

## **Competitive Bonuses for the Head Start Workforce**

Glenna Davis: Hello, and welcome everyone to Competitive Bonuses for the Head Start Workforce. It is now my pleasure to turn the floor over to Tala Hooban. Tala, the floor is yours.

Tala Hooban: Thank you so much, and thank you, everyone, for joining us today for this discussion on Competitive Bonuses for the Head Start Workforce. My name is Tala Hooban. I'm the acting deputy director of the Office of Head Start. My OHS colleagues today are Colleen Rathgeb, Lizette Lopez, and we're all excited to be here with you today to discuss this topic. Next slide.

We all know at Head Start that the staff are the backbone of the programs. The Office of Head Start deeply, deeply values and appreciates the commitment of our program staff across the country from the janitors to the bus drivers, teachers, home visitors, and our family services staff, managers, program leadership and many other critical positions beyond these. During these challenging times, Head Start staff show up and provide critical supports and services to children and families in their programs. Head Start staff are also some of the most qualified in the field of early care and education, and we know that our program staff often wear many hats and have many responsibilities. Next slide, please. Thank you.

Unfortunately, there's also a workforce shortage that's impacting Head Start programs across the country. We know that programs are struggling to retain and recruit the staff necessary to provide Head Start services. The shortage is not specific to Head Start or the early childhood education field but is compounded by the impacts of the pandemic, consistently low wages and benefits, and other factors contributing to higher rates of staff burnout and turnover. Sustainable changes in compensation require additional funding or restructuring of program budgets to realize cost savings, the latter of which is often a lengthy program planning activity.

In fact, we know that many programs are experiencing staff shortages are also experiencing underenrollment challenges, and these two issues have really converged more and more over the past 2 years. We encourage Head Start programs to start those conversations with your Regional Offices on how to address these converging issues. I also want to assure all of you that the Office of Head Start is actively working towards long-term supports for the workforce. However, we know that programs need immediate relief and are seeking strategies now on how to support their existing workforce and recruit new staff into vacant positions. Next slide.

To that end, OHS has released a new information memorandum that describes one such strategy to provide short-term relief to programs and Head Start staff – the use of financial incentives to stabilize the workforce. This IM, titled Competitive Bonuses for the Head Start Workforce, describes one strategy or tool programs can use to help stabilize their workforce right now in the near-term. The IM was released last week and is available on ECLKC. OHS recognizes this strategy is not a long-term solution to the workforce shortage that programs are experiencing, but our hope is that this IM provides some guidance and clarity for one strategy

to support the workforce right now, especially as programs plan for the upcoming '22, '23 program year. I'm now going to turn it over to my colleague Colleen who will share more about the content of the IM. Thanks, Colleen.

Colleen Rathgeb: Hi, thanks, Tala. Hi, everybody. It's really great to be with you today to talk about this important topic. I wanted to first start with going through the key messages of the IM. If there's one thing we want people to take away from this IM and this conversation is that we very much encourage – from the Office of Head Start – we very much encourage Head Start programs to provide incentive payments to staff as a short-term strategy to stabilize the workforce. Right now, there may be more funding, more onetime funding available to programs than normal to support these incentive programs and these incentive payments. Many programs have unspent American Rescue Plan funds or other COVID-19 relief funds. Many of these are still available. There's actually across the country, hundreds of millions of dollars available from ARP and the other COVID funds that programs still may be able to use for these purposes. And some programs may have unspent grant funds from their base grant operational funds because they have staffing shortages and enrollment challenges.

We're really encouraging programs to consider using these funds to provide incentive payments like retention or hiring bonuses to stabilize their workforce in the near-term. We know that the workforce shortages that many of your programs are facing right now are extremely urgent, and they're impacting programs' abilities to keep classrooms open and to provide services. There's nothing that is really more dire for programs to not be able to operate programs. Given the fact that these workforce challenges are keeping programs from being able to open all their classrooms, what is reasonable and necessary right now as far in terms of the size of monetary incentives is likely very different than it was in pre-pandemic times.

