

Minimum Wage Increases and the Child Care Workforce

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POLICY BRIEF

Can policymakers raise entry level wages in child care without disincentivizing higher earners?

The child care workforce suffers from high staff turnover rates. A recent study found that over half of new child care workers in Illinois left the industry after less than two years.¹ This level of instability in child care programs negatively impacts children.² While wages are not the only factor driving child care workers out of the field, they are a significant contributing factor.

There are two primary challenges with wages in the early care and education workforce. First, entry-level wages are too low to attract and retain workers, causing significant turnover among this group.³ Second, there is too little premium paid for staff who have more experience or higher credentials to encourage workers to stay in the field or move up the career ladder.⁴ While these two problems are related, they likely require different policy solutions. Can policymakers solve one piece of this puzzle without negatively impacting the other? Specifically, can policymakers raise wages for those near the bottom of the pay scale without further disincentivizing those in the middle and at the top?

To begin answering these questions, we focused on the impact of rising minimum wages on center-based child care workers in Illinois. We examined how raising the minimum wage—which substantively increases hourly wages for entry-level child care workers—impacts observed wages for higher-earning child care workers. We focused our analysis on Chicago and Illinois because the city began to raise its minimum wage in 2018 and the rest of the state did so 2 years later. We analyzed differences in wage increases between the lowest and highest earners before and after the minimum wage increases.

Minimum wage increases in Chicago and Illinois

In 2018, the city of Chicago raised its minimum wage from \$10.50 to \$12 per hour. Chicago raised the minimum wage again, to \$13 per hour, in 2019 and then to \$15 per hour in 2021. Minimum wage in Chicago has continued to increase indexed to inflation.

In 2020, the state of Illinois raised its minimum wage for the first time in a decade, from \$8.25 to \$10 per hour. The minimum wage rose to \$11 per hour in 2021 and \$12 per hour in 2022. It will continue to increase 1 dollar per year until it reaches \$15 per hour in 2025.



WHAT WE DID

We analyzed quarterly wage records reported by employers to the state unemployment insurance program at the Illinois Department of Employment Security (IDES), which covers over 90% of all jobs.^{5,6} This dataset does not track experience, credentialing, degrees, positions, or hours worked. We were therefore only able to capture total quarterly wages and use this as a proxy for experience and qualifications. We focused on workers in the Child Day Care Services industry—predominantly center-based child care workers—with stable employment (three consecutive quarters of wages) between 2017 and 2021^{7,8}. With these data, we measured wage growth in real dollars for workers at the 50th, 75th, and 90th percentiles⁹ of the earnings distribution before and after city-mandated—and, later, state-mandated—minimum wage increases.

We further tracked differences based on locality. Chicago began to raise its minimum wage 2 years before the rest of the state. We therefore isolated wage growth for Chicago workers and compared that to wage growth in other Illinois localities. We highlight the 50th percentile because child care workers at this level were likely full-time workers with hourly salaries nearest minimum wage. Therefore, they were the group most affected by the minimum wage mandates.

WHAT WE FOUND

We found that inflation-adjusted wages increased for center-based child care workers at all levels following the minimum wage increases (see Table 1)¹⁰. Wage increases were most pronounced at the bottom of the pay distribution. However, we found that wages meaningfully increased for workers at every level of the pay scale.

