

THOUGHT LEADER FORUM

CHILDCARE CRISIS IS EVERYONE'S BUSINESS

The Puget Sound region is experiencing record demand for child care, yet the supply is not meeting the demand. Escalating costs make it a daily struggle for many in the workforce. The issue is complex and impacts children, parents and their employers. Recently, the Puget Sound Business Journal held a Thought Leader Forum to discuss the many challenges facing parents and employers with respect to child care. The discussion was led by Ryan Lambert, PSBJ Editor-in-Chief and included Jasmine Donovan, President and CFO, Dick's Drive-In Restaurants; DeAnn Burtch Puffert, CEO, Child Care Aware of Washington; Amy Anderson, Director, Association of Washington Business (AWB) and former Washington State Representative Kristine Reeves (30th Legislative District).

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LAMBERT: A recent report found that almost half of the state's working parents struggle to find, afford and keep any kind of child care. Many families would say this has been an issue for a long time. Why is it a crisis, now?

REEVES: It's always been a crisis for moms. So many folks are paying attention to it now because child care is no longer a mommy issue. It's an economic issue. Parents can't get their bills paid at the end of the month when they can't get their kids to child care, or when it costs more to put their kids in child care than it does to keep the job that they have. I'm the mom of a five-year-old and a seven-year-old. My husband and I pay more collectively in child care right now than we pay for the mortgage and car payment every month combined. Our child care bill totaled about \$35,000 last year. Like a lot of parents, I want to continue contributing to my community by getting up and going to work every day. I want my kids to have that model. But for a lot of families, it's not a choice anymore.

PUFFERT: Child care is such a complex reality for our culture and our community. With so many new young people in our region, we have record demand for child care but we're unable to meet that demand. It's not easy to start a child care business, and it's increasingly hard for providers to continue to offer care, and do it in a way that they can feel proud of and pay for. Providers are juggling the costs of the state's increased quality standards for child care and minimum wage increases with the reality that families can only pay so much. The crisis is especially felt by families with children under the age of three.

ANDERSON: From the business perspective, we're seeing an increase in demand for workforce, and we're already in a workforce shortage. Part of what is lending itself to that shortage is the fact that parents can't find affordable or accessible child care. It's a big reason why the business community struggles to attract and retain skilled workers. And we're deeply worried about the child centers and family homes that are closing or struggling to stay open. These mainly small businesses have some of the most diverse ownership, reflect their community's identity and values and hold deep community trust. Communities need these small businesses to survive to ensure families have choices about who is helping to care for and educate their children.

LAMBERT: What are some key facts that we should know?

REEVES: Ninety-two percent of a child's brain development happens between birth and age five. So when we talk about wanting to solve bigger problems, like closing the education opportunity gap or building a workforce to meet the needs of our industry today, tomorrow and into the 22nd century, we need to invest more than two percent of the state budget to take care of those birth-to-five-year-olds. When we take care of kids early, we save money later because they're more successful in school, better citizens, more self-sufficient and healthier.

PUFFERT: At \$10,560 to \$16,200, the annual cost of full-time quality care for one infant in a licensed center can be more than the annual cost of tuition at one of our state universities — and there's no financial aid. It's an expense that often hits families early in their earning potential too. Unfortunately, because of requirements and regulations, these dollars from families don't translate into livable wages for child care providers with advanced degrees who often make less money than pet groomers and parking attendants.

ANDERSON: I want to share a few findings from the recent "Mounting Costs of Child Care" report. Two-thirds of Washington employers said that child care challenges caused employees to miss work. Parents said that because of child care challenges they needed to quit their jobs, leave school or a training program, or drop from full-time to part-time employment. And in 2018, child care issues cost the Washington

that you need for a typical 11-hour child care day and meet licensing requirements, those teachers will make about \$36,000 a year, which we all know is not a living wage here, much less an AA or BA wage. Between salaries and the requisite basic benefits of paid time off, sick leave, medical and dental insurance, you will spend more than \$11,000 of your \$14,000 just on your teachers. This leaves about \$3,000 to pay for occupancy, utilities, insurance, billing, administration and materials. Quality care really does result in better outcomes for kids, and the balancing act between regulation and best practice is a tough one to strike.

REEVES: When I got to the Legislature in 2017, I was the only woman with kids under the age of 5. In a part-time Legislature, I had to figure out how to be able to serve the public and make sure my kids had a safe, affordable place to go. I spent that summer digging into the root cause of

from other states? Are there states that are doing it well? Models that we can borrow from?

ANDERSON: Every state is experiencing this. It's a national crisis. For a lot of reasons, the rest of the country is looking to Washington state as a model because of the task force that Kristine put together, our reports, and the work coming out of the state Department of Commerce. Some states are looking at how to incentivize businesses to do this. Is it through tax breaks or giving them incentives to develop child care centers within their community, on their campuses, within their buildings? Some states are looking at private-public partnerships. For example, a vacant elementary school in Missoula will be repurposed and immediately increase the number of child care slots available by 200. That was done through the state chamber, the Missoula business community and the public school district as a collaborative effort.

