

HOW CHILDCARE IMPACTS
ALASKA'S WORKFORCE
PRODUCTIVITY AND THE
STATE ECONOMY



U.S. Chamber of Commerce
Foundation

Untapped
Potential in

AK



The U.S. Chamber of Commerce Foundation is dedicated to strengthening America's long-term competitiveness. We educate the public on the conditions necessary for business and communities to thrive, how business positively impacts communities, and emerging issues and creative solutions that will shape the future.

Copyright © 2021 by the United States Chamber of Commerce Foundation. All rights reserved. No part of this publication may be reproduced or transmitted in any form—print, electronic, or otherwise—without the express written permission of the publisher.



Untapped Potential:

How Childcare Impacts Alaska's Workforce Productivity and the State Economy

CONTENTS

03 Introduction

04 Executive Summary

08 Survey Results

36 Conclusions & Implications

39 Appendix

Having a dynamic and competitive labor force increases the incentive to focus on supporting childcare efforts in the state.

Introduction

The U.S. Chamber of Commerce Foundation has always seen childcare as a two-generation workforce issue: essential to support the workforce of today and vital to develop our workforce of tomorrow.

Before the COVID-19 public health crisis, access to affordable, quality childcare was hard to come by for working parents trying to enter, re-enter, or stay in the workforce. The pandemic exacerbated the existing issues in America's childcare system and created an impossible situation for parents, employers, and childcare providers. Working parents struggled to balance home childcare and work as childcare providers fought to stay open and serve their communities, leaving employers wondering how and when their employees with children can return to work.

The first five years of life are critical for children to build a strong foundation upon which future learning is built, yet currently, supply cannot meet demand—a problem that existed prior to the COVID-19 pandemic, which has only become more severe as a result. The challenges we face are persistent and complex but solvable, and the business community must be part of that solution.

As a result of these challenges, a stronger understanding of how childcare breakdowns impact working parents, their employers, and the state economy was necessary. The Chamber Foundation partnered with The Alaska Chamber on this report to better understand the unique needs of working parents in Alaska and examine the current childcare landscape.

Since the height of the pandemic, Alaska's unemployment rate has slowly started to return to pre-pandemic levels, falling by more than five percentage points since April of 2020. As more Alaska residents return to the labor force, it is important that there are adequate and affordable options for childcare. If parents are not able to return to work because of childcare, there are financial impacts to both parents and the economy.

Our report estimates how often parents are missing work or educational opportunities because of insufficient childcare. With that information in hand, we model the financial impact to the Alaska economy to understand the untapped economic potential due to childcare breakdowns. The results highlight the challenges facing families with young children and clearly show the need for flexible access to high-quality, affordable care. It is essential that any proposed solution be developed by and tailored to the unique needs and distinct challenges of each community, and directly address the issues of access, affordability, and quality.

The Chamber Foundation is committed to supporting positive steps forward in advancing access and affordability in childcare. To do so, partnerships between early education advocates and the business community are vital to ensure that Alaska's children, families, businesses, and economy are strong. The persistent childcare challenges will not be fixed overnight, and they won't be remedied by a single sector. It is our hope that this report and the data it presents provide a better understanding of the challenges being faced and create opportunities for partners to discover the solutions.

Executive Summary

There have been numerous studies highlighting the developmental benefits of high-quality childcare for young children as well as the professional benefits for their parents. Children gain a strong foundation and their parents can pursue careers or enhance their education or vocational skills. When there are breakdowns in the childcare system, it can cause children to miss valuable opportunities and parents may experience disruptions to their work or education. Despite the myriad benefits resulting from high-quality childcare, many families are struggling to find viable options for their children. In 2019, the U.S. Chamber of Commerce Foundation conducted studies in four states—Idaho, Iowa, Mississippi, and Pennsylvania—to better understand the size of the childcare problem in those communities. The report estimated that each state lost hundreds of millions of dollars in economic activity due to breakdowns in childcare. The following year, the U.S. Chamber examined how parents, employers, and providers were responding during the pandemic to childcare choices, workplace situations, and the provision of care. In 2021, the U.S. Chamber of Commerce Foundation has conducted case studies in Alaska, Arizona, Arkansas, Missouri, and Texas.

Building on that work, the U.S. Chamber of Commerce Foundation partnered with the Alaska Chamber and thread, a nonprofit organization dedicated to better outcomes for Alaska's children, to understand how much breakdowns in childcare are currently costing Alaska.

In this study, we looked at the causes of childcare challenges as well as motivations behind why parents select various childcare arrangements. Many employers want to facilitate greater access to childcare as a way of creating productive work environments and satisfied employees, but do not know where to begin or how to expand or improve current benefits or options. To answer these questions, we sought to learn what types of childcare benefits working parents are currently receiving and which benefits they desire most from employers. Importantly, we considered the effects of the COVID-19 pandemic on childcare, which put an unprecedented burden on parents who saw schools and childcare settings closed or rendered unsafe for millions of children.

The results of our research confirm what many stakeholders already know—childcare issues prevent many Alaska parents from working or pursuing postsecondary education. As a result of childcare challenges, such as breakdowns in care, affordability, or lack of access, working parents arrive late to work or leave early, forgo promotions, postpone school and training programs, and sometimes leave the workforce altogether.

As policymakers and business leaders consider ways to position Alaska for success, supporting childcare solutions could enable Alaska to capitalize fully on its resources and compete with other states and businesses across the country.

TOPLINE FINDINGS

– \$165M

THE UNTAPPED POTENTIAL:
Childcare issues result in an estimated \$165 million loss annually for Alaska's economy

– \$13M

Alaska loses an estimated \$13 million annually in tax revenue due to childcare issues

– \$152M

Absences and employee turnover cost Alaska employers an estimated \$152 million per year

77%

77% of parents reported missing work due to childcare issues in the past 3 months

26%

In addition to the majority of households in which parents, stepparents, or guardians provide childcare, 26% of households use other family members and friends to supplement care

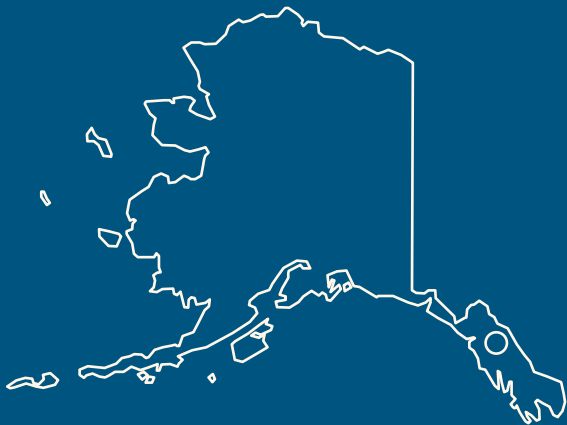
~7%

Approximately 7% of parents voluntarily left a job due to childcare issues

36%

36% of parents postponed school or a training program due to childcare issues

61% of Alaskans live in what the Center for American Progress defines as a childcare desert.



Population: 736,081

Average Household Income: \$73,181

Minimum Wage: \$10.34 per hour

Capital: Juneau

Surveyed: 264 parents of
children 5 years and younger

ALASKA PROFILE

Alaska has been grappling with a labor shortage throughout 2021. To encourage unemployed individuals to fill the extensive job openings across the state, Governor Dunleavy ended the enhanced federal unemployment compensation in June.¹ As Alaskans consider their options for entering and navigating a competitive labor market, an important factor for many will be access to childcare. According to Child Care Aware, there are approximately 65,216 children under the age of 6 in Alaska, each with their own childcare needs.² Furthering this challenge, 61% of Alaskans live in what the Center for American Progress (CAP) defines as a childcare desert. While childcare affordability is a critical issue for low-income families, access to childcare in childcare deserts impacts families across the socioeconomic spectrum. High-income and low-income households are situated in childcare deserts at similar rates (68% compared to 66%).³ This means access to childcare is a concern for parents no matter their income.

Alaska, along with all other states, receives annual federal discretionary funds through the Child Care and Development Fund (CCDF) to subsidize childcare for eligible families. Because the pandemic exposed and amplified existing childcare challenges, to help stabilize the childcare ecosystem and meet the acute needs of the moment, Alaska also received over \$99 million in supplemental discretionary funds through three federal stimulus bills.⁴ Alaska plans to divide the stimulus funds between direct services and subsidies, and virus mitigation policies and practices.⁵ Specifically, policymakers expect to waive childcare co-payments for families enrolled in the state's Child Care Assistance Program and formulate solutions to support families who do not qualify for the program. The state also plans to support childcare facilities through the pandemic by providing resources and supplies for virus mitigation.

Despite these pandemic-related initiatives, the impact of insufficient childcare on Alaska's working parents is a persistent issue. This research attempts to capture the size of the childcare issue at a household level and translate those costs into lost economic activity for the state. How many working parents are significantly changing their employment situation because of childcare issues? When employees leave or miss work due to childcare disruptions, how does that affect their employer? What is the overall impact of childcare issues on state and local tax revenues? We will explore the economic implications of these challenges and highlight the human costs these decisions have on working parents.

¹ <https://www.adn.com/business-economy/2021/05/14/dunleavy-administration-will-cut-unemployment-benefits-by-ending-federal-pandemic-boost/>

² https://info.childcareaware.org/hubfs/2020%20State%20Fact%20Sheets/Alaska-2020StateFactSheet.pdf?utm_campaign=Picking%20Up%20The%20Pieces&utm_source=Alaska%20SFS

³ <https://childcaredeserts.org/2018/?state=AK>

⁴ See: *State Use of Supplemental CCDBG Funds in the CARES Act During 2020*, Bipartisan Policy Center, (February 2, 2021), accessed June 2021 at: <https://bipartisanpolicy.org/blog/state-ccdbg-2020/>; *State Use of Supplemental CCDBG funds from the CRRSA*, Bipartisan Policy Center, (March 17, 2021), accessed June 2021 at: <https://bipartisanpolicy.org/blog/state-use-of-supplemental-ccdbg-funds-from-the-december-2020/>; *Fact Sheet: Rescue Plan Funding to Rescue the Child Care Industry so the Economy Can Recover*, White House, (April 15, 2021), accessed June 2021 at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/15/fact-sheet-biden-harris-administration-announces-american-rescue-plan-funding-to-rescue-the-child-care-industry-so-the-economy-can-recover/>

⁵ https://www.acf.hhs.gov/sites/default/files/documents/occ/CRRSA_60_Day_Report_2021_Alaska.pdf

Survey Results

We used a mixed-method sampling approach to survey parents with children under the age of six about the ways in which childcare issues have impacted their lives across employment and education. We also captured the decisions parents make regarding childcare arrangements—who they selected as providers and why. Stakeholders need to know the motivations behind parents selecting childcare providers so they can better align their efforts toward effective solutions.

