



# **Economics of Child Care in Alaska**

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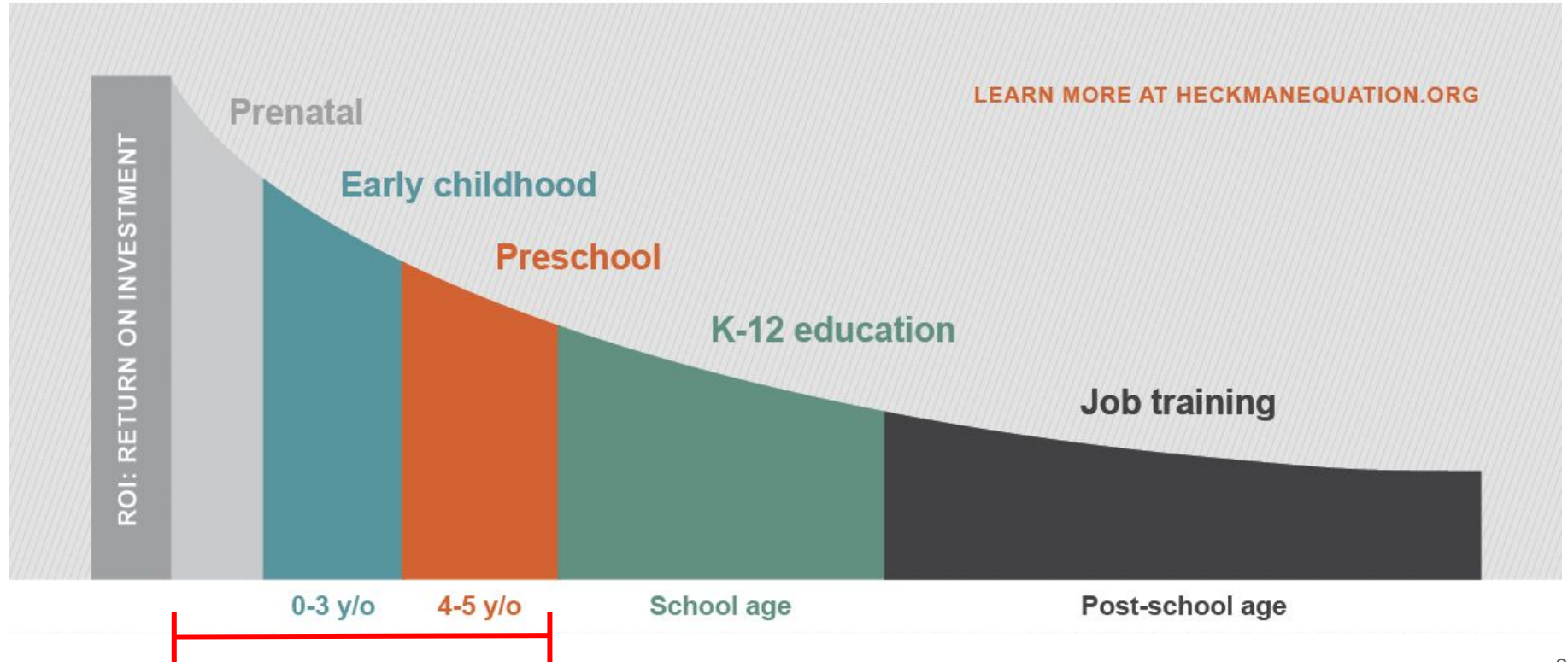
### **April 28, 2021**

# Overview

- Economic value of child care
- Pandemic impacts
- Wages for child care workers
- Affordability of child care



# Economic impact of investing in early childhood learning.



# Economic impacts of early childhood education

- Increased parental income
- Greater educational attainment
- Increased earnings and employment
- Fewer arrests
- Reduced likelihood of drug use
- Greater overall health

James Heckman, from *Lifecycle Benefits*

High quality birth-to-five programs for disadvantaged children can deliver a

**13%**

**Return on Investment**

Starting earlier provides greater returns. Learn more.

