

Economic Impact of

Early Care & Learning Services in Alaska

2011 Update



An update of a McDowell Group report prepared for the System for Early Education Development (SEED)

Alaska SEED



The trillium flower,

with its three petals, best represents the varied relationships between early childhood services and the economy. One petal represents parents and the need to focus on the social infrastructure supporting workers and their employers. Another petal represents children and the investments in human development and education, while the third petal is the regional economy that quantifies child care as an industry that produces jobs and stimulates the economy. (R. Ribeiro and M. Warner, January, 2004, “Measuring the Regional Economic Importance of Early Care and Education: The Cornell Methodology Guide”)



Although education and the acquisition of skills is a lifelong process, starting early in life is crucial. Recent research has documented the high returns that early childhood programs can pay in terms of subsequent educational attainment and in lower rates of social problems, such as teenage pregnancy and welfare dependency. This research shows that by investing in early childhood education, governments—in partnership with private firms and nonprofit foundations—can reap extraordinarily high economic returns, benefits that are low-risk and long-lived.

Ben Bernanke, Chairman
of the Federal Reserve,
February 2007

The purpose of this report is to measure the economic impacts of early care and learning services on Alaska’s economy, providing updated and new data where available. Economic impacts are measured in terms of:

- Employment of the early care and learning sector
- Income generated by wage-earning parents due to the availability of early care and learning services
- Spending on these services by both families and government
- Long-term economic benefit of quality early care and learning

This report also includes important results of a telephone survey conducted as part of the original study in 2006 and still considered reliable and relevant in 2010. This includes:

- Attitudes on the importance of state funding for early care and learning services
- Availability of high-quality, affordable early care and learning services

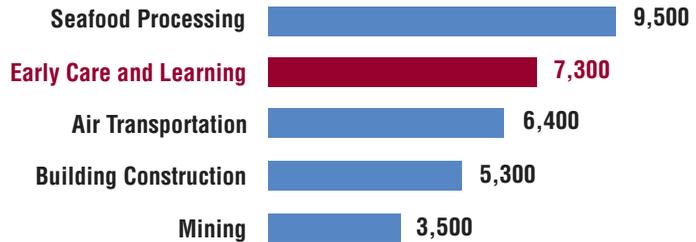
What We Know about the Early Care and Learning Workforce

Size and Distribution of Sector

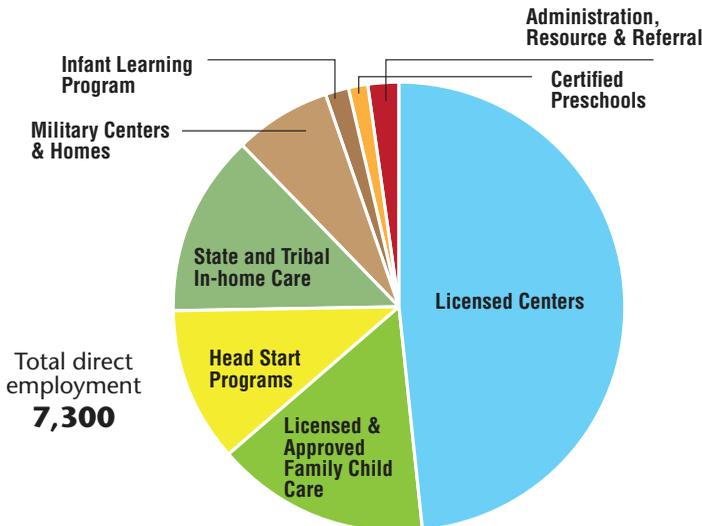
Alaska’s early care and learning direct workforce currently numbers 7,300 compared to 6,500 estimated in 2005. This includes individuals working at child care centers, family child care, Head Start, private and public preschool and pre-kindergarten, infant learning programs and other early childhood settings. Counting indirect employment, the total increases to 8,400, compared to 7,400 reported for 2005.

The estimate of 7,300 workforce participants is derived from a variety of sources and is considered a conservative estimate. For instance, it does not include an unknown number of at-home providers who care for four or fewer unrelated children or at-home providers caring for any number of related children. No license is required for these categories of providers.

