

A SUMMARIZED ECONOMIC IMPACT REPORT ON  
EARLY EDUCATION AND CHILD CARE SERVICES IN  
**ALASKA**

**step<sup>up</sup>** early ed & child care

*Based on the McDowell Group Report July 2006*

PREPARED FOR:  
SYSTEM FOR EARLY EDUCATION DEVELOPMENT (SEED)  
UNIVERSITY OF ALASKA SOUTHEAST





## step<sup>up</sup> early ed & child care

### STUDY FINDINGS ARE DETAILED ON THE FOLLOWING PAGES:

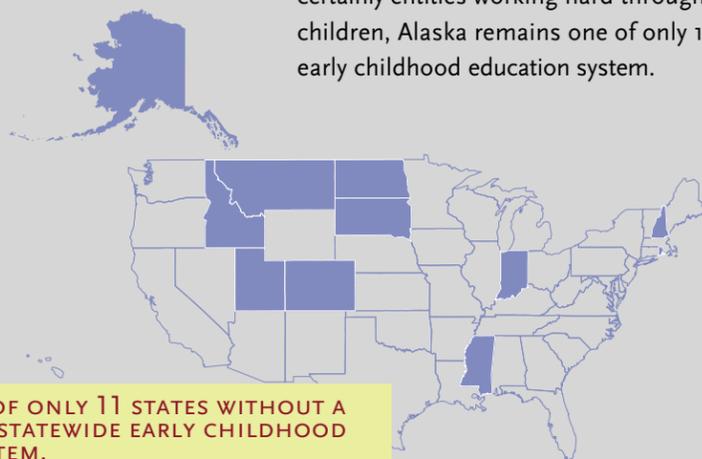
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Why should you care about the availability of quality early education and child care in Alaska? Because stepping up early education for our children is critical for all of us.

#### LET US STEP YOU THROUGH THE FACTS.

- 1 Early childhood education and child care play a critical and measurable role in Alaska's economy
- 2 The availability of quality, affordable child care remains a challenge for many Alaska families
- 3 Alaskans across the state place a high priority on state funding for early education and child care

Until recently, there was no data specific to Alaska to demonstrate how the welfare of our youngest community members impacts the entire state – both in the short term and long term. But thanks to this study commissioned by the System for Early Education Development (SEED) and completed in July 2006 by McDowell Group, there is now local information to combine with the knowledge learned from national studies to provide an accurate baseline. What the statistics demonstrate is that Alaska lags behind much of the country in providing quality early education and child care to our residents. And while there are certainly entities working hard throughout Alaska to provide quality care for our children, Alaska remains one of only 11 states without a state-funded, statewide early childhood education system.



ALASKA IS ONE OF ONLY 11 STATES WITHOUT A STATE-FUNDED, STATEWIDE EARLY CHILDHOOD EDUCATION SYSTEM.

*“I believe that high quality early childhood programs are critically important for the health and well-being of our community, and they are especially important for the health and well-being of our children. ... What can never be forgotten or taken lightly is that these programs provide a proven economic benefit to the organizations they serve. It is important that we recognize that. Research has shown that organizations who offer these services on-site for their employees retain these employees for an additional five years. The value of keeping these employees for this extended amount of time is immeasurable, and as a leader of an organization with more than 4,000 employees, I can tell you that recruiting talent is expensive, difficult and time consuming. Keeping our talent in the first place is without a doubt the best way to ensure we can sustain and live out our mission at Providence, and I'm grateful for the role our Center for Child Development plays in doing that each day.”*

AL PARRISH, CHIEF EXECUTIVE  
PROVIDENCE HEALTH SYSTEM IN ALASKA

### SCOPE OF THE ALASKA STUDY

The purpose of this study is to measure the economic impacts of the early education and child care sector on Alaska's economy. This study focuses on education and care of children under six years of age. Economic impacts are measured in terms of employment, spending on child care services, and the role that child care services play in making it possible for Alaska families to earn income.

This study also examines research conducted elsewhere in the U.S. that measures the broader societal economic benefits stemming from quality child care services.