[www.heckmanequation.org](http://www.heckmanequation.org)

# Pandemic effects on child care in AK

- Child care capacity in AK reduced to
  - 49% in June 2020
  - 75% in January 2021
- 37% of centers considered permanently closing
- 63% needed additional funding to stay open

Sources: thread surveys, June 2020, January 2021



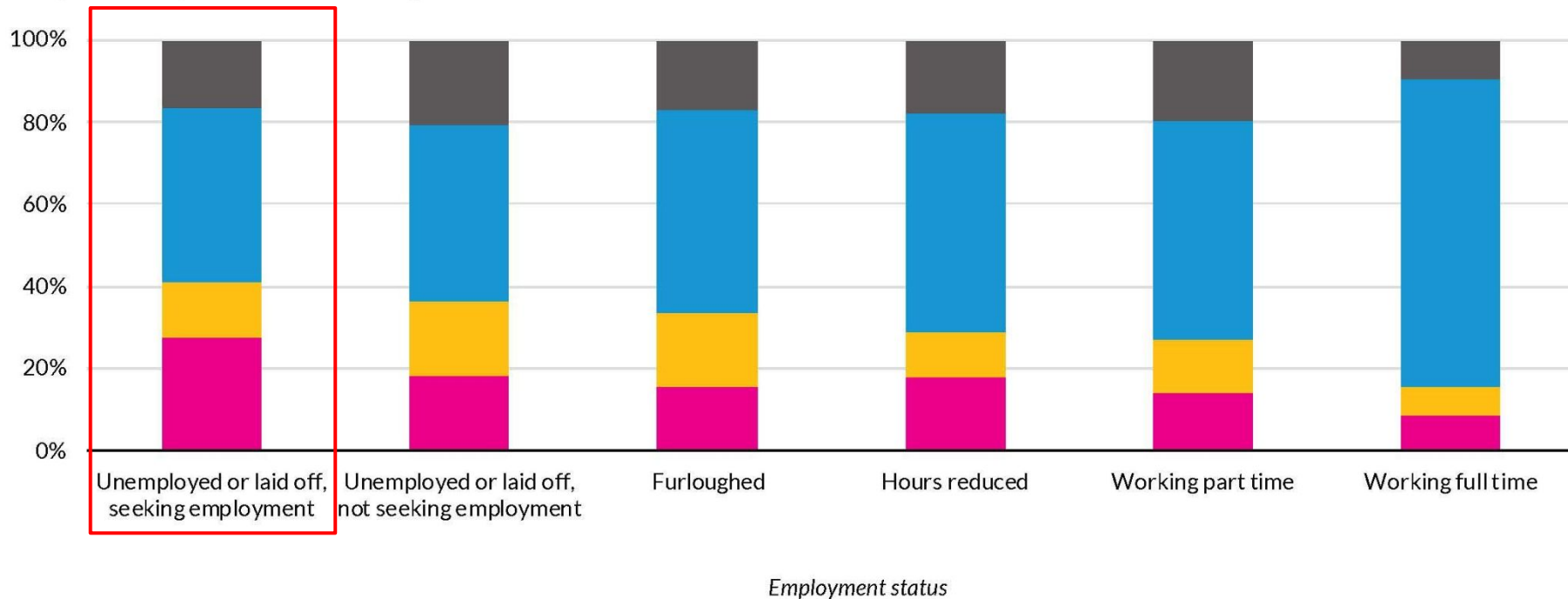
# Child care and workforce participation

- In May/June 2020, **41% of unemployed parents** looking for work said they were **unable or uncertain** about returning to pre-pandemic arrangements for child care (Urban Institute, 2020).
- “For parents with young children, the loss of full-time childcare was associated with an **increased risk of unemployment for mothers** but not fathers.” (Petts, Carlson, Pepin, 2020)

# Workers' Ability to Return to Prepandemic Child Care Arrangements, by Employment Status

■ Unable ■ Uncertain ■ Able ■ Not applicable

Ability to return to previous child care arrangement



URBAN INSTITUTE

**Source:** Rapid Assessment of Pandemic Impact on Development - Early Childhood Survey, week seven (May 19–25, 2020) and week eight (May 26–June 1, 2020).

**Note:** Results are weighted using "race alone or in combination with one or more races" among families with children ages 5 and younger in the 2018 American Community Survey demographic files.

# Workforce shortfalls are among employers' greatest concerns

	Significant barrier	Moderate barrier	Significant/ Moderate Combined	Not a barrier	Not applicable
Condition of the state economy	54	39	93	6	1
The spread of COVID-19	49	37	86	12	2
Condition of the national economy	20	55	75	23	2
Cost of health insurance	28	34	62	29	8
Availability of professional/technical workforce	20	38	58	36	7
Cost of labor	14	40	54	41	5
Availability of semi-skilled workforce	17	32	49	40	11
Job readiness of entry-level workforce	11	38	49	41	10

Source: Anchorage Economic Development Corporation, 2021 Business Confidence Index Report