Number of Employees by Workforce Sector



The Early Care and Learning Sector



| | 2005 | 2009 | % increase |
|--|---------------|---------------|------------|
| Early Care and Learning Jobs (Direct and Indirect) | 7,400 | 8,400 | 14% |
| Early Care and Learning Total Wages (Direct and Indirect) | \$124 million | \$150 million | 21% |

Sector Wages

Despite the responsibility of individuals employed in the early care and learning sector, compensation is very low. Department of Labor and Economic Development (DOLWD, 2009) payroll data indicates the average monthly wage of an individual employed in this sector was \$1,494. The average monthly wage overall in Alaska for this same time period was \$3,886, over 2.5 times what someone employed in early care and learning earns.



To put this in further context, the average salary of a private sector child care worker or preschool teacher is less than half the average salary of a kindergarten teacher. The early care and learning field lacks a compensation structure to reward increased credentials and professional development. As

a result, even when private sector child care workers and preschool teachers have the same credentials, their compensation remains low compared to pre-K and kindergarten teachers in the public school system.

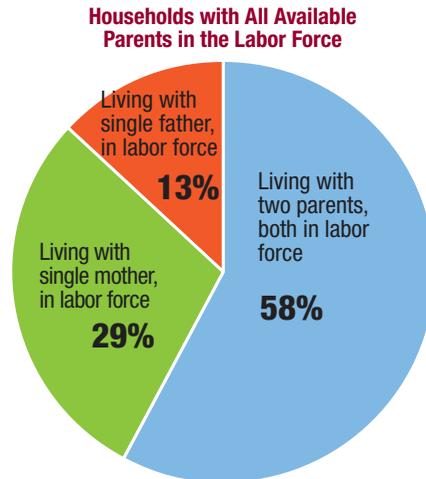
Child care workers earn wages equivalent to some of the lowest-paying jobs in the economy.



What We Know about Working Families

Simply put, the availability of affordable, high-quality early care and learning services allows parents to remain in the workforce, if they need or elect to do so. In 2009, there were 69,199 children under six years of age in Alaska (DOLWD). Of these children, 62% (43,000) lived in households where all available parents were in the labor force, whether families were dual-income or single-parent.

Early care and learning services make it possible for 32,300 Alaskans to participate in the labor force (one adult for each household with children under six years of age where all parents are in the labor force). This accounts for 10% of the Alaska resident workforce. Assuming these working parents also account for 10% of all Alaska resident wages, their total annual wages are just over \$1.1 billion. This indicates an average of \$35,300 per family in additional Alaska annual income.



| | 2005 | 2009 | % increase |
|--|---------------|---------------|------------|
| Alaskans in workforce due to availability of child care | 29,400 | 32,300 | 10% |
| Contribution to household income | \$850 million | \$1.1 billion | 29% |

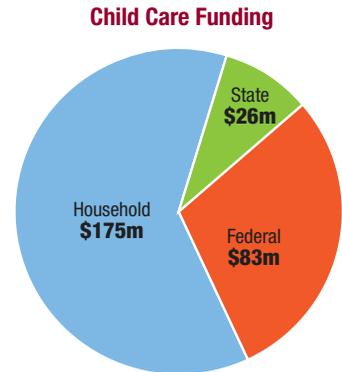
What this Means for Alaska

Mounting evidence shows that the availability of quality early care and learning is critical to building and maintaining a viable state economy. The economic impact of the early care and learning sector includes jobs for thousands of Alaskans, millions of dollars in spending by household and governments, and indirect contributions.

- **7,300 directly employed** in early care and learning workforce
- **\$150 million** generated in direct and indirect early care and learning **workforce payroll**
- **32,300 Alaskans in the labor force** as a result of availability of early care and learning services
- Adding **\$1.1 billion to earned wages** (average of \$35,300 per family based on statewide averages)

What We Know about Spending on Early Care and Learning Services by Families and Government

There are two sources of spending on early care and learning services — the money individual families pay for these services and the money spent by federal and state government. Households in Alaska spend an estimated \$175 million annually on early care and learning services for children under six years of age. Government spends \$109 million with \$83 million of that contribution coming from federal funding and \$26 million from state funding.



According to the 2010 report, “Parents and the High Cost of Child Care” released by the National Association of Child Care Resource and Referral Agencies (NACCRRA), since 2000, the cost of child care has increased twice as fast as the median income of families. The updated 2010 report provides interesting data about the cost of child care services by state. The report also compares child care costs with the cost of attending state higher education institutions.