A key component of this project was a telephone survey of 725 randomly selected households. The primary purpose of the phone survey was to collect information on the types of child care services Alaska families use and how much money households spend on child care services. The survey also collected information on Alaskans' attitudes about the importance of state government funding for early education and child care services.

### ALASKA WORKING PARENT DEMOGRAPHICS

To best understand the data, it is critical to first understand the scope of the population we are considering. In 2004, Alaska's population included 62,913 children under six years of age, according to the Alaska Department of Labor and Workforce Development (DOLWD). Of these children, approximately 63 percent (39,400 children) were living in households where all available parents were in the labor force, whether families were dual-income or single-parents. These children resided in 29,400 Alaska households, all of which were potentially in need of child care services.

Detailed look at the **39,400** children under the age of six, where all available parents are in the workforce

LIVING WITH SINGLE MOTHER, IN LABOR FORCE

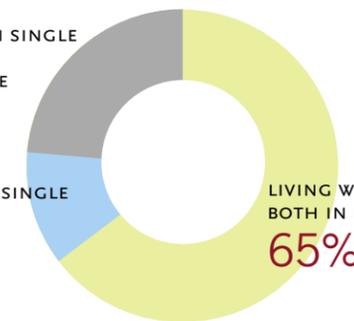
23%

LIVING WITH SINGLE FATHER, IN LABOR FORCE

12%

LIVING WITH TWO PARENTS, BOTH IN LABOR FORCE

65%





THE ECONOMIC IMPACT ON ALASKA

Mounting evidence shows that investment in quality early learning and child care is critical to building and maintaining a viable state economy. The economic impact of the early education and child care sector includes jobs for thousands of Alaskans, millions of dollars in spending by households and governments, and indirect contributions of Alaska's resident labor force and family income.



**JOBS**  
DIRECT & INDIRECT:  
7,400 in child care workforce  
**CONTRIBUTION TO THE WORKFORCE:**  
29,400 Alaskans can join the workforce because they have child care

**WAGES**  
DIRECT & INDIRECT:  
\$124 million in child care workforce payroll  
**CONTRIBUTION OF HOUSEHOLD INCOME:**  
\$850 million in annual wages paid to working families with child care

IMMEDIATE IMPACT OF QUALITY EARLY EDUCATION AND CHILD CARE

Child care providers make it possible for **29,400** Alaskans to enter the labor force (one adult for each household with children under six years of age where all parents are in the labor force). The 29,400 Alaskans that are in the workforce because child care services are available to them account for 9.5 percent of the Alaska resident workforce. If these working parents also account for 9.5 percent of all Alaska resident wages, their total annual wages would be just under \$850 million. This indicates an average of \$28,820 per family in additional Alaska annual income, indirectly made possible by child care services, is equal to approximately 40 percent of Alaska's mean family income in 2003.

Other data suggests a similar household income impact related to adding a second wage earner. In 2004, median family income for families with one wage earner was \$43,709. Median family income for families with two wage earners was \$77,159, a difference of \$33,450. This analysis assumes that the typical parent who is in the labor force because child care services are available to him or her earns the same wages as the average Alaska worker. This may or may not be true given the demographics of families with young children. Nevertheless, it is clear that the availability of child care has major implications on income for Alaska residents in general, and on family household income in particular.

*"Investment in early childhood development programs brings a real (that is, inflation-adjusted) public return of 12%, and a real total return, public and private, of 16%. We are unaware of any other economic development effort that has such a public return ..."*

ART ROLNICK  
SVP AND DIRECTOR OF RESEARCH  
FEDERAL RESERVE BANK OF MINNEAPOLIS

**LONG-TERM ECONOMIC IMPACTS OF QUALITY EARLY EDUCATION & CHILD CARE**  
A host of studies have been done to track the long-term economic impact of high quality early child care development on society. Though none of these studies focuses on Alaska, the implications for Alaska are relevant. The results of these studies have shown conclusively that although investment is required to provide quality early care to infants, toddlers and youths, the rate of return far exceeds that initial investment.

The largest benefit provided by quality early care was increased earnings capacity projected from higher educational attainment, along with higher taxes paid from better paying jobs. Other benefits are lower criminal justice system costs, reduced welfare costs, savings for crime victims, and savings on school remedial services budgets. The results of several studies are highlighted below.