The demographic profile of the survey respondents is generally reflective of Alaska’s population. To capture sufficient information from an adequate number of working parents, we supplemented standard random sampling techniques with recruiting efforts by the Alaska Chamber and thread, who distributed the survey through their networks. We believe that these data provide valuable insights into the state of childcare in Alaska, but the sampling limitations should be accounted for in the interpretation of the results.

Key Findings

Current Childcare Dynamics

Knowing how childcare is currently organized and the resources parents rely on for care is vital to understanding the impact that childcare issues have on the economy. To gain a complete picture, parents responded to questions about their current childcare arrangements.

- **Parents, stepparents, or guardians provide at least some childcare for the relative majority of families (47%).**
- **A relatively high proportion of families (37%) rely on childcare centers.**
- **Parents primarily pick their childcare provider based on affordability and proximity to home, work, or school.**
- **When it comes to cost, families pay an average of \$982 per month for childcare, although costs can vary dramatically by provider type and household income.**
- **Seventy-eight percent of families pay for childcare out of their personal budget, with only 9% receiving state childcare provider assistance.**

Our research shows that low- and middle-income households primarily have a parent, stepparent, or guardian as a source of childcare (**FIGURE 01**). High-income groups choose childcare centers at a much higher rate than low-income parents, while low-income parents rely more heavily on the support of family or friends.

Almost two-thirds of low- and middle-income families chose their current childcare arrangement for financial reasons, which makes affordability by far the biggest driver of the childcare-provider decision. For high-income households, affordability is the second most cited reason at only 41%, trailing proximity to home, work, or school. This suggests that while higher-income parents more often have a choice in the arrangement they choose, Alaskan families are uniquely constrained by geography in their choice of childcare providers.

The majority of households across income groups indicated that they expected to change their current childcare arrangement within the next 12 months, with middle-income households leading the pack. Alaskans indicate that their family's childcare plan requires an approach that involves several factors, including family, friends, formal childcare centers, work environment, and the parents themselves.

While Alaskans are using several methods for acquiring childcare, they are generally paying for it by using their family's personal budget (FIGURE 03). Monthly childcare expenditures vary greatly for families in different income bands. Low- and middle-income households spend approximately \$350 and \$875 per month, while high-income families spend over \$1,150 per month. In developing solutions to this childcare challenge, policymakers and stakeholders should consider ways to identify and support Alaskan families that need additional resources for childcare access. Higher-income groups have the resources to rely on childcare centers for childcare, whereas lower-income households opt for other solutions, such as relying on a family member or friends for childcare. Therefore, it is important to understand and support parents in ways that best serve to bridge the childcare gap between income groups.

FIGURE 01.
Household breakdown of current childcare arrangement by income group

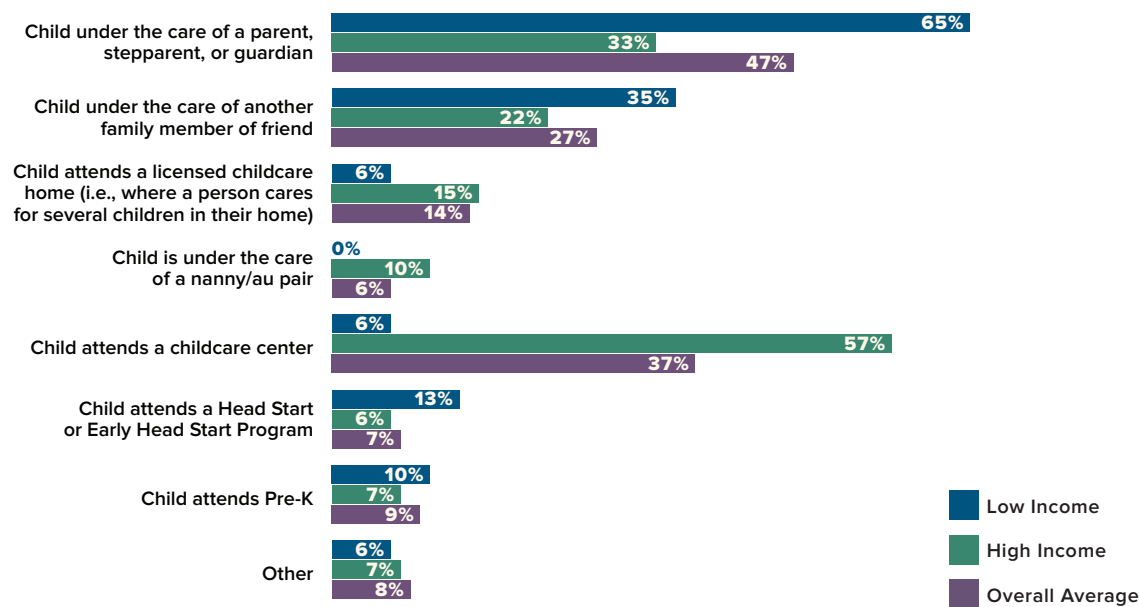


FIGURE 02.

Household breakdown of primary reason for selecting arrangement, by income group

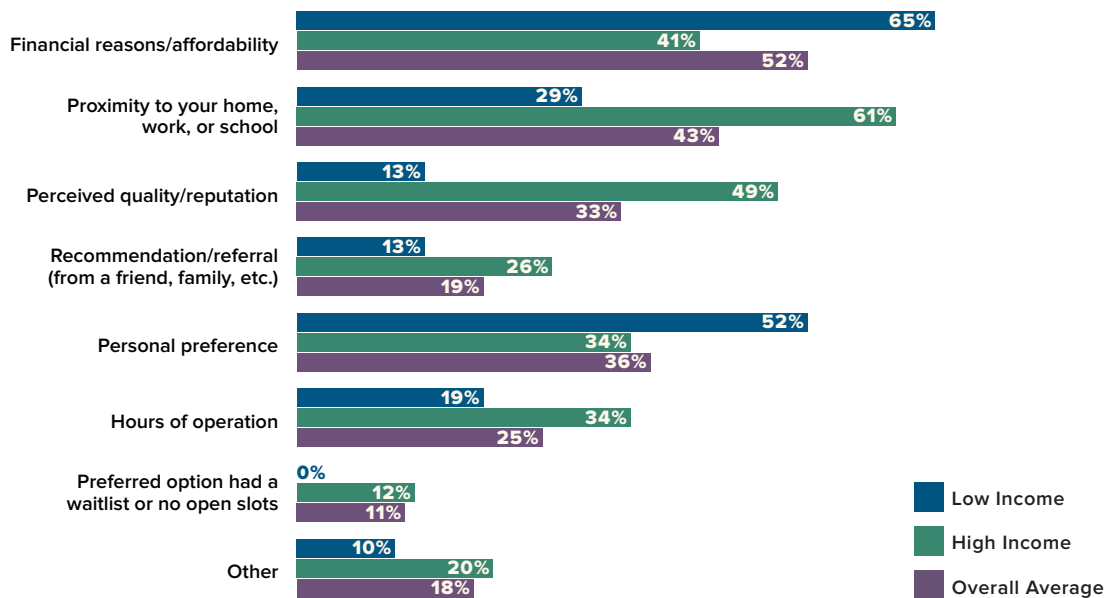
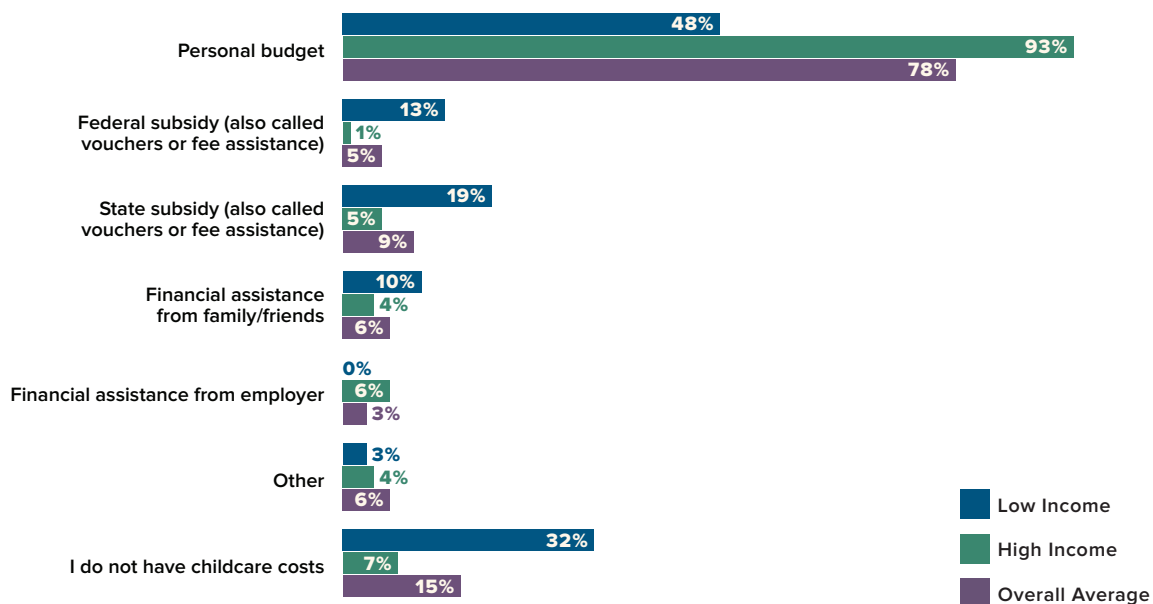


FIGURE 03.

