with paid assistants, **133 (72%)** reported that they increased wages in response to I-1433. The average reported increase was **12%** from an average pre-initiative wage of **\$10.65/hr** to an average post-initiative wage of **\$11.88/hr**. The difference of **\$1.23/hr** can be multiplied by the average weekly hours to suggest an average total dollar impact of **\$20.53/wk** per provider.

The average provider in our survey had **10.57** children enrolled and **4.75** children enrolled in WCCC. We may therefore conclude that the average impact per child is **\$1.94/wk** or **\$.39/day**. Based on current regional subsidy rates, an increase of \$.39 per day would amount to an average increase of **1%**.

## Centers survey

Wage changes for centers were collected in two ways. First, we asked for the number of employees by wage range before and after the minimum wage initiative took effect.

**Tbl 5: Pre and Post Initiative Wages**  
*Employers who Increased Wages*

	Pre-Initiative	Post-initiative
Less than \$10/hr	30%	<b>Below min.</b>
\$10/hr - \$11/hr	27%	
Exactly \$11/hr	15%	51%
\$11.01/hr - \$11.99/hr		20%
\$12/hr - \$15/hr	18%	21%
above \$15/hr	10%	8%

Table 5 indicates the percentage of employees affected. At the above-\$15 range, it shows that there may be some decrease in wages to accommodate for the increases in the lower ranges. Some providers commented that they had lowered some employees' or the director's wages in response to the initiative.

They may also simply be cutting back on the number of higher-paid staff positions. Second, we requested the average wage rates by position type before and after the initiative took effect.<sup>4</sup>

**Tbl 6: Wage increase for Instructional Staff**

	Avg number	Percent of reported staff	Avg pre-initiative wage	Avg post-initiative wage	Avg % Increase	Avg pre-initiative payroll	Percent of pre-initiative payroll
Prog. Sup.	1.26	9.20%	\$15.32	\$15.73	2.70%	\$40,102	11.90%
Ld. Teacher	6.21	45.30%	\$12.37	\$13.00	5.20%	\$159,781	47.30%
Aide	6.23	45.50%	\$10.63	\$11.53	8.50%	\$137,856	40.80%

The above figures can be combined with budget assumptions to reach a total business impact. In Table 7 below, the "Business impact" relies on the average percent increase for each position and three additional assumptions: 1.) the "Percent of pre-initiative payroll" for each position included on Table 6,

<sup>4</sup> Wage rates and hours worked for Program Supervisors, Lead Teachers and Assistants/Aides were requested by name as these three positions are called out in Chapter 170-295 RCW. Other positions that providers referenced on the survey included cooks, janitors, administrative assistants, and maintenance; however, sufficient data was not provided to develop regional or statewide averages for these positions. Thus we assume that wages for these non-instructional/supervisory positions increased at a rate proportional to the increase for the positions we surveyed.

2.) an assumption that the increase for the surveyed positions is representative of the increase for non-surveyed positions,<sup>5</sup> and 3.) an assumption that total payroll represents 65% of total business costs.<sup>6</sup>

**Tbl 7: Business Impact by Region**

Region	Program supervisors		Lead teachers		Aides		Total business impact
	Avg increase	Business impact	Avg increase	Business impact	Avg increase	Business impact	
1	3.2%	0.2%	9.9%	3.0%	11.8%	3.1%	6.4%
2	4.4%	0.3%	8.2%	2.5%	10.4%	2.8%	5.6%
3	2.7%	0.2%	4.4%	1.4%	8.5%	2.3%	3.8%
4	2.0%	0.2%	1.9%	0.6%	7.4%	2.0%	2.7%
5	-0.8%	-0.1%	3.8%	1.2%	4.4%	1.2%	2.3%
6	3.3%	0.3%	6.7%	2.1%	10.1%	2.7%	5.0%
Spokane	5.0%	0.4%	6.7%	2.1%	9.8%	2.6%	5.0%
Statewide	<b>2.7%</b>	<b>0.2%</b>	<b>5.2%</b>	<b>1.6%</b>	<b>8.5%</b>	<b>2.2%</b>	<b>4.0%</b>
All but reg. 4	2.9%	0.2%	5.9%	1.8%	8.7%	2.3%	4.4%

The total business impact ranged by region from **2.3%** to **6.4%** with a statewide average increase of **4%**.

### Additional data for childcare centers

In addition to data available through our survey, we have obtained data from the Employment Security Department derived from unemployment insurance reports which suggests similar business impact levels to the tables above. Table 8 shows regional data for the Child Daycare Services Industry, NAICS 6244.

Table 8 shows regional industry impacts of between 1% and 7%, with a statewide average of 3%. Although the regional variation shows notable differences from DEL's survey, the range of impacts is similar

**Tbl 8: Unemployment Insurance Data**  
*NAICS 6244, Child Daycare Services*

Region	Percent wage gap to reach \$11/hr	Total business impact (payroll as 65% of total costs)
1	5.56%	3.62%
2	8.77%	5.70%
3	5.76%	3.75%
4	1.45%	0.94%
5	7.85%	5.10%
6	8.84%	5.75%
Spokane	11.25%	7.31%
Statewide	<b>4.61%</b>	<b>3.00%</b>

<sup>5</sup> See footnote 4 above. At 10% of payroll, the portion of the estimated total business impact arising from this group is approximately .4%.

<sup>6</sup> Our chosen figure of 65% falls within the typical range cited by Anne Mitchell of 60%-75%. Our review of budgets from five centers submitted in the Spokane area shows an average of 65%. This figure is recognized to be high among industries; see, e.g., "How Much does it Cost to Run a Business?" *The Washington Post*, March 5, 2012. <http://www.washingtonpost.com/wp-srv/special/business/costofrunningabusiness.html>. The high percentage of payroll costs, and generally low wages, suggest that the childcare industry will be among those most affected by minimum wage increases.