**29% higher** high school graduation rates

**20% higher** college attendance

**70% lower** crime incidence

**20% lower** welfare dependence

**\$143,000** additional earned income per capita, resulting from better employment

LONG-TERM BENEFITS OF EARLY EDUCATION AND CHILD CARE

Studies also note that expenditures on education that are focused on K-12 may be misplaced given that brains develop rapidly in the early years (0-4), then develop at a much slower pace from age 4 through 18. The implication is that the earlier the investment on early education, the higher the return on investment will be.

**step 1** → **EARLY CHILDHOOD EDUCATION AND CHILD CARE PLAY A CRITICAL AND MEASURABLE ROLE IN ALASKA'S ECONOMY.**

**SIZE OF COMPARABLE INDUSTRIES IN ALASKA**

**6,500** Workers in child care

**6,400** Workers in air transportation sector

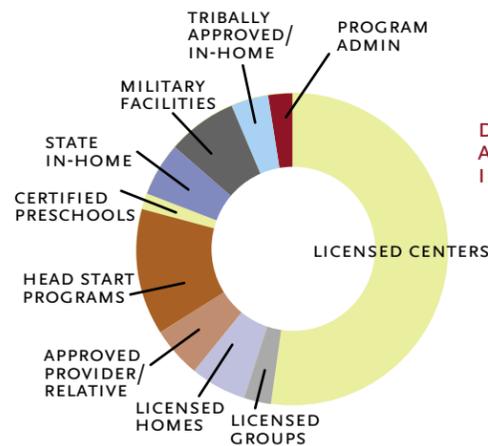
**6,000** Workers in residential and nonresidential building construction

**THE EARLY LEARNING AND CHILD CARE SECTOR**

When understanding the economic impact of early education and child care, the actual workforce in this field is often overlooked. Yet it has been found that at least 6,500 Alaskans participate in the child care sector workforce.

The estimate of 6,500 participants is derived from a variety of sources (as described in the full McDowell Group report). It must be understood that this is a conservative estimate, however. It does not include an unknown number of at-home providers who care for four or fewer unrelated children, or any number of related children, and therefore are not required to be licensed.

Yet, even without these added positions, the size of this workforce is comparable to other significant industries in Alaska. For example, the residential and non-residential building construction sector employed an average of 6,000 workers in Alaska in 2004, and Alaska's air transportation sector employed an average of 6,400 workers that same year.



*“As Executive Dean of the College of Rural and Community Development, I understand the importance of early childhood education. We have strong partnerships with the State of Alaska, tribal entities and Head Start organizations to train students who will serve as providers, educators and role models for their communities. It is impressive to see the impact early care and education has on Alaska's economy.”*

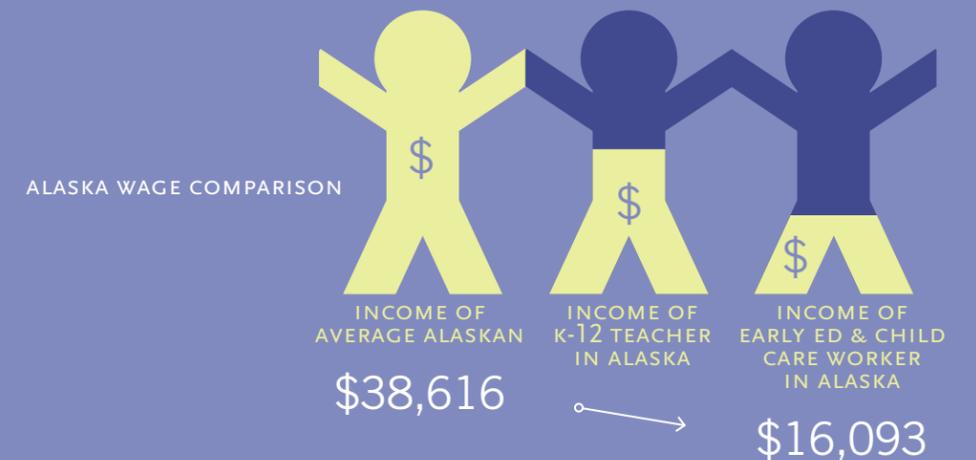
BERNICE JOSEPH,  
EXECUTIVE DEAN  
UNIVERSITY OF ALASKA FAIRBANKS  
COLLEGE OF RURAL AND  
COMMUNITY DEVELOPMENT