Household breakdown of primary funding for childcare, by income group



Current Employment Dynamics

Research from CAP revealed that in each year from 2016 to 2018, more than 2 million parents of children aged five and younger—nearly 1 in 10 parents—had to quit a job, not take a job, or greatly change their job because of childcare problems.⁶ CAP also found that the nearly 700,000 working parents with children under the age of five—primarily working mothers—dropped out of the labor force in 2020. Some parents were laid off and gave up trying to find work due to caregiving responsibilities; others left the workforce to provide childcare.⁷ Alaska has managed these conditions better than most states. CAP estimates that 8% of parents in Alaska face significant childcare-related disruptions, which ranks 18th out of 50 states and the District of Columbia.⁸

Clearly, the challenges associated with childcare can have significant impact on parents' employment. Before we explore the specific challenges facing working parents in Alaska that were uncovered in this research, consider the current employment situation of the Alaskans we surveyed.

- **Eighty-one percent of the respondents who are currently employed are working full-time**, in comparison to 12% who are working part-time and 7% who are working students
- Full-time employed respondents **worked an average of 42.5 hours per week**, while part-time employed respondents **worked an average of 24.2 hours**
- Part-time employees are far more likely to choose their own work schedules—an employment benefit in high demand—but less likely to work salaried jobs, which highlights **the tension between job flexibility and compensation (FIGURE 04 AND 05)**

FIGURE 04.

Full-time vs. part-time job schedule

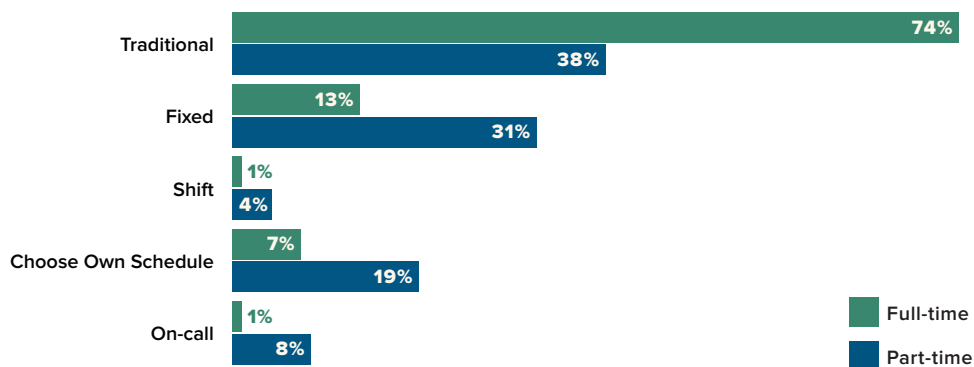
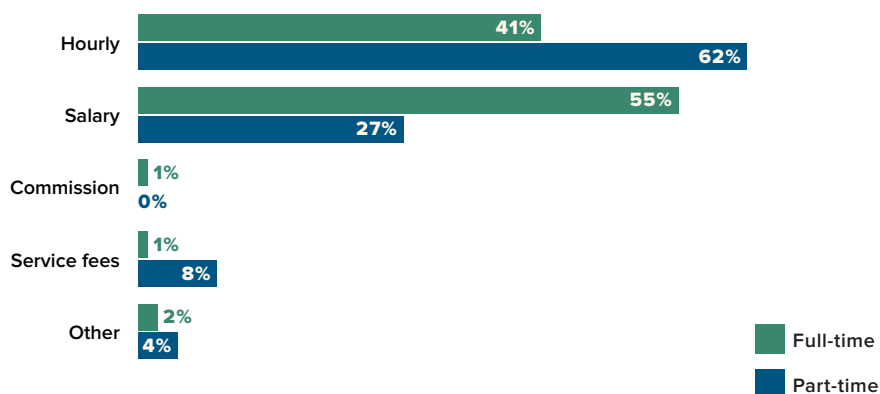


FIGURE 05.

Full-time vs. part-time job compensation structure



⁶ <https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

⁷ Saving Child Care Means Preserving Jobs and Supporting Working Families and Small Businesses - Center for American Progress

⁸ <https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

Impact of Childcare on Employment and Education

Forty percent of respondents reported that they or someone in their household has left a job, not taken a job, or greatly changed jobs because of problems with childcare in the last 12 months.

- Nearly 40% of respondents have experienced changes to their employment situation due to childcare (FIGURE 06).

This includes parents voluntarily or involuntarily leaving their jobs, decreasing their hours from full-time to part-time, being unable to increase their hours, or being unable to accept a new position.

Even parents who have yet to experience disruptions to their employment are impacted. Perhaps because they anticipate challenges in the future, 16% of working parents said they plan to leave their job in the next 12 months, and of those, 39% will do so because of childcare issues.

Around 10 million U.S. mothers living with their own school-age children were not actively working in January 2021—an increase of 1.4 million during the same month the year prior,⁹ indicating that childcare support can be a key factor to bringing U.S. mothers back to the workforce if they choose to.

According to the National Survey of Children's Health (NSCH), just over 9% of parents in the U.S. reported that childcare issues are causing significant disruptions to their employment, whereas slightly more Alaska parents (12%) are experiencing disruptions.¹⁰ The parents in our survey reported much higher rates (40%) of childcare issues significantly impacting their employment. Aside from the differences in survey design that affect the comparison of our data to the NSCH, it is also likely that rates of separation due to childcare were increased during the COVID-19 pandemic as many childcare options were no longer available to parents and increased economic turbulence caused disruptions.

Childcare issues are also posing significant challenges to parents who are enrolled in educational programs. Nearly one-third of respondents we surveyed are pursuing, or have pursued in the last 12 months, some type of school or work training program. Over this past year, many parents went from full-time to part-time in the program, dropped from a class roster, or dropped out of the program entirely.

- Thirty-six percent of respondents have experienced disruption to their education due to childcare across income groups (FIGURE 07).

⁹ <https://www.census.gov/library/stories/2021/03/moms-work-and-the-pandemic.html>

¹⁰ <https://www.childhealthdata.org/browse/survey/results?q=8354&r=1&r2=4>

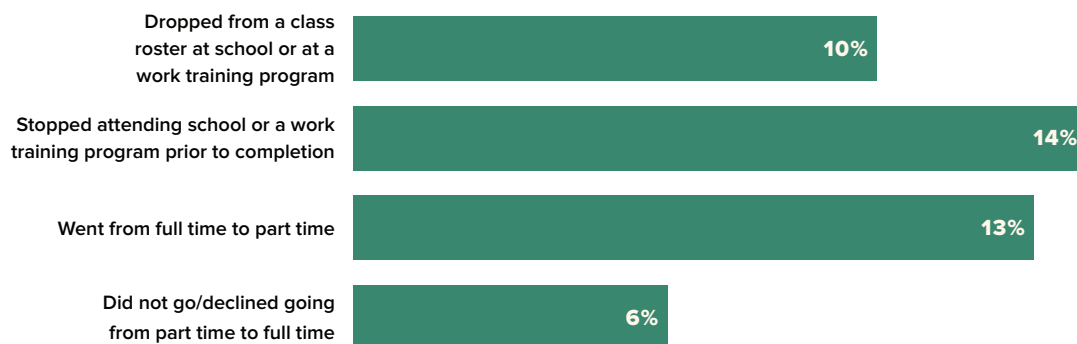
FIGURE 06.

Percentage of parents who experienced employment changes due to childcare, by income group



FIGURE 07.

Education status changes due to childcare



Childcare Subsidies, Benefits, and Accommodations

For many Alaska parents, financial support for childcare comes from a wide range of sources. While 78% of survey respondents do not require assistance, paying for childcare out of pocket, the remaining 22% of households receive financial assistance from the people in their lives, rely on government subsidies or assistance programs, or have childcare benefits built into their compensation package. These programs offer a lifeline to families and remove a critical barrier that would otherwise keep parents from entering the workforce or pursuing education.

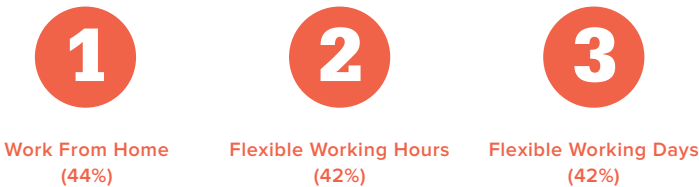
Nearly one quarter of respondents receive benefits from their employer that help them manage their childcare, and high-, middle-, and low-income families are similarly likely to receive such benefits. When asked to specify the benefits they receive, remote working and flexible working hours/days were the most common, as well as the most desired. For example, 44% cited the ability to work from home as one of the most important childcare-related benefits, with flexible working hours and flexible working days being cited by 42% of respondents.

Childcare assistance or subsidies through government programs can also help parents overcome the challenges they are facing. Alaskans who care for children under the age of six primarily utilize the Child Tax Credit program and the Earned Income Tax Credit program to subsidize their childcare needs. Furthermore, respondents across income groups identified the increase to the Child Tax Credit as the single most preferred government-provided childcare benefit.

FIGURE 08.

Benefits desired by parents, in order of highest average rank

*Parents ranked their top three choices



The Role of COVID-19 Pandemic on Childcare

Our study briefly explored the COVID-19 pandemic and the effects it has had on childcare. The pandemic exposed and amplified challenges that many parents were already managing in households across the country. Our work in 2019 highlighted the significant costs childcare issues were having on several state economies, but the pandemic has added a layer of complexity to the existing set of challenges.

Forty-eight percent of respondents have changed their childcare arrangement due to COVID-19, with 54% citing health and safety as their main concern. As the country comes out of the pandemic, some challenges will naturally abate for working parents, but new solutions will be needed to fill in the lasting gaps that have been exacerbated over the past 18 months.

FIGURE 09.

Percent of parents likely to change their current childcare arrangement within the next 12 months, by income group

INCOME GROUP	PERCENT
Overall	55%
Low Income	55%
Middle Income	60%
High Income	52%

FIGURE 10.

Average total cost per month for childcare per household, by income group

\$350

Low Income

\$1,167

High Income

\$982

Overall Average

Economic Impact

We estimate that due to breakdowns in childcare, Alaska has \$165 million of annual untapped economic potential.