You can look at the IM Head Start 21-01 looking at the fiscal and administrative flexibilities that are available during the ongoing COVID-19 pandemic to get a little bit more ideas of the flexibilities that are available. But what we want you really to take away is that the size of the bonuses that a program could justify as necessary and reasonable right now because of the dire issues that are going on with being able to open classrooms and retain staff may be larger than we're used to seeing in Head Start. Our hope and our goal with this IM is really to encourage programs to think bigger and think bolder about the use of financial incentives and how they can use those to support their staff, while also keeping in mind that they need to be able to justify why they would make incentive payments like this. The IM can also help programs think more broadly about the types of data and rationale that could be useful to use to demonstrate that these large financial incentives are necessary and reasonable right now to stabilize their workforce.

Particularly, we want to have them think about the key step in determining the size of the bonus to offer staff involve looking at competing employers. What are the employers that are competing for your staff? Where a staff position in that competing employer provides similar services to the position in Head Start. For those positions at competing employers, programs

can look at incentives being offered as well as overall compensation being paid to help identify what size bonus will make employment in Head Start more competitive. If you want to turn to the next slide, and we'll talk a little bit more about that.

To dig a little bit more into this concept of competing employers and comparable services and what those mean, we know that programs are losing staff to different types of competing employers in the communities, and it's important to understand who you are losing staff to. What types of employers are your current or potential staff seeking employment with? Being able to show that your program is losing staff to different employers can help you demonstrate that financial incentives are necessary. If you're competing, you're losing staff. You can't hire staff. They're going to other jobs. You can't keep them on. That's how you show that a financial incentive is necessary.

And then you want to think about the services being provided by those other jobs and competing employers. Are those other jobs providing similar services as the staff in your program, like a teacher, a janitor, a teacher to a teacher or a teacher to someone who does education services, a janitor to someone who does janitor services or cleaning services? If the answer is yes, they're doing a similar role, you would look at the financial incentives and the overall pay being provided by those competing job positions. If the overall job, the overall pay in the financial incentive is more than being offered in your role, then that can help you to determine the size of the financial incentive that you're supposed to offer and demonstrate the reasonableness of that incentive.

For many positions in Head Start, a competing employer includes local elementary schools. For example, for an open teaching position in Head Start, a program could look at the local elementary school's pay and financial incentives for teachers. For instance, if the elementary school is offering kindergarten teachers a \$2,500 retention bonus and their overall salary for the kindergarten teachers is 5,000 more than the Head Start teacher salary, the Head Start can take both of those factors into account to determine what size of a bonus would be necessary to offer their own teachers to make them as competitive as that kindergarten job.

When you're looking at the – determining and justifying the size of the financial incentive, programs should not consider competing employers where the employees are not providing comparable services, however. It's important to know that. If it is not comparable services to the Head Start position, it can't influence the size of the financial incentive. To kind of give an example, if a program is losing their teaching staff to a retail or a restaurant employer – which we know that that's happening, and that that's due to larger incentives and a larger salary being offered by the competing employer – the Head Start program cannot use the compensation or the incentives that the retailer is offering to justify larger bonuses for their teaching staff. They still can use that to say they need incentives, the idea that an incentive itself is reasonable. It just can't be used to look at the size or the amount. It depends on the position in your program for which you're considering financial incentives.

If we go back to that example of the retail employer, let's say the Head Start program is considering incentives for a janitorial position. A janitor at the retail or restaurant may have very similar services and duties to a Head Start janitor. Now, it would be OK and appropriate to compare compensation and incentives to janitors in the retail establishment to janitors in the Head Start position. Similarly, programs should look to appropriate competing employers for other positions, like bus drivers, nurses, social workers, cooks. You can look at all of those different types of positions, again, just thinking about, are the positions similar? Let's go to the next slide and talk a little bit about the data that you can use.