Cost of Care in Alaska

| | | |
|-------------------------------------|--|--|
| Average annual cost for infant 2009 | Average annual cost for 4-year-old in 2009 | Average tuition and fees at state university |
| \$8,904 | \$8,268 | \$4,920 |

What We Know about Long-term Economic Benefits of Quality Early Care and Learning

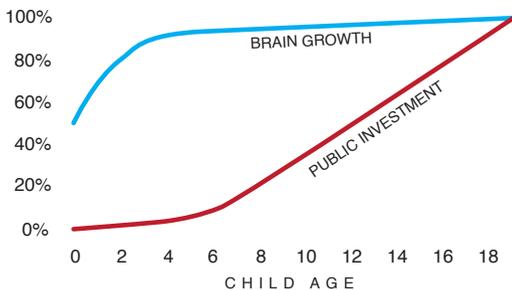
Economists from various academic, business and government organizations have applied new economic models to early care and education and generated dollar figures for what investments in early childhood services can yield for the economy in the short- and long-term. There are now several long-term studies that have followed graduates of early learning programs through adulthood and documented significant savings in the area of remedial education, school drop-outs, welfare, and crime. The studies conclude that improvements to social and emotional well-being yield greater returns than a focus exclusively on cognitive gains. (Dana E. Friedman, Ed.D. for the Early Childhood Funders’ Collaborative, “The New Economics of Preschool, 2004.”)

Benefits of high quality early care and learning opportunities include:

- Increased earning capacity due to higher educational attainment
- Increased tax revenues as a result of higher paying jobs
- Reduced criminal justice system costs
- Reduced welfare costs
- Reduced spending for remedial services in schools

Public Investments by Child Age

50 States & District of Columbia Composite Assessment



While 85% of the brain's core structure (size, growth, and much of its hard wiring) is developed by age four, less than 4% of public investments in education and development are made by that time. The implication is the earlier the investment on early education, the higher the return on investment will be.

Source: "Early Learning Left Out: Building an Early Learning Childhood System to Secure America's Future," *Voices for America's Children*, June 2010.

What Alaskans Think about State Funding for Early Care and Learning

In 2006, McDowell Group conducted a telephone survey about support of state funding for early care and learning services in Alaska. The results showed that Alaskans place a priority on funding for these services:

- 87% of households think it is important or very important for state government to provide financial support for early care and learning services.
- The number increases to 94% for households with children under six years of age.
- Urban and rural residents alike support funding for early care and learning.

What Alaskans Say about the Impact on Families

The 2006 survey indicated how the early care and learning sector directly impacts households with a child under the age of six:

- 45% found it difficult or very difficult to find acceptable child care.
- 36% reported that the quality, cost or availability of child care prevented someone in their household from seeking employment or had restricted the number of hours they could work.
- 50% reported that cost had the greatest impact on their ability to find acceptable child care.





In Conclusion

There are many reasons to invest in early care and learning programs for young children. The focus of this report is on the short and long term economic benefits of doing so. Nobel Laureate James Heckman states:

*Early environments play a large role in shaping later outcomes. Skill begets skill and learning begets more learning. **Early advantages cumulate; so do early disadvantages.** Later remediation of early deficits is costly, and often prohibitively so, though later investments are also necessary since investments across time are complementary. Evidence on the technology of skill formation shows the importance of early investment. At current levels of public support, **America under-invests in the early years of its disadvantaged children. Redirecting additional funds toward the early years, before the start of traditional schooling, is a sound investment in the productivity and safety of our society.***

"The Productivity Argument for Investing in Young Children," 2006



This report is an update of the 2006 McDowell Group, "Economic Impact of Early Education and Child Care Services in Alaska." Funding for this report was provided by:

- Best Beginnings
- Early Intervention/Infant Learning Program, Dept. of Health and Social Services
- thread, Alaska Child Care Resource and Referral Network
- University of Alaska

In addition, SEED acknowledges the following partners for their collaboration on behalf of young children in Alaska:

- Alaska Head Start Association
- Alaska Association for the Education of Young Children
- Child Care Program Office and Office of Children's Services, Dept. of Health and Social Services
- Head Start Collaboration Office, Dept. of Education and Early Development
- King Career Center, Early Childhood Education
- Municipality of Anchorage, Child and Adult Care Licensing
- Prentice Consulting