Working parents often face challenges at their job due to childcare issues. Many parents are absent, arrive late, or are otherwise disrupted at work when their chosen childcare arrangement does not provide adequate care for their children. These challenges were exacerbated by COVID-19 and the changes that the pandemic brought to childcare and employment. According to our research, more working parents missed work due to childcare issues and were absent more days on average than parents in other states studied before the pandemic.¹¹ In Alaska, 77% of workers missed work at least once in the last three months, and those that missed work did so for an estimated average of more than 17 days over the last year. If a parent is absent, this presents a financial cost to both the employer and the parent. The parent may lose wages for time missed, and the employer experiences a loss in productivity as well as the financial cost of paying overtime to other workers or even hiring and paying temporary workers to make up for the missed work. When accounting for these issues, we estimate that the direct employer cost due to absenteeism in Alaska is \$111 million per year.

“I dropped college classes because we had a baby on the way and our older child was not even a year old. So, I felt like it would be unrealistic to go to school and care for two little babies. However, I plan to continue once they are older.”

—ALASKA MOTHER WITH MULTIPLE CHILDREN UNDER THE AGE OF 6

¹¹ <https://www.uschamberfoundation.org/reports/untapped-potential-economic-impact-childcare-breakdowns-us-states>

¹² <https://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

¹³ <https://itep.sfo2.digitaloceanspaces.com/whopays-ITEP-2018.pdf>

If a parent experiences a significant change in their childcare arrangement or life situation, this can cause them to voluntarily leave the workforce or be terminated by their employer. Our research showed that some employees had to leave their employer because of childcare issues, and some believe they were terminated because of childcare issues. As employees leave the workforce, employers face significant costs to replace them. Research indicates that it costs about one-fifth of an employee's yearly salary for them to be replaced.¹² Using this benchmark, we estimate that the turnover cost to employers in Alaska is \$40 million annually.

Costs from breakdowns in childcare are not isolated to employers and families. As people miss work or leave employment, there is an economic cost to Alaska through tax revenues. Even though Alaska does not collect state income or sales taxes, there is an estimated personal tax burden of 4.3% for median-income households according to the Institute on Taxation and Economic Policy.¹³ We estimate that Alaska loses a total of \$13 million in taxes annually due to employee turnover and absenteeism.

THE UNTAPPED POTENTIAL:

\$165M

Childcare issues result in an estimated \$165 million loss annually for Alaska's economy

FIGURE 11.

Direct employer costs

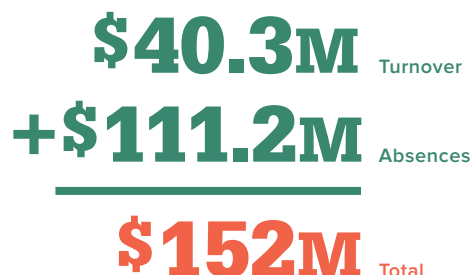
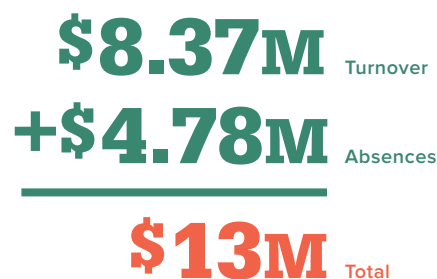


FIGURE 12.

State tax costs



Immediate Effects on Employment and Education

When parents experience childcare issues, there are immediate consequences with lasting impact on their lives. Parents who have breakdowns in their childcare are more likely to experience disruptions or distractions in their professional lives. Sometimes these breakdowns in childcare can lead to separation from employment (voluntary or involuntary) or other significant changes to employment. To compare national data, we asked a question that the National Survey of Children's Health (NSCH) included in its 2019 administration of the survey:

The National Survey of Children's Health (NSCH) asked¹⁴

“During the past 12 months, did you or anyone in the family have to voluntarily leave a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0-5 years?”

As mentioned previously, 11.6% of Alaska parents reported that childcare issues are causing significant disruptions to their employment, as reported by the NSCH. The parents in our survey reported much higher rates (40%) of childcare issues significantly impacting their employment or the employment of someone in their family.

As the COVID-19 pandemic affected people's ability to have reliable childcare, increased numbers of people experienced immediate disruptions to their work, and these effects were not experienced equally by all groups. High-income households were the least likely to experience a significant change in work due to childcare, and women were more likely than men to experience a significant change. These trends are reflected in national economic data as well. During the pandemic, the unemployment rate rose to 16.1% for women, while for men the rate reached 13.6%.¹⁵ Lower-income households were more likely to lose a job than high-income households as well.

While the NSCH question allows us to compare to national surveys, we wanted to dive deeper into how exactly childcare issues impacted parents' ability to work or pursue higher education. We asked parents how their jobs had been impacted over the past 12 months.

Overall, 29% of parents personally experienced significant disruptions to their employment, with 2% being let go and 7% quitting as a direct result of issues with childcare. These data indicate that working parents of young children are making career decisions based on childcare needs, which may negatively impact their future careers and financial stability.

FIGURE 13.

Percentage of parents who answered “yes” to the NSCH question, compared nationally

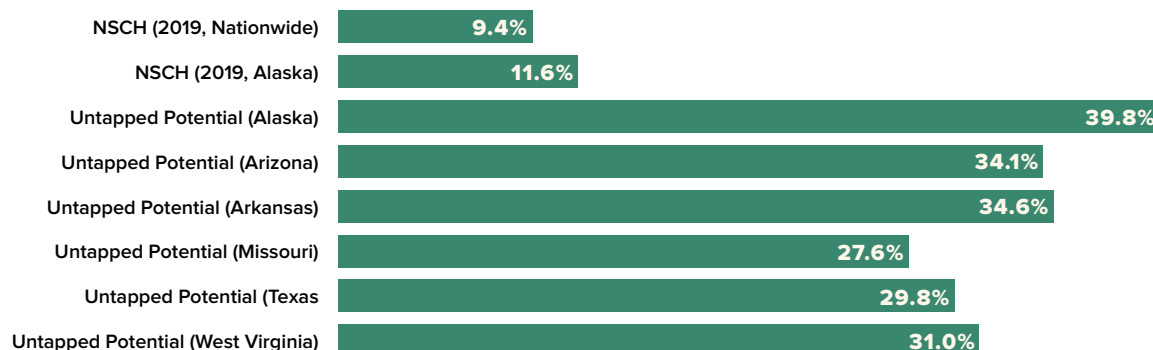


FIGURE 14.

Percentage of parents who answered “yes” to the NSCH question, by income group

HOUSEHOLD INCOME LEVEL	PERCENT
Low (<\$30k)	39%
Medium (\$30k–\$99k)	53%
High (\$100k+)	30%

FIGURE 15.

Percentage of parents who answered “yes” to the NSCH question, by gender

GENDER	PERCENT
Female	41%
Male	33%

¹⁴ <https://www.childhealthdata.org/browse/survey/results?q=8354&r=1>

¹⁵ <https://hbr.org/2021/04/to-keep-women-in-the-workforce-men-need-to-do-more-at-home>

ACCORDING TO THE NATIONAL SURVEY OF CHILDREN'S HEALTH (NSCH)

“11.6% of Alaska parents reported that childcare issues are causing significant disruptions to their employment. The parents in our survey reported much higher rates (40%) of childcare issues significantly impacting their employment or the employment of someone in their family.”

FIGURE 16.

How parents said childcare issues impacted their employment

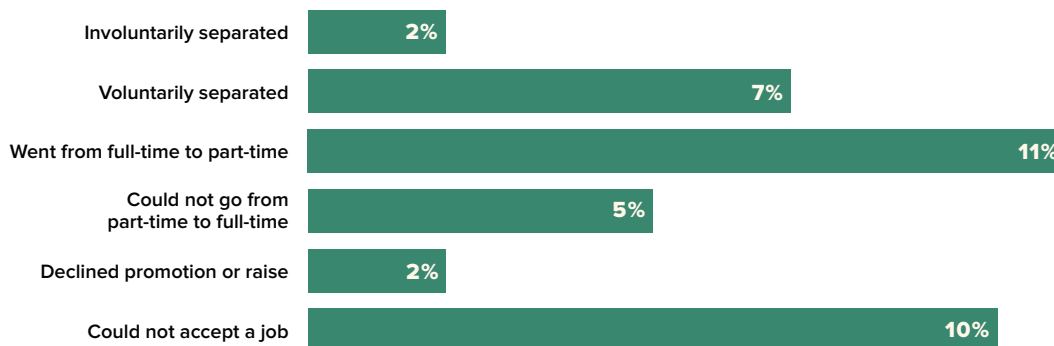
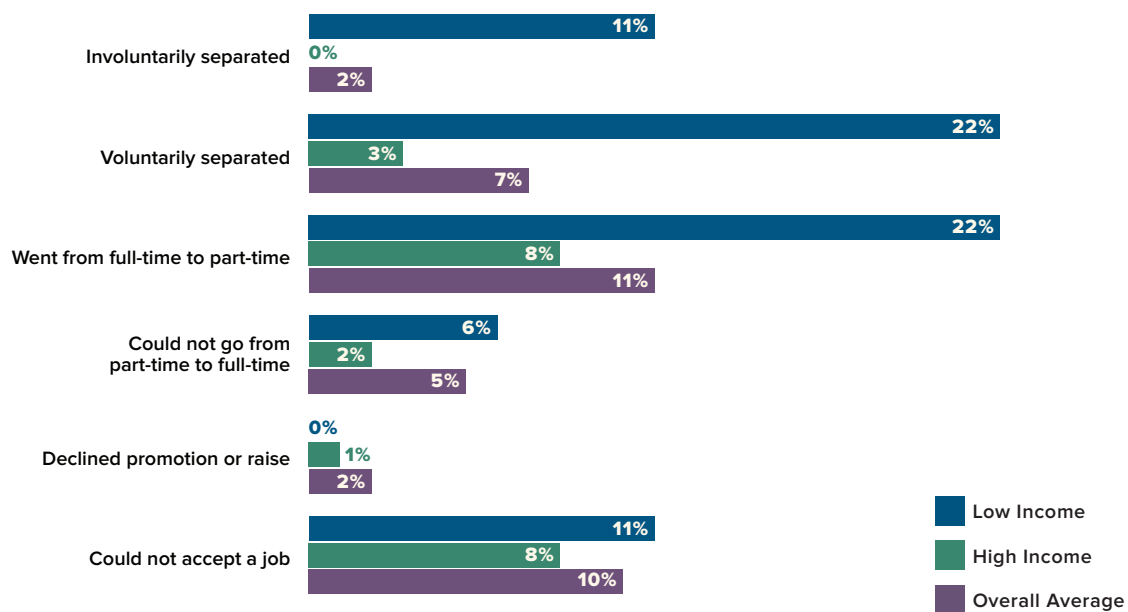


FIGURE 17.

