

***Correspondence -
ACF-IM-HS-22-04
Competitive Bonuses for the
Head Start Workforce***



ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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INFORMATION MEMORANDUM

TO: All Head Start and Early Head Start Grant Recipients

SUBJECT: Competitive Bonuses for the Head Start Workforce

INFORMATION:

Head Start staff are the backbone of our programs. Every day, staff work tirelessly to provide high-quality Head Start services to children and families. During very challenging times, Head Start staff have continued to ensure children and families have the support they need to thrive.

Adult wellness is vital in any workforce; particularly in Head Start programs where children and families in the most vulnerable circumstances are served. Providing comprehensive services through a whole family approach requires staff to be well-versed in the tenets of early childhood education and development. It also requires a level of clear-headedness and physical stamina that must be supported with a systemic approach. This approach should, at its core, value the important role of everyone in the Head Start workforce and recognize that they deserve appropriate compensation (i.e., wages and benefits) to fulfill their important charge. Indeed, a stable, qualified workforce is critical for programs to keep their classrooms open and maintain their funded enrollment. This cannot be accomplished if the workforce continues to be undervalued and undercompensated.

The Office of Head Start (OHS) recognizes that the dedication of Head Start staff is especially commendable given persistently low wages and lack of comprehensive benefits, particularly for education and family services staff. Permanent, sustainable wage increases require additional funding. This is often done by freeing up funds within existing budgets — a long-term program planning activity that often involves making difficult decisions — or through additional appropriations from Congress. In the meantime, OHS recognizes programs are seeking strategies to provide immediate relief to current staff, as well as ways to fill vacant positions as they begin to plan for the next program year.

This Information Memorandum (IM) describes providing competitive financial incentives with existing grant funds as a short-term strategy ([45 CFR §75.430\(f\)](#)) to invest in the Head Start workforce and promote retention of current staff, as well as recruitment of new staff to fill vacant positions. OHS strongly encourages all Head Start programs to use American Rescue Plan (ARP) funds, base grant operations funds, and other COVID-19 relief funds to offer competitive financial incentives to staff, such as retention and hiring bonuses, to help stabilize and support

their workforce in the near term.¹ Please be mindful of any applicable grant requirements that must be met, including period of availability for different funding sources (e.g., March 31, 2023, for ARP funds).

OHS encourages programs, including those who have already offered such incentives, to reevaluate the monetary size of incentives that are necessary and reasonable to retain and recruit staff. These may be larger than previously considered. Below are strategies programs can use when determining and justifying the necessity and reasonableness for larger incentives. Programs are encouraged to apply these strategies for staff positions in their program that are impacted by the workforce shortage.

Competitive Financial Incentives

Challenges to maintaining a qualified workforce are not unique to Head Start programs. Employers in many industries are currently struggling to retain and hire staff. Financial incentives can be a powerful tool to promote retention and recruitment, particularly for positions that are difficult to fill or experiencing high turnover. Many employers are appealing to workers by offering financial incentives, such as retention and hiring bonuses. These [incentives vary widely](#) both in size and distribution schedule.

Head Start programs are competing with other employers, such as public schools, for qualified staff. OHS strongly encourages programs to offer financial incentives that are substantial enough to compete with incentives and overall compensation rates offered by competitor employers in their local job market, including elementary schools, while understanding that such financial incentives are not permanent wage increases. Programs may match or reasonably exceed offers made by competing employers, including elementary schools. The amount of such financial incentives may be larger than programs have offered in the past. As outlined in [ACF-IM-HS-21-01](#), what is a reasonable cost during the ongoing COVID-19 pandemic and the heightened workforce needs likely looks different than what was reasonable during pre-pandemic times.

Justification for Financial Incentives: Determining Necessity and Reasonableness

When making data-informed programmatic decisions on financial incentives and determining necessity and reasonableness, programs can consider the following.

1. Competing employers can include public school settings.

- A program may consider bonuses and overall compensation rates being offered by local elementary school settings for positions that are comparable to the Head Start position for which the incentive is being provided (e.g., a Head Start preschool teacher provides comparable services to a kindergarten or first grade teacher).
- Programs may consider bonuses and compensation rates being offered in neighboring counties or school districts.

¹ Since monetary bonuses 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 benefits.

- These data points can be integrated into a program’s [wage comparability study](#) as one key approach to using data to document workforce strengths and needs.
2. **OHS strongly encourages programs to structure incentives in a way that rewards retention of existing staff.**
 - Think about scaling incentives based on employee tenure with the program.
 - Consider the implications of different incentive payment structures or schedules. For instance:
 - A single lump sum payment may be particularly impactful for Head Start staff who have an established tenure with the program.
 - OHS suggests programs stagger any hiring bonuses for new and prospective staff over time to promote retention, rather than providing one lump sum upon hire. For example, a hiring bonus may be advertised for a position posting as one large amount, with part of the bonus paid upon beginning employment with the program and subsequent portions dispersed in one or more increments at future points in time as the new employee remains in their position (e.g., six months after hire; one year after hire; etc.).
 3. **Programs should use data on the extent of their workforce shortage and program needs to demonstrate the necessity and reasonableness for competitive incentives.**
 - Relevant data can include the number of vacancies by type of position, how often vacancies occur, how long posted vacancies remain unfilled, the number of applicants, the number of applicants who are offered or attend interviews, the number of candidates accepting new positions, the length of time new hires remain employed in the program, and data from exit and stay surveys.
 - Programs can highlight how a staffing shortage prohibits them from reaching full in-person enrollment as a demonstration of necessity.
 - If a program already offers financial incentives and continues to struggle to maintain their workforce, this may be an indicator to increase incentive amounts to make them more competitive.
 4. **Any incentives for staff are subject to an established written policy of the grant recipient for allowability** ([45 CFR §75.430\(f\)](#); [45 CFR §75.431](#); [45 CFR §1302.90\(a\)](#)). OHS reminds programs to update their written policies and procedures with governing board approval to reflect more competitive staff incentives prior to implementation.
 5. **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.

OHS recognizes that the availability and size of any financial incentives will depend on many local factors, including cost of living and the local job market. Programs should contact their Regional Office with any questions about this IM and providing financial incentives.

Thank you for the work you do on behalf of children and families.

/ Katie Hamm /

Katie Hamm
Acting Director, Office of Head Start
Deputy Assistant Secretary for Early Childhood Development