You really do need to think about how you're going to determine what's the appropriate size and how you're going to justify that. We want to talk about some of the program data you can use to do that. As you determine an incentive structure for your staff, they have to really understand which positions you're experiencing the most challenges with. Where are the retention problems, the recruitment problems, or both? Specifically, which positions are the most problematic? And figure out whether low wages is likely a factor in that retention and recruitment problem for these positions.

You also want to really make sure you have a strong understanding of your program's workforce strength and needs so that you can justify, again, the necessity and the reasonableness of the financial incentives. Some of the different data points that you want to look at is how bad the workforce shortage is in your program, and is it for some positions more than others? How many children aren't being served because there aren't sufficient staff to open the classrooms or to provide home visits or to provide individualized services to your families? I think the degree that you can really think about and be able to justify and show where you have these problems in having to cut back on services because of this is going to be – is really key.

To keep data on how many applicants apply for programs, how many go through interview processes, how many accept positions, and then also, how long you can retain staff? If you're able to hire staff but then they don't remain in the program for long, having that information, has your turnover rate gone significantly up over time? All of this information is going to be what would help a program do, again, the two things to determine what an incentive structure for your program should be and to be able to demonstrate why that incentive structure is necessary and reasonable as is required in the cost principles for federal awards. Again, both of those steps are really important.

And on the next slide, we show some examples, and these are up on a page on ECLKC right now giving some examples of financial incentives from across the country. You'll see these examples particularly are being offered by school district and city governments across the country. And you'll notice that the incentives, the sizes range widely. There are different types. Some are about new hires. Some are about retention, and they're different for different job positions. You'll note towards the bottom of the slide, a school district in South Carolina is offering \$3,000 for newly hired teachers. DC, the city where we are, is offering across the city for early

childhood teachers in community-based broadly settings a \$14,000 bonus for early childhood lead teachers and a 10,000 bonus for early childhood teachers. And then Charlotte-Mecklenburg, the first one up there on the slide, is offering bonuses for a lot of their positions across the board: bus drivers, special ed teachers, substitutes. That's where they're really having their problems right now hiring.

We want these examples, just again, to help people start thinking about what's going on across the country. How you could use appropriate to justify, and also to see there may be higher bonuses than people would be expecting on this list and across the country, and we want people to be aware of that. As we talked about in the very beginning, these are really unprecedented times with the workforce challenges that you guys know better than me actually running programs that you're facing. And we want to give people to give permission to think differently and, again, think a little bit bigger and bolder about what might make sense, what might be reasonable, what might be justifiable, in order to make sure you can actually be running your program.

If we're losing staff and you can't actually open classrooms or provide services, that we really need to think about this in a different way. And as mentioned at the beginning, we know this is a short-term solution. This is not something that folks necessarily have in their budget on an ongoing basis, and that's another conversation and long-term to be thought about. But right now, many programs have unspent onetime funds and these challenges and want them really to think about how we can use these financial expenditures that may be larger than we're used to seeing in Head Start may be something that people really want to consider. I am going to turn it over now to Lizette Lopez to continue our discussion.

Lizette Lopez: Hello, everyone. Broadly speaking, in the IM, we encourage programs to use the incentives to reward those who have stuck with Head Start during this difficult time and encourage people to stay employed with the Head Start program. Programs could consider scaling incentives based on employee tenure with the program or other factors. However, as Colleen discussed briefly on the previous slide, programs should ultimately design an incentive structure that meets their specific workforce needs. If a program has strong retention with existing staff, they may choose to focus more on hiring bonuses. In the IM, we suggest hiring bonuses be staggered over time to encourage retention of new hires. We encourage those programs offering hiring bonuses to consider the importance of also rewarding existing employees with bonuses to support employee morale and retention.

We also remind programs to consider any unintended consequences of bonuses. Since monetary incentives likely count as income, grant recipients should understand income requirements for public benefits to determine how such bonuses may impact staff members' access to these public benefits. Next slide, please. Programs can use ARP dollars, other COVID relief dollars, or base grant operation funds for these types of financial incentives. We remind programs that any incentive for staff are subject to an established written policy of the grant recipient for allowability. OHS reminds programs to update their written policies and

procedures with governing body and policy council or policy committee approval to reflect more competitive staff incentives prior to the implementation.