How parents said childcare issues impacted their employment, by income group



Women were much more likely to separate from their job voluntarily or turn down full-time opportunities to provide childcare.

Although COVID-19 did impact employment and childcare for many parents, the problem was prevalent before the pandemic, and will likely continue after the pandemic. Overall, nearly 16% of respondents are planning to leave their job in the next 12 months, and more than a third of these are planning to leave because of childcare concerns. While men and women plan to leave the workforce in similar numbers, women are far more likely to leave because of childcare concerns, with more than 45% citing childcare concerns as their reason to leave their employer. Low-income households plan to leave their job at much higher rates than middle- and high-income households, but they are more likely to cite the desire to seek a new work opportunity as their reason for leaving rather than childcare concerns. Of those planning to leave their jobs, middle-income parents are the most likely to do so as a result of childcare.

Another essential piece of information is the age of the children when parents decide to voluntarily leave their jobs. Knowing this can inform targeted initiatives or policies for working parents. Fifty-eight percent of parents who voluntarily left their jobs in our study did so when their child(ren) was under two years old, indicating that childcare for infants and toddlers is the greatest need. Additionally, due to smaller teacher-to-child ratios, which are critical to providing a safe environment for infants and toddlers, childcare for this group is more expensive than childcare for older children.¹⁶ The expense is one important factor in why parents may choose to leave the workforce when their children are one year old or younger. This data also helps businesses understand when their employees are most vulnerable to leave the workforce, helping them tailor their childcare benefits to the working parents who need them most.

It is also important to understand how childcare issues impede the ability of parents to pursue higher education or training, because this ultimately influences their earning potential and their ability to contribute to the economy. Thirty percent of parents surveyed indicated that they were currently pursuing or had pursued some type of school or work training program in the past 12 months, and more than one-third of these said that they have needed to make significant changes due to childcare.

¹⁶ Where Does Your Child Care Dollar Go?
<https://www.americanprogress.org/issues/early-childhood/reports/2018/02/14/446330/child-care-dollar-go/>

Beyond significant changes to employment and education, working parents also experience other challenges at work and school due to childcare issues. Working parents miss work, arrive late, or are otherwise disrupted at work because of childcare issues. In Alaska, 74% of working parents have missed work or class in the past three months due to childcare issues. Sixty-two percent reported being late to work at least once in the last three months, and 74% and 71% reported being disrupted at work or distracted at work, respectively. While the impact of these interruptions is difficult to measure, they clearly impede parents' ability to perform their best at work or in class, creating negative influences on the ability to advance and learn. While women in Alaska were more likely to leave the workforce for childcare issues, it appears that men experienced slightly higher levels of interruption to their work and school in the first few months of 2021.

FIGURE 18.

How parents said childcare issues impacted their employment, by gender

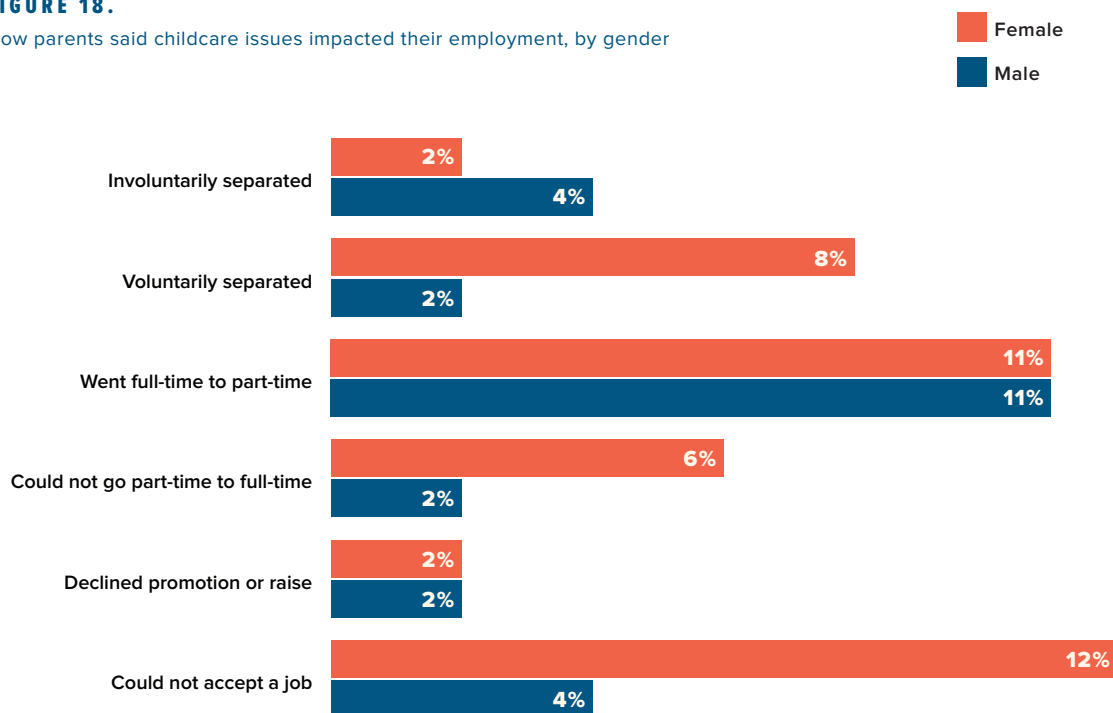


FIGURE 19.
Parents leaving employment over the next 12 months, by gender



FIGURE 20.
Percent of parents leaving employment citing childcare issues as a primary reason, by gender



FIGURE 21.
Parents leaving employment over the next 12 months, by income group



FIGURE 22.
Parents leaving employment citing childcare issues as a reason, by income group



FIGURE 23.

Type of education being pursued of those pursuing education, by gender

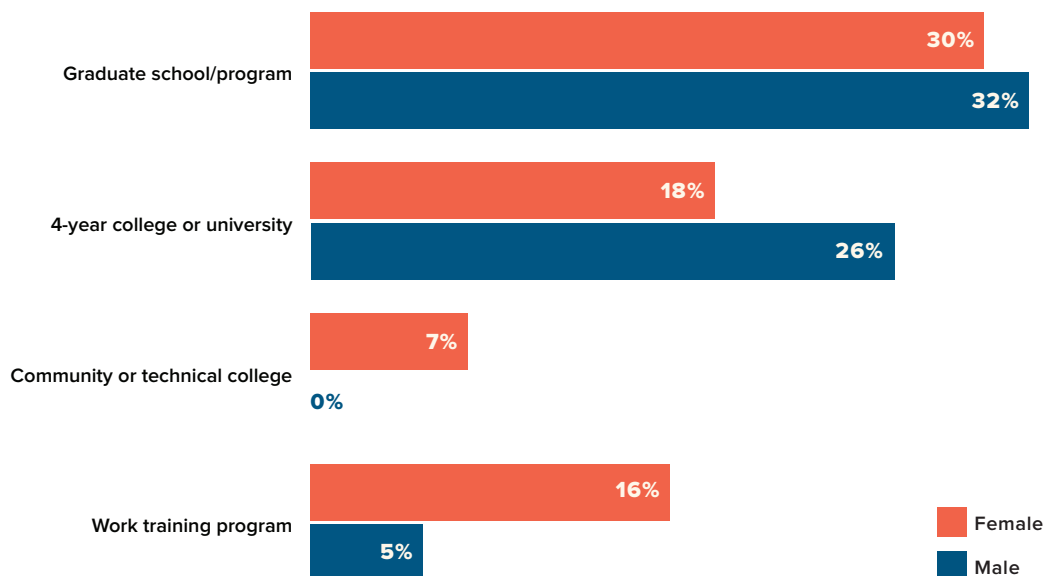
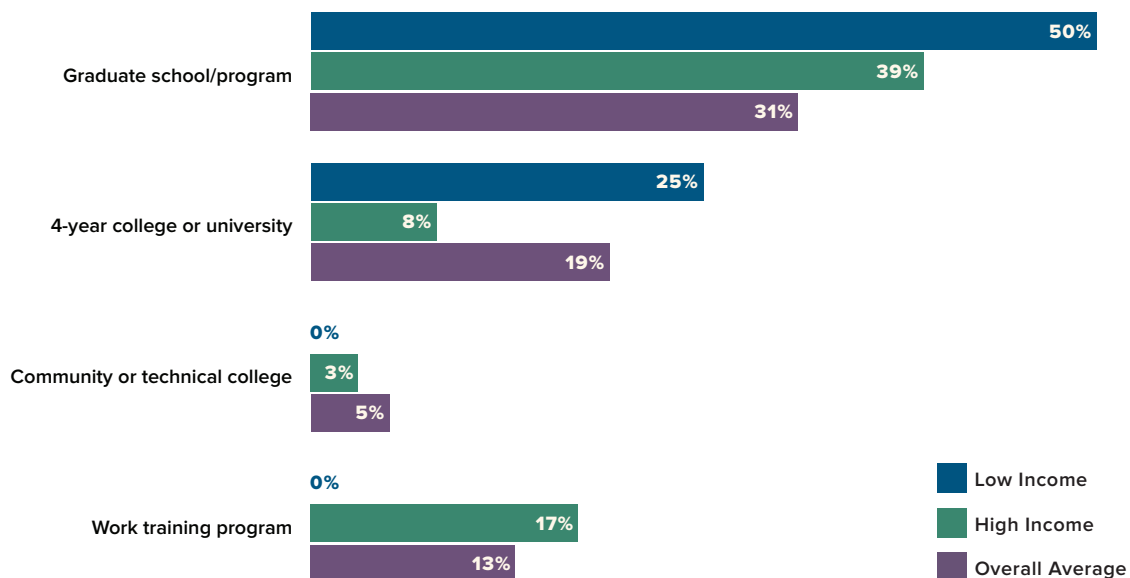


FIGURE 24.