Not only is Alaska's early education and child care sector significant in size, it features a wide variety of service providers. It includes any program providing care for children from birth to age six. Examples of these programs include center-based child care, family child care, Head Start, Early Head Start, private and public preschools, Montessori programs, and pre-kindergarten services.



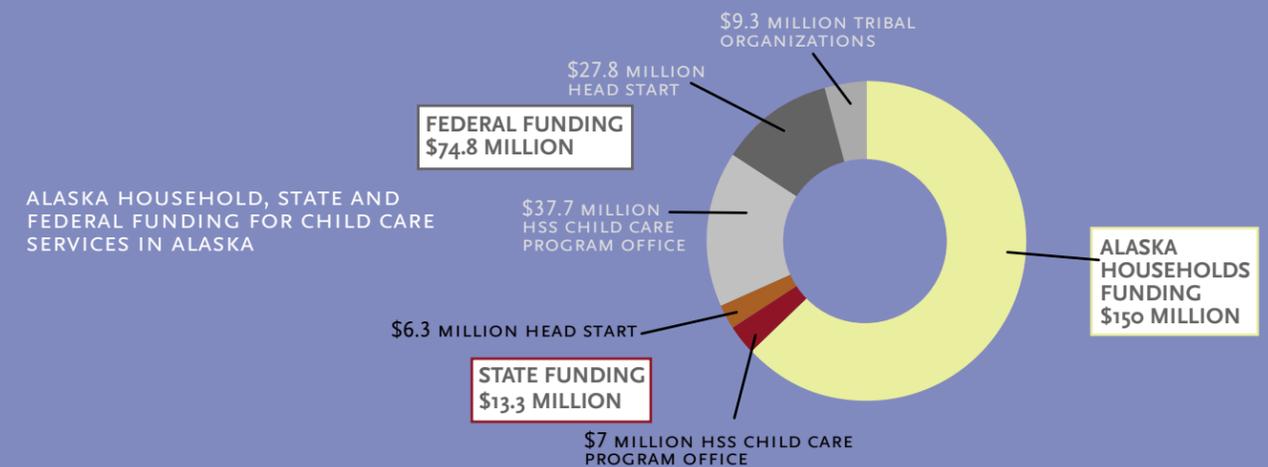
Despite the prominence of individuals employed in this workforce, there is a very low correlation in compensation. DOLWD payroll data indicated that the average monthly wage of an individual employed in this sector was \$1,342. This is well below the average for all sectors of the Alaska economy; the average monthly wage in Alaska for this same time period was \$3,218 – nearly three times that amount.

To put this in further context, it has been found that providers of early education and child care earn less than half of what the average elementary school teacher earns, even though the difference in age of those they teach may be less than one year.



**CHILD CARE SERVICES REVENUE AND FUNDING**

There are two sources of spending on early education and child care services – government funding and spending by parents on child care services. Based on the analysis of the McDowell Group report, Alaska households may be spending \$150 million annually on child care services for children under six years of age. In comparison, government spending on child care totals \$88 million in Alaska, with nearly \$75 million of that contribution coming from federal funding. Together, approximately \$240 million is spent in Alaska on child care services for young children.