PUFFERT: I sit in national discussions through the Child Care Aware of America system, and we see a few city or regional areas where amazing things are done, but they're fixing small problems, not global ones. The city of Seattle is a great example, where they put money into the Seattle preschool program that allows families of up to four with \$72,000 in annual income to have access to relatively free child care. But that's Seattle, and you've got to be able to afford to live in Seattle to qualify.

REEVES: As Amy said, while this is a national crisis, other states are looking to Washington state and our work. There is no doubt that we are the leader in quality child care standards. Right now, we're actively working on a true cost of quality child care model that will give us a real understanding of what provider salary levels should be based on the education level and experience required by regulation. We're the first state to set a timeline to get this work done because we said we want accessible, affordable child care by 2025.

DONOVAN: The early dot-com era was another really hard time to employ people, and there are Washington employers who have come up with ways to support working families. At Dick's, we expanded our scholarship program, so if you didn't want to use it to go to school, you could use it as a child care assistance program. We write a monthly check to your child care provider, and we're flexible about who that is — a center, a grandparent, a cousin. It's helps us attract talent who want to work for us but need child care. Our scholarship program right now is \$25,000 over four years, and you can keep drawing on it up to \$50,000 over your lifetime working for us. It doesn't cover the full cost of child care, but it takes the sting out of it.

PUFFERT: To add to that, flexible spending accounts are an underutilized benefit that all businesses should be offering, and a family should be taking advantage of. My kids are now almost 30 and 23. The maximum dependent care amount that I could set aside back when they were babies was \$5,000. It's still \$5,000 today. I would love to see businesses go to the federal government and see that amount

"Child care is no longer just a mommy issue. It's an economic issue."

KRISTINE REEVES

Congressional Candidate, WA-10

state economy about \$2 billion in direct costs and \$6.5 billion in opportunity costs.

LAMBERT: What is driving up the cost of child care right now? And how do we address it?

DONOVAN: Because of regulations, we're making it very hard for supply to meet demand. The cost of property is huge as well as the cost of providing benefits. It's expensive to live, work and commute into Seattle. There has to be a balance. I understand the intention of trying to create and mandate quality child care, but it's limiting and eliminating supply. So parents have few or no choices. You have to allow the supply to meet demand, and then let parents make a choice.

PUFFERT: Let's be clear. While child care costs are high, no one is getting rich in this industry. Take for example an infant classroom with eight children and a required 1-4 teacher/infant ratio regulation. Figure those eight families pay an average of \$1,800 a month. That gives you about \$14,000 to provide everything you need in that classroom. As a business person you would then look at the expense of serving those children. If you pay your 2.5 teachers

why we have a crisis in child care access. What I found was that the Legislature, for the last several years, had been regulating child care access based on quality, which is super important. But there are two other legs to that stool — access and affordability. Somewhere in that Venn diagram you've got to find the right balance. We forgot that in our work to regulate quality, we also need to compensate for access and affordability. Nobody was treating child care like an industry. We were treating it like a social service, and that is a very different thing in the market than when you treat workers as part of the infrastructure necessary to keep an economy moving.

ANDERSON: Again, we need to remember that most child care businesses are small businesses. In addition to industry specific regulations, they're also dealing with paid family leave, minimum wage increases, potential for predictive scheduling, all of these regulations that are coming through. Trying to balance that, along with the industry specific regulations that are making people leave the industry, it's extremely difficult for them to actually break even.

LAMBERT: So how does the crisis of child care in Washington state differ

raised to at least \$15,000 a year.

REEVES: I really want to give the Association of Washington Business (AWB) credit. For the longest time, this issue, particularly in Olympia, really was fought by the social advocacy groups. But once AWB came to the table and was able to talk about this as an economic issue, the level of interest just jumped up. We have gotten more done in the last three years on this issue with AWB's help, than I think we've gotten done in a lot of other ways.

ANDERSON: We really did have to reframe it, too, from a business perspective. This is your current workforce; it's also your future workforce. With the help of some of our champions within our board of directors, and then an awareness campaign among our members, everybody understood why we needed to jump in.

LAMBERT: Amy and Kristine, you referenced the task force. What exactly is this, and what is the aim of that initiative?

REEVES: The state Legislature created the Washington Child Care Collaborative Task Force in 2018. All of the child care programs supported by the state are designed for those families who are struggling the most. A lot of people think it's government's role to intervene at that end of the spectrum. At the other end of the spectrum, you have families making more than 600% Federal Poverty Level (FPL). They're able to have a parent stay home or hire nannies and au pairs, if they

want, or have strong parent choice in the private market. But who I heard from the most were the majority of families – taxpayers – in between these two groups. They're broke but can't get a state subsidy. Or they don't get tax breaks because they're not rich. When we wrote the bill for the task force, we wanted to create a table that included everyone who is affected by child care. We also positioned it as an economic issue, not a social service issue. That helped change the conversation and required the business community to have a voice. We then asked the Department of Commerce, whose job it is to engage with industry all day, every day, to think about how we have this conversation from an economic lens. And that really launched this partnership.