The links you see on this slide are also in the IM and direct leaders to the requirements for incentives and fringe benefits for federal awards. We also link to the personnel policies and procedures section of the Head Start Performance Standards. This IM clarifies OHS interpretation of the cost principles for federal awards and is consistent with those principles. Costs which are unallowable under other sections of the cost principles are still unallowable. If programs have questions about offering incentives, they should contact their Regional Offices.

Next slide, please. Financial incentives may complement but should not replace intentional workforce planning practices. Financial incentives, particularly those that use ARP funds, are a short-term strategy to recruit and retain staff. Programs should continue to use intentional workforce planning practices to build and sustain a stable workforce. As I'm sure many of you know that are listening in this afternoon, the reason people choose to work with Head Start often go beyond compensation. Our program staff are driven by the mission of Head Start and the opportunity to have a meaningful impact on the lives of children and families served in our programs. Incentives are one tool in your toolbox for programs to support staff, but OHS recognizes bonuses such as those we've discussed today will not fully address the workforce shortage our programs are experiencing.

In addition to possibly providing monetary incentives, we encourage Head Start programs to continue to focus on other factors that support staff retention, such as building a positive workplace culture, offering supports for staff wellness, and providing support for staff development and career growth. Head Start grant funds including ARP dollars can also be used for many of these other activities to support a strong workforce. And now, I will turn things over to my colleague Lindsey Hutchison so that we can go through a few frequently asked questions about financial incentives.

Lindsey Hutchison: Thank you so much, Lizette. Good afternoon, everyone. My name is Lindsey Hutchison, and I am a senior policy analyst in the Office of Head Start. I'm happy to be here with everyone today for this important topic for our newly released IM. We're going to go through a couple of frequently asked questions. I have some questions for Colleen and Lizette that we have been hearing from the field, and we hope this will provide some additional clarity for folks.

And before we dive into those questions, I did just want to remind everyone from a variety of the comments that we're seeing come into the chat and the Q&A during the webinar, that a lot of the very specific questions folks might have about this and about the content of the IM, it's a really great idea to chat with your Regional Office's OHS staff about some of those nuanced questions. And we are trying to answer some additional ones as well when we can. And we may follow up with some more answers after, although we will not necessarily be able to answer all of them at this time. We really do encourage folks to chat with their Regional Office for their nuanced questions about how to implement an incentive structure for their programs.

If we could go to the next slide. Want to start with a question that we had heard a lot before, and this one is for Colleen. What if a Head Start program is in a situation where their local employers that are providing comparable services are not offering financial incentives? What can a program do in that situation, Colleen?

Colleen: Great, so yes, I think the important thing to realize is that programs can use a comparable incentive payment in a comparable employer, or they can look to overall compensation. Even if, say, your local public school is not providing hiring or retention bonuses to their teacher, but the overall compensation for their pre-K or kindergarten or elementary teacher is significantly higher than the Head Start staff, than your Head Start teachers that are doing comparable jobs, you can use that overall compensation difference to justify why you would make an incentive payment for either hiring or retention.

We really do want folks to look at that and to see, and that could be for teachers like I just talked about. It could be for bus drivers, but really, absolutely, you can think about the overall total compensation as an amount that you're trying to get to for the year in different ways with this different strategy. Not, again, not that – you might not be closing the whole gap. You might be only closing part of the gap, but again, that's what you need to look at and look at the data about what your staff are doing and the comparability and what they're getting. And you can use overall compensation as the thing that you're looking at.

Lindsey: Thanks so much for that additional clarity, Colleen. Can we go to the next slide? This next question is going to be for Lizette. We've had questions about what funding sources can programs use for financial incentives for their staff. Lizette?