Type of education being pursued of those pursuing education, by income group



“I have been unable to find childcare for my two children causing me to quit my job last year. After joining a new company six months later, I had to request a specific schedule and turn down a full-time position to work around my family schedule that allowed my parents to watch my kids while I was at work.”

-ALASKA MOTHER OF MULTIPLE CHILDREN UNDER THE AGE OF SIX

FIGURE 25.

How parents said childcare issues impacted their postsecondary education or training program

*Parents could select more than one option



FIGURE 26.

How parents said childcare issues impacted their postsecondary education or training program, by gender

*Parents could select more than one option

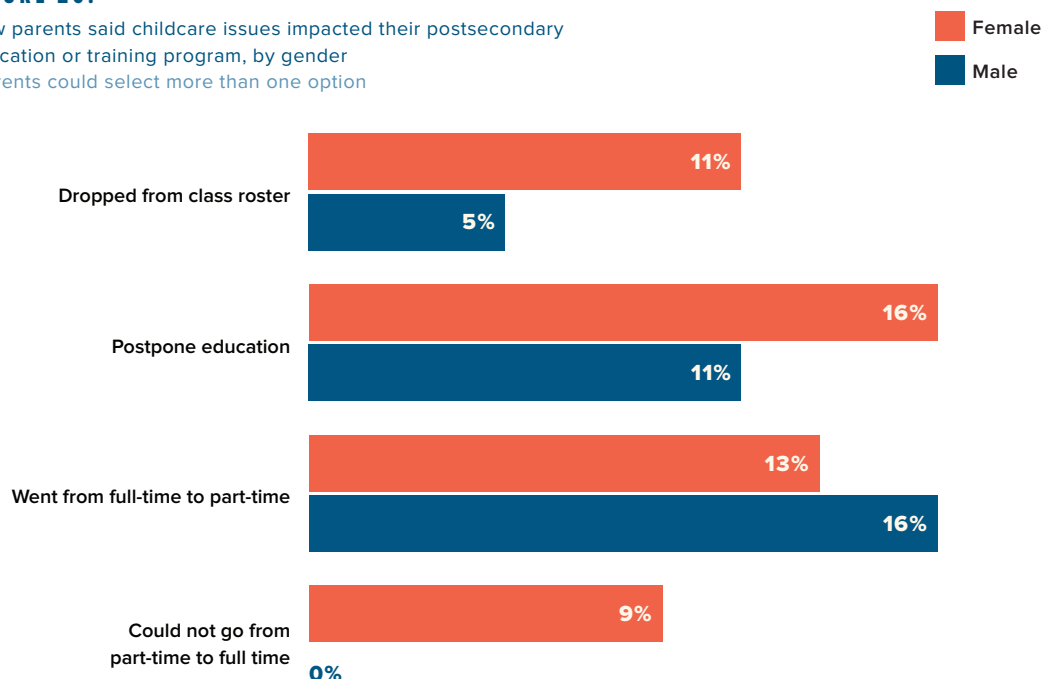


FIGURE 27.

How parents said childcare issues impacted their postsecondary education or training program, by income group

*Parents could select more than one option

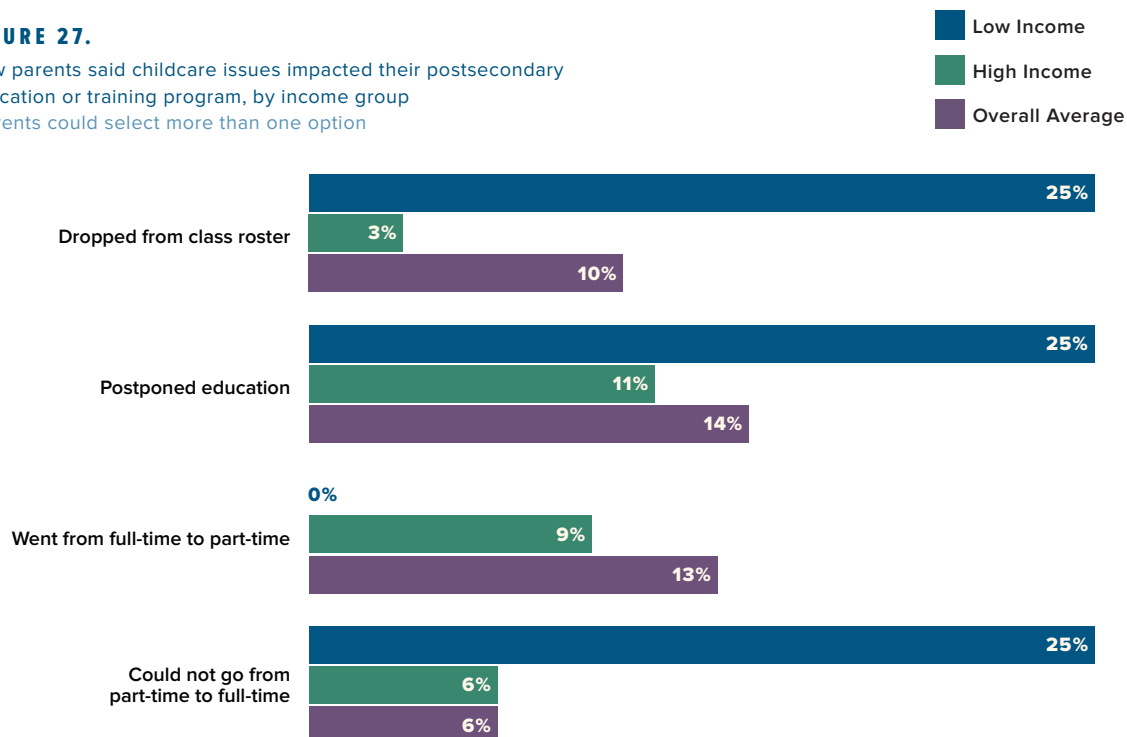


FIGURE 28.
Frequency of missing work or class in the last three months, by gender

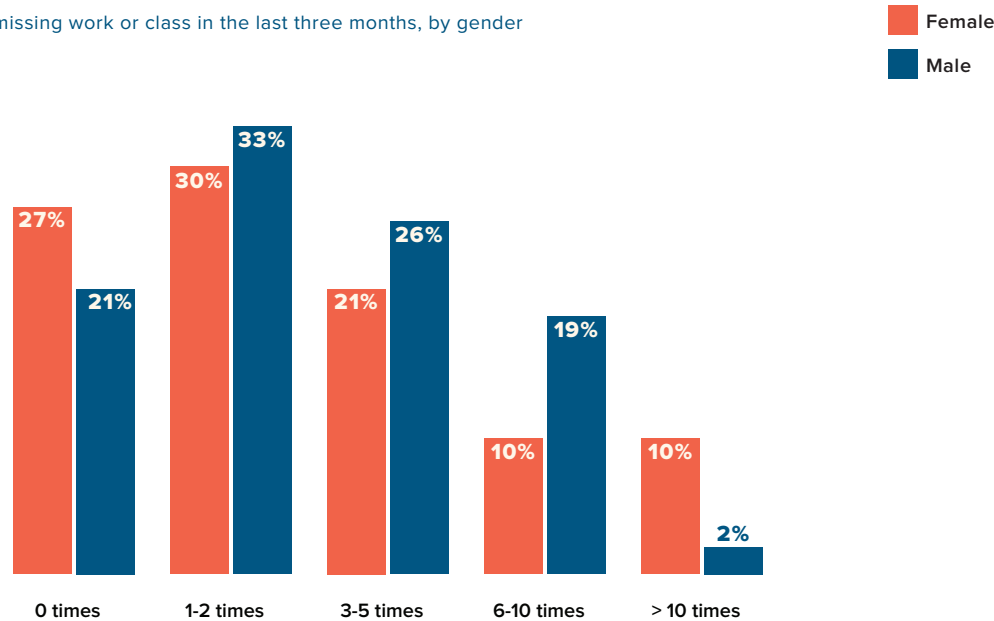


FIGURE 29.
Frequency of arriving late to work or class in the last three months, by gender

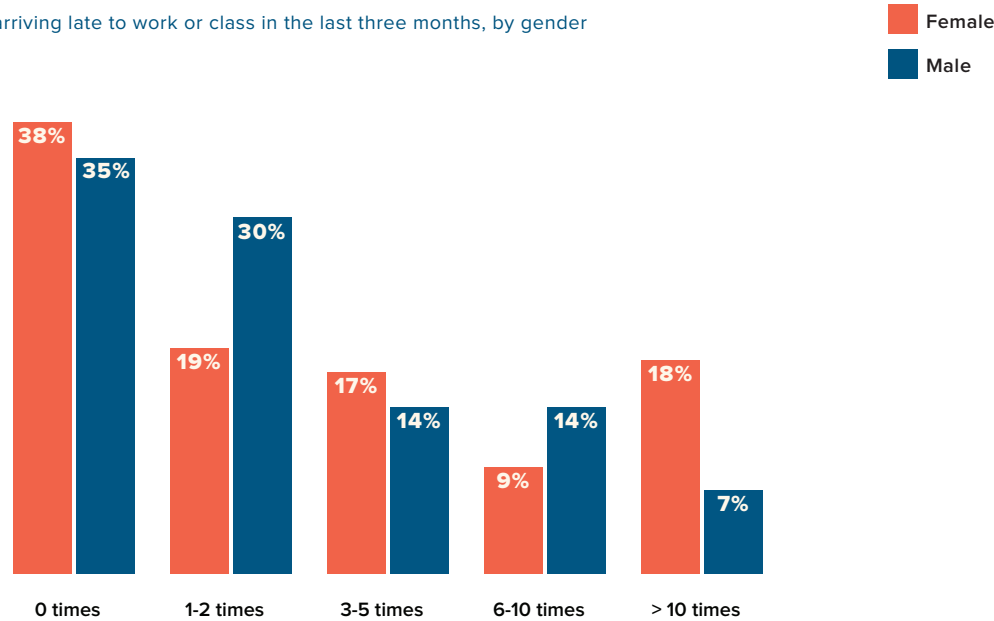


FIGURE 30.