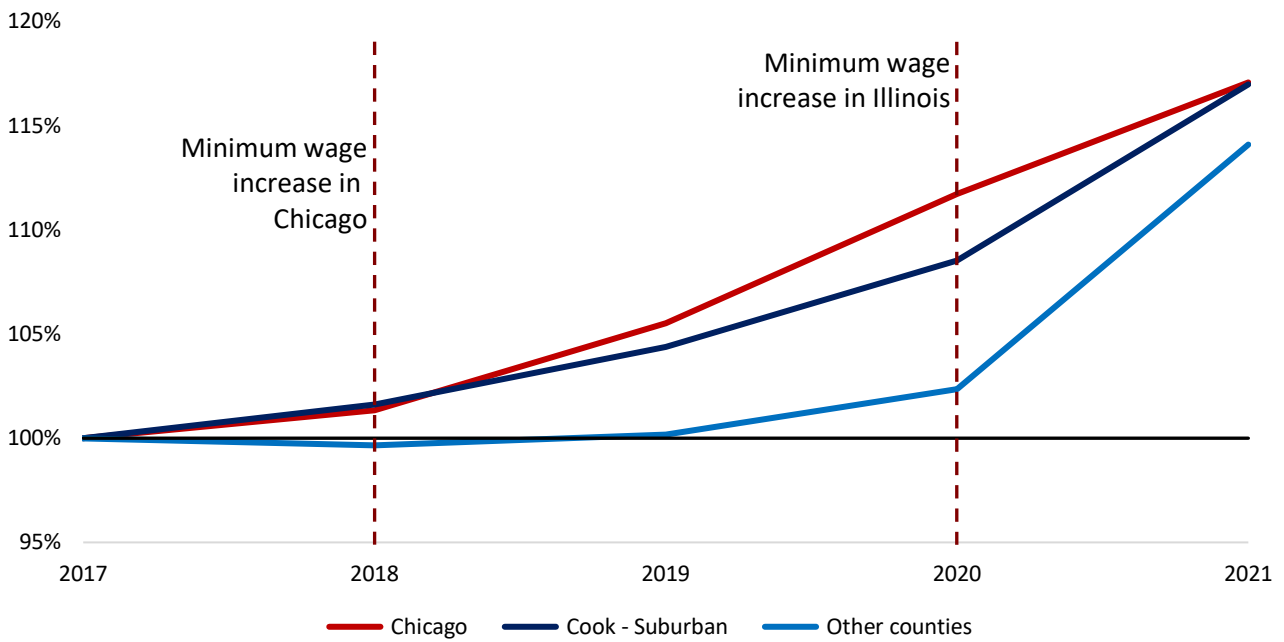
Table 1. Quarterly Wage Increases among Child Day Care Services Workers Were Higher in 2021

	25th Percentile	50th Percentile	75th Percentile	90th Percentile
Quarterly wage in 2017	\$ 3,890	\$ 5,648	\$ 7,439	\$ 9,944
Quarterly wage in 2018	\$3,923	\$5,694	\$7,453	\$9,865
Quarterly wage in 2021	\$ 4,648	\$ 6,415	\$ 8,244	\$ 11,189
Percentage wage change 2017–2018	0.8%	0.8%	0.2%	-0.8%
Percentage wage change 2017–2021	19.5%	13.6%	10.8%	12.5%

Note: Average median quarterly wages. Wages are inflation-adjusted to January 2019 dollars.

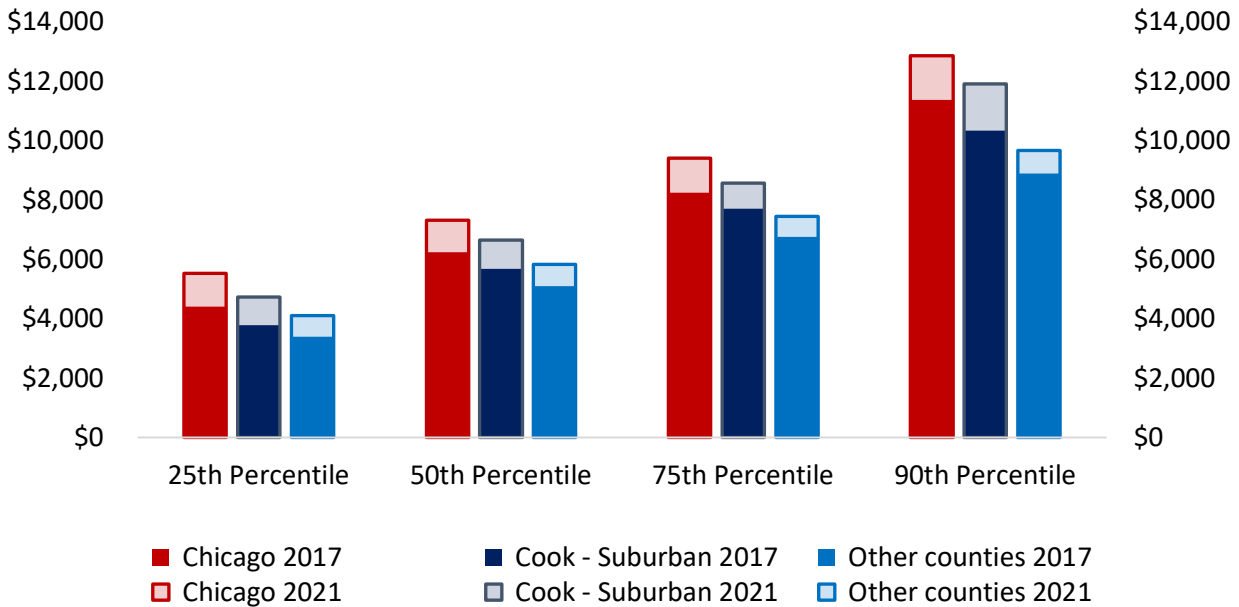
These trends were most apparent in Chicago, the first location where minimum wage increases pushed child care wages up (see Figure 1), and then in surrounding suburban Cook County. The suburbs likely experienced a spill-over effect from the city's increases. The rest of the state appears to be following the same trend. We observe this geographic pattern of wage increases at all levels of the wage distribution (see Figure 2). This evidence suggests that increasing the minimum wage to the level that Chicago and Illinois have instituted thus far has had a promising effect: it significantly increased wages for those making the least while those making more continued to see their wages rise. We found that this trend tracked with other industries with similar employee wage levels, including food service, administrative support, and social assistance.