*"I emphasize strongly how important it is to give the children the best start ... to have the children have a good early learning experience."*

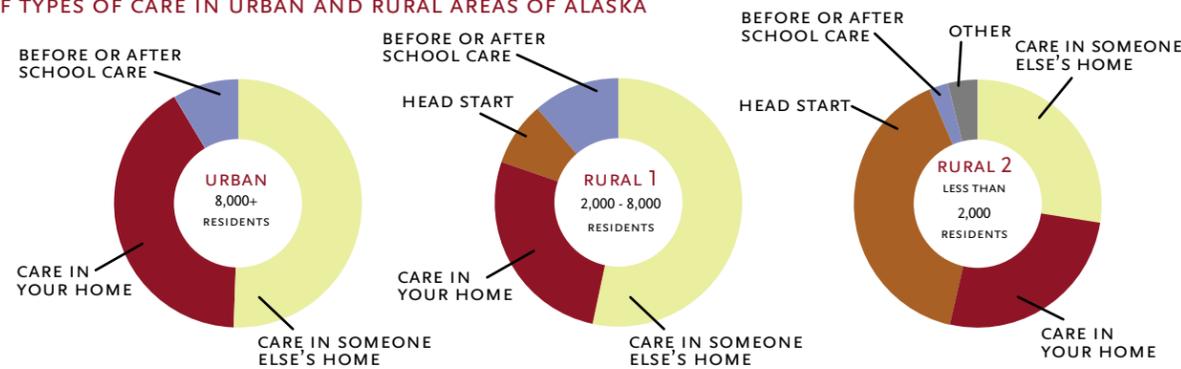
DR. WALTER SOBOLEFF  
"FAMILY FEATHERS" VIDEO SERIES,  
CENTRAL COUNCIL OF TLINGIT &  
HAIDA INDIAN TRIBES

**IMPACT ON ALASKA FAMILIES**

To better understand how the early education & child care sector directly impacts families, 725 Alaska households were asked about their use of child care services as a part of this study's telephone survey. The findings of this study are understood to be the first set of data on this topic directly applicable to Alaska.

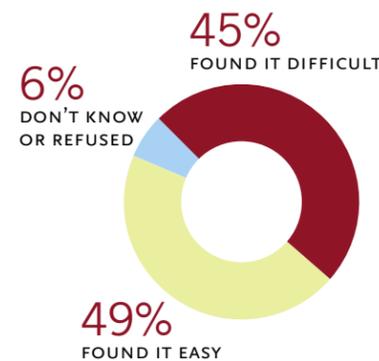
The survey sample included 323 households with children under six years of age. The sample included households from urban Alaska, defined as all communities with more than 8,000 residents. The sample also included surveys from households in communities with between 2,000 and 8,000 residents (labeled "Rural I"), as well as surveys from households in communities with fewer than 2,000 residents (labeled "Rural II"). In conducting statewide analysis of the survey results, data from these areas of the state were weighted to reflect their actual proportion of the state's population.

**COMPARISON OF TYPES OF CARE IN URBAN AND RURAL AREAS OF ALASKA**



Approximately 58 percent of children in the surveyed households received child care services of some type during the month of January 2006. Among those children receiving child care services, 49 percent were in a preschool or child care center. Just under one-third were being cared for in someone else's home, with over one-quarter receiving care in their own home. Eight percent were in a Head Start program. This total adds up to more than 100 percent, as some children received care in more than one setting.