Lizette: Thanks, Lindsey. Programs can use the ARP funding, the American Rescue Plan funds, the Coronavirus Aid, Relief, and Economic Security, the CARES Act funding, the C3 funding, Coronavirus Relief and Response Supplemental Appropriations, the CRRSA funding. And also, they can use their base grant operational funds to provide incentives for the staff. The Office of Head Start wants to remind the programs of any applicable requirements that must be met including the period of availability since they may have different funding sources or availability of time, different budget periods. For CARES and CRRSA, we remind programs that they must document and justify that the expense is directly supporting their response to the COVID-19 pandemic.

Lindsey: Thank you, Lizette. Could we go to the next one? This next question is also going to be for Lizette. We have been hearing questions about, are programs required to offer certain types of bonuses or a certain type of bonus structure? Lizette.

Lizette: Yes, Lindsey. No, programs that choose to offer incentives should design a structure that meets their individual workforce needs, and it needs to be justifiable like we've been stating in the slides previously. Some programs may choose to focus only on retention bonuses, whereas others may choose to focus on retention and hiring bonuses because they're having a hard time getting people to join their staff. OHS encourages programs to reflect on how their

bonuses structure will influence morale of current employees and if possible and appropriate, reward those who have continued to serve Head Start families during these challenging times.

We have staff that continue to come into work that have been with the Office of Head Start for many years, and they should also be acknowledged. Programs also have discretion to decide if and how to stagger bonuses over time. For some employees, such as new hires, it may make sense to just provide bonuses in increments over time. Maybe the first quarter that they're with the program, you give them an incentive and then continue on as long as the funding is available. And for other employees, it may make more sense to provide bonuses in a lump sum for those employees that have been with the program for many years.

Lindsey: Thank you so much for those additional details, Lizette. Can we go to the next question? This final question that we have here is going to be for Colleen. This question is asking, what if programs are losing staff to employers where the position is not providing comparable services to a Head Start position? And, Colleen, I'm really hoping the answer to this question you're going to elaborate on will resonate for folks. I was seeing a lot of questions about this coming into the Q&A, lots of different types of employers drawing away Head Start staff that are not necessarily providing comparable services to our Head Start jobs. What would you say for that, Colleen?

Colleen: I think the thing that's important to know is, there is an important piece for that to play, that you're losing staff to noncomparable services. That still plays an important role in thinking about this, but it can't be the whole picture. The fact that they're having a hard time retaining or recruiting staff because of jobs in noncomparable entities, retail establishments, things like that, can absolutely be used to justify that you need financial incentives, that there's a necessity in your program to provide financial incentives because you are not being able to hire or retain staff. What you can't use that for is you can't compare the salary that the target is paying to the salary of your assistant teacher that is not doing comparable work.

To determine and justify the size of the incentives, you need to look at employers who are providing comparable services. If you have Head Start teachers that are going to retail establishments, that can say, you have to be doing something to keep Head Start teachers, so you have to provide an incentive. And you can look at the fact that local elementary schools are paying more for comparable work. Those two pieces together can justify you needing to go recruitment and retention benefits that exist because you're losing folks. You justify how much because you can look at the local elementary schools as a comparable way to do it. You can use two different pieces of it, I think, to get to that same structure. Lindsey, anything you'd add to that explanation?

Lindsey: I think you covered it really well, Colleen, and I'm hoping that that helps folks. It is a little bit nuanced, and we certainly encourage you to review the IM in full detail for further understanding this nuance. And also, of course, if you have additional questions when the webinar ends, we encourage you to talk with your Regional Office. And we do recognize that when we're thinking about how we justify the competing employers and comparable services, it



gets a little bit tricky. We hope that the information we've shared here has been helpful for that. And I am – I'm going to turn it over now to Lizette Lopez to share some resources.

Lizette: For closing, we offer you several links to relevant resources to support the Head Start workforce. We hope you guys can take a look at them. I hope they're useful, and we want to thank you so much for joining us today. We hope the information we've shared from this new IM offers helpful strategies for programs as they continue to stabilize and strengthen their workforce, and we wish you all a very good afternoon.