Frequency of being disrupted at work or class in the last three months, by gender

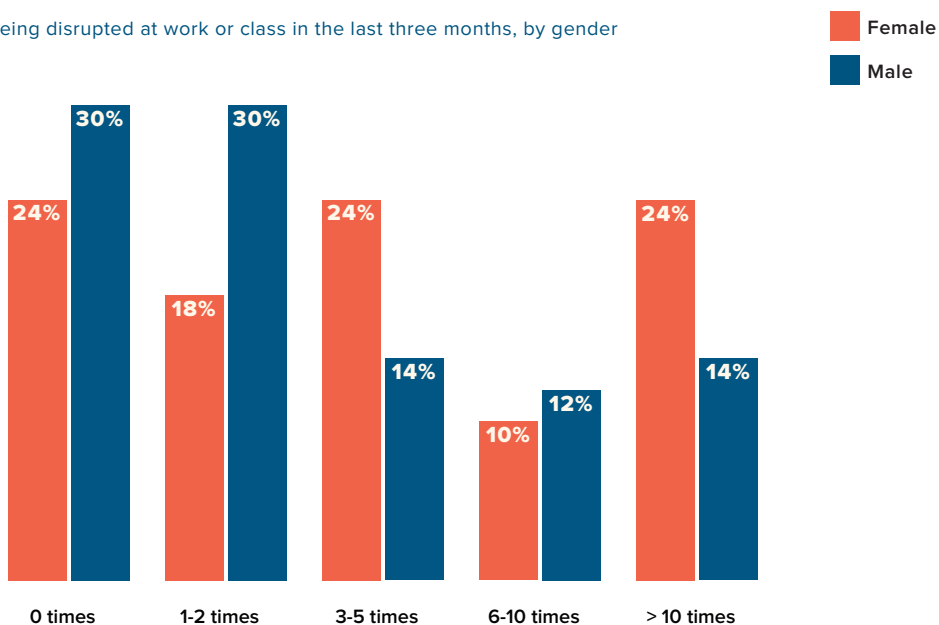
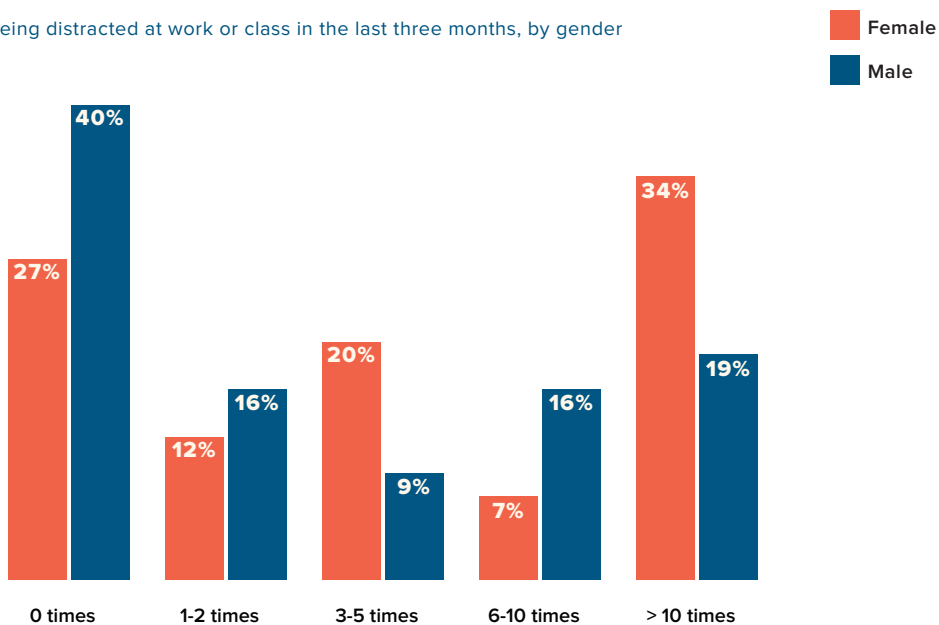


FIGURE 31.

Frequency of being distracted at work or class in the last three months, by gender



Lasting Effects on Employment and Education

Unfortunately, the effects on employment and education due to childcare are not easily remedied. When someone leaves work due to childcare, they are often out of the workforce for a significant amount of time. In Alaska, 45% of those who have left or are planning to leave the workforce plan on spending at least one year away from employment or do not know when they will return. Twelve percent believe they will be out of the workforce for three years or more. The immediate effects of missed wages are apparent, but perhaps more important are the long-term ramifications that come with exiting the workforce, such as diminished future employment opportunities, increased debt accumulation, and lower retirement savings.

According to CAP, if a young worker is making \$50,000 per year and chooses to spend three years away from work to take care of a child, they will miss out on far more than \$150,000 of lost wages. It is estimated that over their lifetime, they will lose an additional \$200,000 in future wage growth, and approximately \$165,000 in lost retirement assets and benefits, leading to a total cost of more than \$500,000.¹⁷ As they return to work, they will also have experienced a decline in their work skills and will find it increasingly difficult to regain similar employment if they are away from the workforce for longer periods of time.

“My husband needed to change jobs so that he could be home more with our son.”

—ALASKA MOTHER OF A 2-YEAR-OLD CHILD

¹⁷ <https://www.americanprogress.org/issues/early-childhood/reports/2016/06/21/139731/calculating-the-hidden-cost-of-interrupting-a-career-for-child-care/>

FIGURE 32.

Time to return to work for those leaving employment

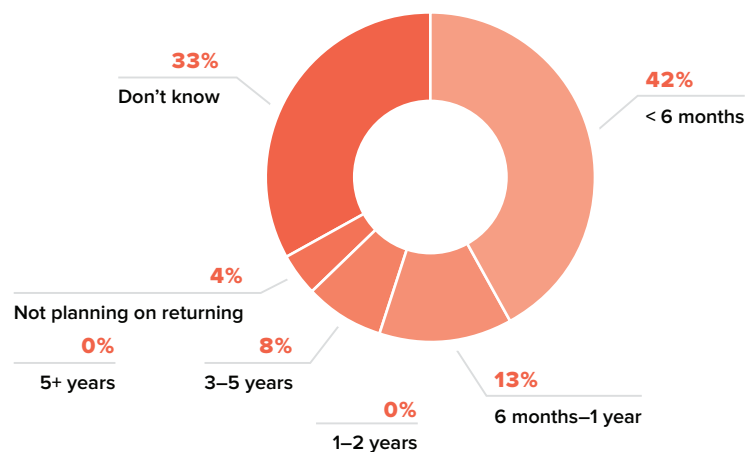
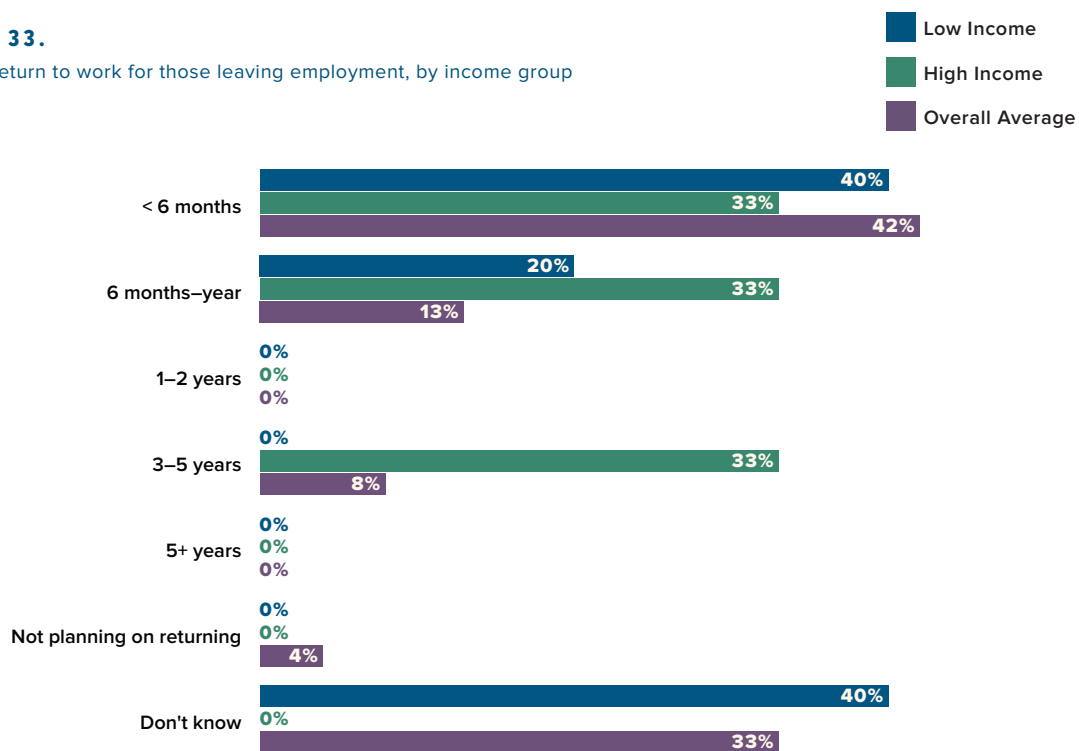


FIGURE 33.

Time to return to work for those leaving employment, by income group



In our study, women were far more likely than men to return to work in under six months, while men were most likely to say that they were planning to return to the workforce but did not know when. This is a striking difference from the rest of the country, in which women tend to remain out of the workforce longer. According to the Census Bureau, more than 1.5 million mothers are still missing from the workforce since the beginning of the pandemic.¹⁸ Both men and women experienced record lows for labor force participation during the pandemic, but women have not rebounded fully at the same rate as men.

