The Alaska child care market is broken, for parents and caregivers alike. Here's why. [1]

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Source: Alaska Dispatch News
Format: Article
Publication Date: 29 May 2016

AVAILABILITY
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EXCERPTS

It's 10 a.m. on a Wednesday and Kristin Platt is in the middle of the breakfast routine with her 1-year-old daughter, Winter. The girl paws at constellations of cut banana and Cheerios strewn across her highchair tray. Some end up in her mouth, others on the floor.

When Platt imagined life as a parent, she never thought she'd be home on a weekday morning retrieving chunks of carefully sliced food from under the kitchen table. Back then, she planned to put the baby in day care and return to her job at an advertising agency.

And at first, she did just that. For three months, baby Winter was in a center with attentive teachers and a clean environment with ample opportunity to socialize with other infants. But Platt quickly noticed the growing hole in the family finances.

"The day care center was awesome. It was just the price," said Platt, who lives with her husband in a modestly sized chalet-style home on the Anchorage Hillside. "It would be one thing if I did have a high-paying job, but I didn't. The tuition was just a huge chunk of my income."

As is the case in many parts of the country, the cost of quality child care in Alaska is so high that middle and even upper middle-class parents are feeling the squeeze. For those in less stable financial situations, the problem is worse.

The cost of child care can easily rival taking out a mortgage or paying for college. A typical Alaska family would have to spend 24 percent of their income on child care for an infant and a 4-year-old, according to a study released in October by the Economic Policy Institute.

For Platt and many other parents, it can make more sense to drop out of the workforce while their children are young. Platt said that although her income exceeded the cost of day care, she felt her leftover pay was not worth the time she was losing with her daughter.

If the couple decides to have a second child, Platt will have no choice. The numbers will say she must stay home.

"Being out of the workforce for a bit is a little scary for sure," she said. "But two kids in day care cancels out one of our incomes altogether."

Good care is hard to find

Lea Filippi, a partner at a downtown Anchorage law firm, had her now 8-year-old son, Bruno, on a number of waiting lists before he was born. She was often required to pay to reserve a spot. The infant program at Hillcrest Children's Center in Government Hill accepted Bruno, but the wait would have been much longer at other centers. One of them contacted Filippi three years later to notify her that an infant spot had finally opened up.

"I would say not to put it off. If there's something you want to access for your kid, look for it on a longtime horizon, not the month before you need it," Filippi said. "I don't think I realized before I became a parent how the schedules worked and that you could be on some wait list for three years."

A state survey of child care providers found that 43 percent had children on waiting lists as of April 8. The search is competitive enough that parents commonly put a child's name on more than one list. In Anchorage alone, day cares reported a total of 2,600 names on their waiting lists, according to the 2015 Alaska Child Care Market Price Survey Report. In Fairbanks there were 845 names, followed by 441 in the Matanuska-Susitna Borough.

Katie Hubbard started researching child care in Anchorage when she was not quite six months pregnant. She started with the websites of child care advocacy organization thread and the Municipality of Anchorage's day care inspection program.

"I felt like we actually got a late start," said Hubbard, who works in the occupational health and safety program at the Alaska Native Tribal Health Consortium. "I was panicking, saying, 'We have to get things figured out because of those waiting lists.' "

By December, Hubbard had secured a spot in a licensed home day care, run by caregivers who speak both English and Spanish. Her son, Jack, was born in March.

"The stars aligned. They had a spot, and they are really close to our new house," she said." And I love the idea of him being exposed to another language."

Finding care can be even more complicated for children with allergies, disabilities or behaviors that providers may have trouble accommodating.

Abagale Baines, who works full-time in Juneau as an administrative assistant for the state Department of Health and Social Services, said her 4-year-old son, Jason, has been in three different day care settings. The first was with a relative who was providing home day care in order to stay home with her own children, but who shut the business down when the children were older.

Baines' son was by then 3 years old and not yet potty-trained, making it hard to find other home providers, which tend to be less expensive than centers. Baines said she finally found a home-based provider that would accept him, but the caregiver made him eat meat, which he doesn't like. Finally, they ended up at a day care center, the Gehring Nursery School. Tuition there drains about 20 percent from the family's annual income, but Baines said the higher cost is worth it.

"I was looking for someone who would not force him to eat something he didn't like," Baines said. "At this day care they sit and talk with him. They read books, do art and they're outside a lot and not just sitting in front of the TV. They're really caring about how they care for him."

Day care not a lucrative business

High demand and high prices should be driving rampant growth in Alaska's day care market, but that's not the case. The business of day care may appear highly lucrative, but it generally isn't. It may shock parents to know that they aren't making millionaires out of most day care owners and managers.