# Survey of AK child care workers

- Over 50% said pay inadequate to meet living expenses
- Passion for job, but 65% planned to leave
- 36% not compensated for professional development
- Over 70% do not receive health insurance from employer
- 97% are women

thread connecting  
early care & education  
to alaska



Wage and Compensation  
Model for Alaska's  
Early Care and Education

2019 Final Report

# Hourly pay compared

Median hourly pay by occupation in Alaska in 2019



# National data about child care workers

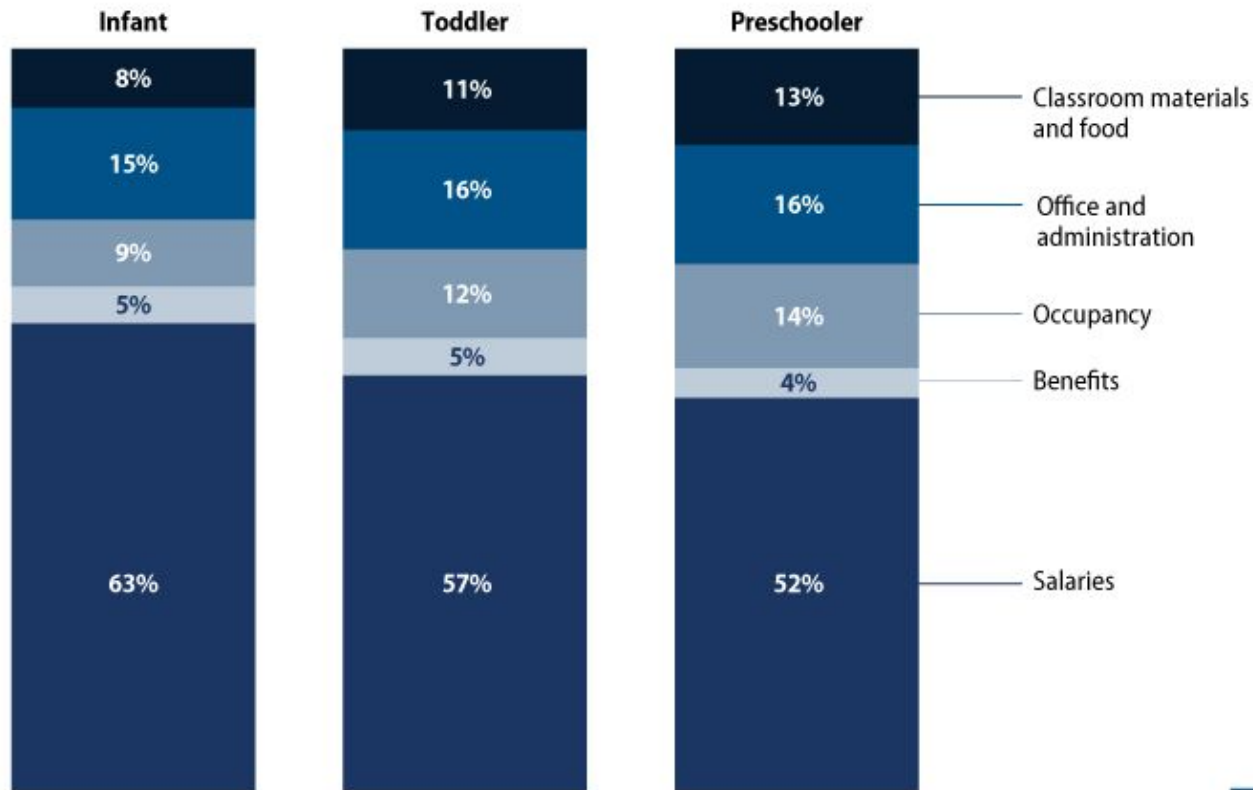
- Disproportionately women of color
- 1 in 7 live in poverty, twice the rate of other occupations
- Almost half are in households using public assistance programs (vs 25% of the general population)
- Cannot afford their own child care: infant care costs equal 40-60% of the median child care worker's earnings in most states (7% is the DHHS standard)

# How can costs be high but wages so low?

- Highly labor intensive: 1 teacher for 4 infants
- Wages and benefits are almost 70% of costs
- At \$12,000 per year per child, center collects \$48,000 in fees per teacher
- Subtract administration, rent, utilities, insurance, materials, etc
- Leaves about \$30,000 to pay staff (including admin and support staff other than teachers!)

## Personnel costs are the largest expense for child care programs

Distribution of child care program expenses for an infant, toddler, and preschooler in a child care center meeting basic state licensing standards and paying current average wages, based on United States averages



Source: *Where Does Your Child Care Dollar Go?* interactive.



Source: Workman, 2018

“...adequately compensating a highly qualified workforce **is a mathematical impossibility** when public funding is limited and parents cannot afford to pay higher tuition rates.”

# Thank You!

For more information, visit:  
<https://ua-ced.org>