Figure 1. Median Quarterly Wage among Child Day Care Services Workers Increased Faster in Chicago and Suburban Cook County



Note: Average median quarterly wages. Wages are inflation-adjusted to January 2019 dollars (index 2017 = 100).

Figure 2. Quarterly Wage Distribution among Child Day Care Services Workers in Chicago Outpaced the Distribution in other Illinois Counties



Note: Average quarterly wages. Wages are inflation-adjusted to January 2019 dollars.

WHAT'S NEXT

Further analysis is needed to track child sector earnings over time in Chicago and Illinois. We want to know if, as minimum wages continue to increase in the city and state, do wages continue to rise for all pay levels or will they plateau? In addition, will there be an inflection point where wage increases for the lowest earners erase premiums for the highest earners? Additional questions to answer include how minimum wage increases affect the number of child care workers, staffing patterns, hours per worker, and worker retention at different levels of the wage scale. In addition, we want to know the impact of these changes on staff turnover and, ultimately, child outcomes.

Illinois and Chicago are among many states and localities that have increased minimum wage over the last decade. Seven states and Washington, DC have raised their minimum wages to \$15 per hour or more, while seven additional states (including Illinois) have set minimum wages at \$14 per hour.¹¹ Further studies should continue this work by comparing minimum wage increases and wage compression in the child care sector in states and localities that both have and have not increased their minimum wage.

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ENDNOTES

¹ Wiegand, Emily R., Robert M. Goerge, Hyein Kang, David McQuown (2024). What Were the Wages and Employment Trajectories of Child Care Workers in Illinois over the Last Two Decades? OPRE Report 2024- 017. Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

² Whitebook, M., & Sakai, L. (2003). Turnover begets turnover: An examination of job and occupational instability among child care center staff." Center for the Study Child Care Employment.

<https://cscce.berkeley.edu/publications/report/turnover-begets-turnover-an-examination-of-job-and-occupational-instability-among-child-care-center-staff/>

³ Wiegand, Emily R., Robert M. Goerge, Hyein Kang, David McQuown (2024). What Were the Wages and Employment Trajectories of Child Care Workers in Illinois over the Last Two Decades? OPRE Report 2024- 017. Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

⁴ National Academies of Sciences, Engineering, and Medicine. 2018. *Transforming the Financing of Early Care and Education*. Washington, DC: The National Academies Press, 91.

⁵ Abowd, J. M., Stephens, B. E., Vilhuber, L., Andersson, F., McKinney, K. L., Roemer, M., & Woodcock, S. D. (2009). The LEHD infrastructure files and the creation of the Quarterly Workforce Indicators. In T. Dunne, J. B. Jensen, & M. J. Roberts (Eds.), *Producer dynamics: New evidence from micro data* (pp. 149–230). University of Chicago Press.

⁶ Certain employers, including the federal government and military, small farms, railroads, and some commission-based employment, are excluded from Illinois wage reporting. See U.S. Department of Labor Employment & Training Administration. (2022). *Comparison of state unemployment laws 2022: Coverage*.

<https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2022.asp>.

⁷ We exclude employers with less than 5 employees and those with unknown or out-of-state county codes.

⁸ Not all child care workers are included in these data. The data do not capture child care workers of employers classified in another employment industry, such as school systems or social service organizations. The data also do not capture earnings of individuals who are independent contractors with no employees, such as some family child care home providers.

⁹ We also examined wages at the 10th and 25th percentile but excluded them from the presented analyses as these workers appeared to be working less than full time.

¹⁰ To support comparability across analyses and over time, all quarterly wage values reported in this brief have been inflation adjusted using the U.S. Bureau of Labor Statistics' All Urban Consumers Not Seasonally Adjusted Consumer Price Index. Since the index is a monthly dataset while wage records is quarterly, we use the value for the first month of the quarter to represent the quarter. Values are presented in January 2019 dollars.

¹¹ [State Minimum Wage Laws | U.S. Department of Labor \(dol.gov\)](#)