Israa Kako-Gehring, who runs Gehring Nursery School in Juneau, said the monthly tuition of just under $1,000 per child, which breaks down to an hourly rate of less than $5 per child — barely covers staff wages, property taxes, rent, utilities, supplies and other expenses. Kako-Gehring opened the school, which serves 12 children, so she would have a place for her own daughter.

"We're breaking even with a little more on top, but that's just because I don't have to pay for day care for my daughter," she said. "It's expensive for the families, but we're barely getting by."

Low profitability and high risk of failure are big deterrents to attracting more high-quality child care providers into the market, said Jim Calvin, managing principal at McDowell Group, an Alaska-based research and consulting firm. Tuition is their main source of revenue, but care providers can't charge much more because rates already graze or exceed the upper limit of what many parents can afford.

"There's a great demand for the service, but the market has not figured out a way to meet demand that is in any way profitable," Calvin said. "Economists call it a market failure."

Wages make up the bulk of costs for providers and, given the financial constraints, are notoriously low. Kako-Gehring pays her staff $15 an hour, a generous wage relative to the rest of the industry. Day care workers in Alaska make closer to $12 on average, according to a 2015 report by the McDowell Group. That's $8 a month more than the pay of animal care workers at kennels, shelters and the zoo, and less than what workers make in restaurants, laundromats and nail salons, state wage data show.

"Wages paid in that sector are among the lowest in the economy and yet we're entrusting them with the safety and welfare of our children," said Calvin.

Christina Eubanks, executive director at Hillcrest Children's Center, said all members of her staff have associate degrees in child development, but the jobs are minimum-wage. Low wages are a large reason for the famously high turnover at day care centers and present a constant struggle to attract well-trained workers. Eubanks herself hasn't had a raise in nine years.

"You cut in on staffing because it's far and away the largest part of the budget and it's the only thing we have control over. Everything else — insurance, food, materials — moves with inflation or rises faster than inflation. When Costco raises prices, we feel it immediately."

Anna Culley, owner of New Horizons, a home-based day care in Fairbanks, said the ups and downs in revenue can be tough to bear. Children move in and out of day care for all sorts of reasons and sometimes one or more spots may go unfilled for an unpredictable amount of time.

"You're not always making consistent money or a steady paycheck and that's why many people quit," said Culley, who has been in the business for 21 years. "If I had to start from scratch right now, it would be tough financially."

Unlike many other businesses, which thrive on attracting droves of customers, providers have to be careful about overextending themselves. The municipality of Anchorage sets limits for day care centers of four infants per caregiver, for example, with a maximum group size of eight infants. Government caps on the number of kids per caregiver mean that adding even five toddlers to a day care center necessitates the hiring of more staff and a possible expansion of the physical space.

The caps are in place for good reason. Assigning a dozen infants to a single caregiver in an overcrowded room would more than likely result in lots of unhappy babies and furious parents. But the caps also dampen the earnings potential of child care providers.

Children: A lifestyle choice, or a social good?

In Alaska and most of the U.S., policymakers tend to put the burden of child care on parents. Children in this country are commonly seen as a lifestyle choice, in the same vein as purchasing a luxury car or designer bag, and are thus the responsibility of their parents. In other

countries, government spending on child care is higher because kids are seen as a social good: If not always viewed as adorable or delightful, they are at the very least considered crucial to maintaining a labor pool and a healthy population size.

Stephanie Berglund, the CEO of thread, a nonprofit advocate of early child care and education, believes parents should be assisted, not punished for their decision to have kids. But she knows full well that even if the political will to spend more on child care in Alaska was strong, the state's multi-billion dollar deficit won't allow for much.

"Some people say child care is solely a family responsibility, but in order to build healthy communities and allow more families to participate in the workforce, we need more government and business support," she said. "We hear in the halls of Juneau all the time that kids should be home with their parents. And I agree. We want every family to have that option, but because of the economy, some people don't have the choice."

She noted that many Alaska residents are living far away from grandparents or other relatives who might have cared for their children. And there are more single-parent families and more households in which both parents work. A small number of companies provide employer-sponsored child care, including Providence Alaska Medical Center, BP and Southcentral Foundation, but it's rare.

"All these factors are driving demand for child care, but our policies, funding and infrastructure have not kept pace with those changes," Berglund said.

The Economic Policy Institute study found Alaska is one of 33 states where the price of child care is higher than in-state tuition in the public university system. The average annual cost of care for a 4-year-old in Alaska is $7,652. Infant care is quite a bit more, at $10,957. In-state tuition at the University of Alaska averages $6,141 per year, the study found.

But unlike day care providers, the university receives a state budget allocation that last year totaled more than $300 million, meaning taxpayer dollars drive tuition significantly lower than the true cost of educating a student. Parents, meanwhile, shoulder most of the burden of day care costs.

"Everyone knows you have to save for your kid's college tuition," Platt said. "But no one knows you're going to have a college tuition to pay right off the bat."

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