**FINDING ACCEPTABLE CHILD CARE**



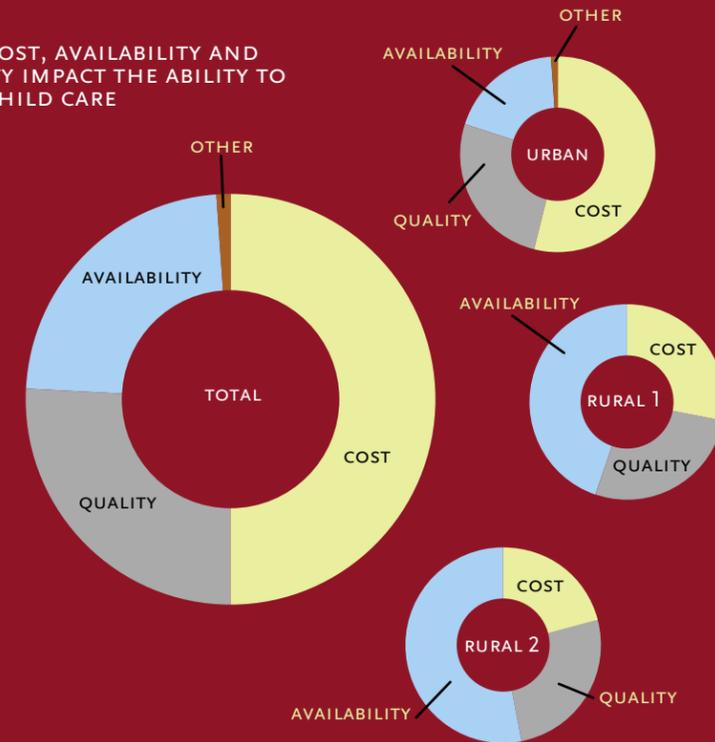
**FINDING ACCEPTABLE CHILD CARE**

This study also found that 45 percent of Alaska households with children under six in a child care situation found it difficult or very difficult to find acceptable child care. About the same percentage (49 percent) found it either easy or very easy to find acceptable child care.

Finding quality early education and child care programs proved to be an issue both in rural and urban areas of the state.

**36%** of households with children under the age of six reported that the quality, cost or availability of child care services had prevented someone in their household from seeking employment, or had in some way restricted the number of hours that they could work.

**HOW COST, AVAILABILITY AND QUALITY IMPACT THE ABILITY TO FIND CHILD CARE**



**FACTORS AFFECTING ABILITY TO FIND ACCEPTABLE CHILD CARE**

Among households in Alaska's smallest communities (the "Rural II" areas, or communities under 2,000 residents), 26 percent reported that the quality, cost or availability of child care services had prevented someone in their household from seeking employment, or had in some way restricted the number of hours that they could work. The difference between rural and urban in this regard is probably not due to better child care service in rural areas, but rather to the fact that rural areas have fewer employment opportunities available. Among those households where cost, quality or availability of child care services have been a constraint, cost was a major factor for 78 percent of households. Availability had a major impact on 56 percent of households, and quality on 48 percent.

**COST MOST OFTEN CITED**

When asked which factor had the greatest impact on their ability to find acceptable child care, cost was most often cited. Half (50 percent) indicated that cost had the greatest impact on their ability to find acceptable child care, while 26 percent cited quality, and 23 percent cited availability.

MONTHLY COST				
<b>\$400-\$900</b>				
DEPENDENT ON AGE OF CHILD AND LOCATION				

MONTHLY COST OF FULL-TIME CHILD CARE

Cost is apparently more of an issue in urban Alaska, while availability is more of an issue in rural Alaska. Just over half of urban households indicated that cost had the greatest impact, compared to approximately one quarter of those in rural areas. Conversely, within rural areas, approximately half the households reported that availability had the greatest impact, compared to only 19 percent of urban areas.

**COST IS A LARGE ISSUE**

It is not a surprise that cost is a significant issue. The cost of full-time child care in Alaska ranges from \$400 to \$900 per month, depending on the age of the child and the location of the care. Given these figures, it was perhaps surprising to find that just one in seven Alaska households with children in child care services received some form of child care assistance.

**Just 1 in 7** Alaska households with children under six in child care services received financial assistance for child care

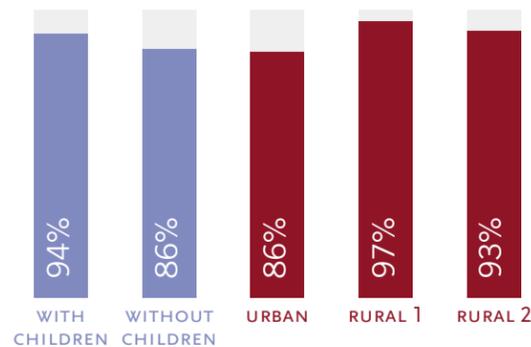


## 9 of 10 alaskans support funding

The telephone survey described earlier also asked all households a series of questions about state funding support for early learning and child care services in Alaska. Results showed overwhelming support for the funding of early education and child care.

Nearly nine out of 10 Alaska residents (87 percent) think it is important or very important for state government to provide financial support for early education and child care. Among residents with children under six years of age, 94 percent think state support is important or very important. Even among residents without young children, 86 percent think state financial support is important or very important. Further, urban and rural residents alike feel it is important to provide funding for early education and child care.