Leaving the workforce is not the only long-term issue with breakdowns in childcare. Many parents made other significant changes to their professional lives to take care of their children. As noted earlier, some parents went from full-time to part-time employment, decreasing their ability to progress professionally. Parents declined promotions, raises, and new job offers, potentially reducing their lifetime earnings and trajectory. These changes may not sound as drastic as leaving the workforce, but they come with significant financial and psychological effects. Workers who feel that their potential is not being realized because of childcare issues may experience long-term negative effects professionally and personally.

Beyond employment, parents enrolled in school or training programs experience many of the same long-term consequences as parents who choose to leave their jobs. An educated populace provides benefits to the entire economy, and on an individual level, higher education is strongly correlated with higher income. Research has shown that wage premiums for postsecondary education remain substantial and that education continues to be a good investment.¹⁹ Higher education is also correlated to better health and lower rates of unemployment.²⁰

Parents who have stopped attending education and work training programs are also facing long windows before they plan to return. If parents choose not to return to their education programs, their economic potential and ability to provide for their families may be diminished. Additionally, the longer people spend away from their education program, the less likely it is that they will return.²¹ Only 13% of students who drop out of school re-enroll, and they typically do not re-enroll at the same level of institution.²² Our research shows that only one-third of Alaska parents plan to re-enroll within six months; however, they are far more likely to postpone their return to work than their return to school.

¹⁸ <https://www.wsj.com/articles/nearly-1-5-million-mothers-are-still-missing-from-the-workforce-11619472229>

¹⁹ <https://libertystreeteconomics.newyorkfed.org/2019/06/despise-rising-costs-college-is-still-a-good-investment.html>

²⁰ Brookings Institution (April 26, 2017). Eight economic facts on higher education

²¹ National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*

²² National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*

FIGURE 34.

Time to return to education

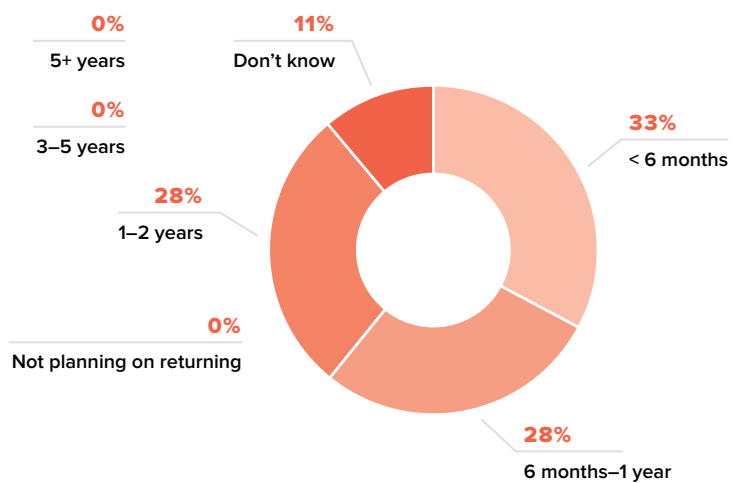
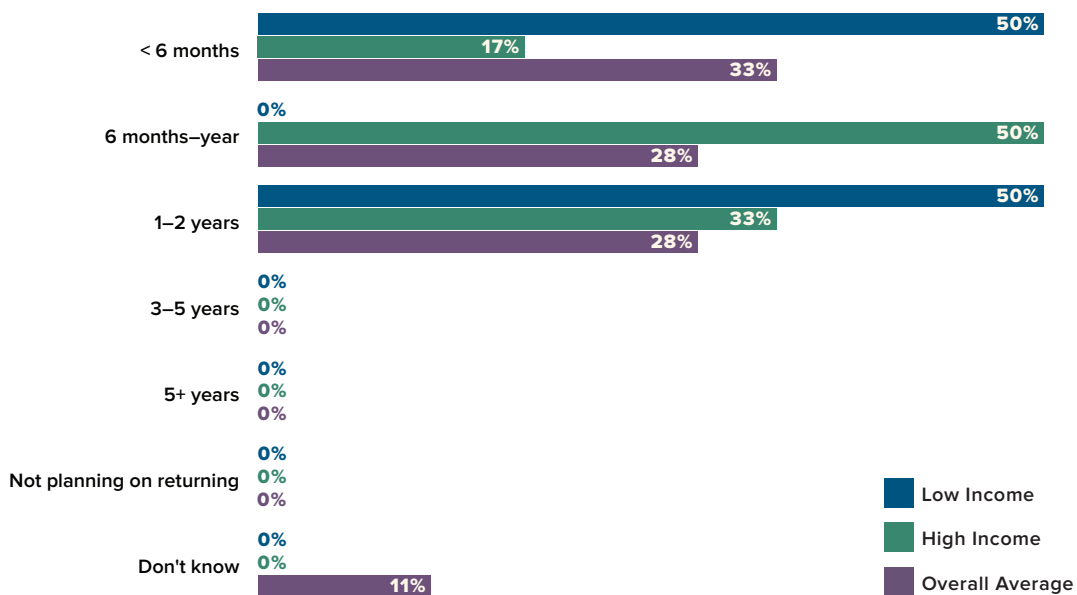


FIGURE 35.

Time to return to education, by income group



Conclusions and Implications

As mentioned, Governor Dunleavy is taking steps toward filling the extensive job openings in Alaska. As more Alaska parents decide to return to the workforce, an important factor for many will be access to quality childcare.

Alaska's employment programs provide a variety of workforce services and childcare assistance. One of these services is Alaska's State Training and Employment Program (STEP), which helps Alaskans learn competitive, employable skills. This is one example of the innovative and important methods that can be implemented to alleviate the transition back to work.

However, to fully bring back Alaska's workforce, it will require the governments, businesses, childcare providers, and community organizations across the state to effectively collaborate. The fact that the companies who do provide childcare benefits generally offer the benefits their employees desire is promising, because it demonstrates that Alaska employers are in tune with what their workforce needs. One example of a company that is working to assist working parents is Credit Union 1.

As Credit Union 1 was experiencing growth, the company realized they were losing many of their highest performing employees because they didn't have access to quality childcare. To grow effectively, Credit Union 1 needed to retain their best talent, so plans began to create a childcare center at their headquarters in Anchorage, staffed with licensed childcare employees. To provide stability, these childcare workers were incorporated into Credit Union 1's wage and benefit schedules. For employees who work outside of Anchorage, the company provides money to help pay for licensed childcare. Credit Union 1 has been able to retain employees who otherwise may have left because of their investment in childcare and their commitment to assist working parents.

Not all employers have the resources to open their own childcare center or pay all of employees' childcare costs. However, as we look at the data provided in this report, there are many things that companies can do to help accommodate working parents, leading to higher retention and satisfaction. The ability to work from home was

the most important benefit cited by working parents in Alaska. For companies that cannot offer remote work, flexible working hours and flexible working days are also highly desirable because it makes finding childcare or splitting responsibilities with others in the household easier. As employers find ways to minimize breakdowns in childcare, they will be better able to attract employees, increase satisfaction, and retain quality talent.

It is estimated that Alaska currently has \$165 million of untapped potential from turnover and absences due to lack of adequate and available high-quality childcare for all parents regardless of income level.

By listening to the needs of parents and working to find public and private solutions, Alaska will be better equipped to unlock the economic potential of parents whose employment and educational options are currently limited by their childcare circumstances. Our findings suggest that the most successful approach to solving Alaska's childcare challenges is to organize a diverse set of options that are flexible enough to fit the needs of individual families and account for specific community dynamics. The most effective childcare system will not be found in a one-size-fits-all solution, but rather a range of solutions that support the three key issues of access, affordability, and quality.



U.S. Chamber of Commerce
Foundation



ALASKA CHAMBER

RESEARCH SPONSORS

The research for the Untapped Potential report was conducted by the U.S. Chamber of Commerce Foundation in partnership with the Alaska Chamber.

APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

As with the previous studies conducted by the U.S. Chamber of Commerce in Idaho, Iowa, Mississippi, and Pennsylvania, this study was conducted in two phases. First, the U.S. Chamber of Commerce Foundation and the Alaska Chamber partnered with Cicero Group to conduct a statewide survey of households with children aged five and under who are not in kindergarten, asking these parents a series of questions investigating the intersection of workforce participation, education, and childcare issues. This survey was conducted online. Second, Cicero Group estimated the economic impact of childcare issues based on the survey results from the first phase and secondary data sources, such as U.S. Census Bureau data.

RACE	White	Hispanic or Latino	Black	Asian	American Indian / Alaskan Native	Native Hawaiian / Pacific Islander	Other
N=264	165	11	10	7	37	3	0

SEX	Female	Male
N=264	214	45

MARITAL STATUS	Married	Single	Other
N=264	209	36	19

REGION	Rural	Suburban	Urban
N=264	72	105	87

APPENDIX B

The economic impact consists of two areas—first there is a turnover cost to employers. Second, states lose tax revenue when employees lose wages. We pulled data from The American Community Survey to calculate the total number of patients in the labor force with children under six. In Alaska, there are an estimated 35,835 parents in the labor force with children under six. We applied the responses of parents who voluntarily or involuntarily left the workforce due to childcare to this population (9%) to estimate the total number of working parents of children under six who left the workforce. Applying Boushey and Glynn's cost of turnover (21%) to the annual mean salary for these workers, we arrived at the total cost to employers due to employee turnover.²³ For absences, we applied the mean hourly wage to the number of parents who missed work. We then assumed they missed an eight-hour shift. Even for non-salaried workers who forego earnings when they miss work, we assume employers still pay a cost in either lost productivity to those absent workers, overtime pay to other workers who must cover a shift, or even hiring and paying temporary workers.

States lose tax revenues from multiple sources. When an employee loses his or her job, or foregoes wages, the state's taxes are directly and indirectly impacted. We used the tax estimates from The Institute on Taxation & Economic Policy²⁴ to determine appropriate tax rates.

²³ There Are Significant Business Costs to Replacing Employees. Heather Boushey and Sarah Jane Glynn

²⁴ Who Pays? <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>



U.S. Chamber of Commerce
Foundation