THOSE STATING IT IS "IMPORTANT" OR "VERY IMPORTANT" FOR STATE GOVERNMENT TO PROVIDE FINANCIAL SUPPORT.



## audiences who expressed above average support for early education and child care

Alaskans were also asked if the state should give early learning and child care high, medium or low funding priority. Two-thirds (66%) feel it should have high priority. A variety of population subgroups were more likely to give it a high priority. They include:

**76%** households with children under six

**72%** female residents

**77%** residents aged 35 to 44

**76%** low income residents <\$25,000

**73%** high income residents >\$100,000

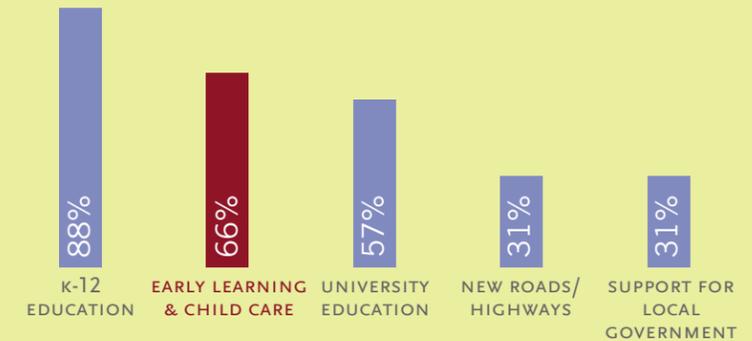


## alaskans place priority on funding early education and child care

Alaskans also give early learning a high priority for state funding, when compared to other state-funded programs. Among the categories of spending presented to survey respondents, only K-12 education was rated as a high priority more often.

*"The data shows what I have also personally experienced – that the issue of quality early education and child care is one of the most important social issues facing us in Alaska today."*

JIM CALVIN, MCDOWELL GROUP



### THE RELATIVE IMPORTANCE OF EARLY EDUCATION AND CHILD CARE

To press this matter further, a third question regarding Alaskans' perception of the importance of funding for early learning and child care focused on relative importance. More than three-quarters of Alaska residents feel that early learning and child care are more important to fund than support for local government or construction of new roads and highways. Almost two-thirds (63 percent) feel that funding for early learning and child care is more important than funding for university education. Among the various programs, only K-12 education is viewed as more important than early learning and child care.

## report conclusion - next steps

This series of questions regarding perceived importance of state funding for early education and child care services in Alaska indicate that Alaskans place a high priority on funding for education in Alaska, with a high interest in early education and child care.

## end notes

This piece serves as a condensed summary of the July 2006 McDowell report titled "Economic Impact of Early Education and Child Care Services in Alaska." This complete study was commissioned and prepared for the System for Early Education Development (SEED), based at the University of Alaska Southeast. This publication is funded by a grant from the U.S. Department of Education, Fund for the Improvement of Education.

You may download a full copy of the report at <http://seed.alaska.edu> or request the full report from the SEED administrator at 907.796.6414.

We thank you for taking the time to review this report, which contains critical data regarding the future of Alaska's children and our economy.

The McDowell Group study team would like to acknowledge the invaluable assistance provided by the Project Steering Committee. The Committee included Mary Lorence (*Manager, Alaska Child Care Programs, Department of Health and Social Services*), Joy Lyon (*Executive Director, Association for the Education of Young Children, Southeast Alaska*), Mary Lou Madden (*Madden Associates*), and Carol Prentice (*SEED Program Manager*). In addition, SEED would like to recognize the contribution made by SEED Council members Candace Winkler and Cindy Harrington.

SEED also appreciates the collaboration with Alaska's *Ready to Read, Ready to Learn Task Force*, 28 Alaskan leaders dedicated to improving the literacy and learning skills of Alaska's pre-kindergarteners.



**Alaska SEED**  
System for Early Education Development



#### SEED COUNCIL MEMBERS

**SEED COUNCIL CHAIR:** **PATTY MERITT** Associate Professor, Coordinator, Early Childhood Program, Valley Campus, UA Fairbanks

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