LAMBERT: You're not Starbucks, you're not Amazon, you don't have the resources to bore into this issue. Jasmine, what are some best practices or takeaways that you can share from how Dick's has approached the child care issue?

DONOVAN: We take our responsibilities as a gateway employer, first-time employer, a transitional employer, very seriously. Our benefits at Dick's are built with a deep understanding of what our employees value and need to come do good work for us. In our case, scholarships, childcare and health insurance are a big part of that. That's why we have 100% employer paid health insurance, a 401K program with employer match and substantial employee stipends for college and child

care. I had the opportunity to meet with some of our alumni employees who we stay in touch with. These kinds of supports and investments made a big difference in their lives and helped them do really great things. That's why we are passionate about these benefits that we offer, and why they're the right things for us. It doesn't mean that every business should do what we do or have a child care center on site. But it is a very important benefit for us because we're a family business. We want our employees to have families, if they want to, and be able to support their families.

LAMBERT: What is being done to help businesses of Dick's scale, and even smaller, to address this issue, help parents develop in the workforce and make sure that their kids have proper care?

ANDERSON: It is multifaceted. The business community is creating awareness about the child care issue and offering information and mentors for businesses of all sizes. Being a family-friendly workplace can take many forms. The government is providing some incentives to employers and employees because our state wants people working and to see business and job growth. And the task force is pushing a large group of stakeholders to think harder and more creatively, so that we all can do more for working families.

PUFFERT: One way businesses can help families is putting aside pre-tax pay – up to \$5,000 – in a dependent care benefit. This benefit provides 20 to 30 percent off the

first \$5,000 of child care costs, putting real money in parents' pockets. That matters to middle-income families. There's also flexible scheduling, "Bring your baby to work" programs, if that's a possibility. I think it's also about changing the business mindset to say addressing this issue is part of our employee retention investment.

LAMBERT: What's at stake if we don't immediately address this crisis?

PUFFERT: Parents will do their best, piecing together care – kids are with this person one day, that person the next day. Kids need to attach to the significant adults in their lives, and they're being bounced around from person to person so that families can work and pay their bills. This is not an ideal way to support a child's development. If we want children to grow up really well-attached and clear about who they are and that they're important in this world, they need consistency and security.

REEVES: In two-thirds of our state's households, every adult who is able to work must do so. Our families and our economy don't really have the option of creating a situation where a parent, mostly the mom, must spend anywhere from three to five years outside of the career market in a rapidly changing world of work. We are no longer in the industrial age. We are now in the full-blown tech age, and technology changes faster than we can blink. And women are still being asked to step aside or aren't being supported to stay? When we do that, that ripple effect isn't just felt today, it's a 20-year ripple.

THOUGHT LEADERS



AMY ANDERSON

Director of Government Affairs
Association of Washington Business

Amy K. Anderson is the Association of Washington Business' director of government affairs for education, workforce development, health care and federal issues. Amy has led education and workforce efforts in the state for over 15 years, establishing career exploration programs in Eastern Washington and providing business support for efforts in early learning, K-12 and post-secondary education. Amy holds a law degree from Gonzaga University, a graduate degree in Health Policy and Administration from Washington State University Spokane, a B.A. in Philosophy from the University of Colorado and a B.A. in Government and History from California State University Sacramento.



JASMINE DONOVAN

President and CFO
Dick's Drive In Restaurants

Jasmine Donovan is the President and CFO of Dick's Drive-In Restaurants. Granddaughter of one of the founders and namesake, Dick Spady, she has worked at the business several times since she was 16 years old and started working full-time on the executive team in 2013. Jasmine stepped into the role of President when her father, Jim Spady, retired in late March 2019. Jasmine is on the board of the Seattle Metropolitan Chamber of Commerce, Mary's Place, and the Forum Foundation. Jasmine has recently been recognized by the Puget Sound Business Journal as a Woman of Influence for 2019. Jasmine currently resides in North Seattle with her husband and two sons.



DEEANN PUFFERT

CEO
Child Care Aware of Washington

Deeann Puffert has spent her career working on behalf of children, families and child care providers. For the past 34 years, she's focused on early learning and has tackled the challenges of affordability, accessibility and quality by addressing economic and equity system improvements. In December, Deeann became chief executive officer of Child Care Aware of Washington. Prior to this, she was CEO of Child Care Resources and led the development of a racial equity framework, expansion of services for families experiencing homelessness, and creation and expansion of both Kaleidoscope Play & Learn groups and professional coaching for child care providers.



KRISTINE REEVES

Congressional Candidate, WA-10

Kristine is a full-time working mom, serving as Washington's first Director of Economic Development for the Military and Defense Sector since 2013. From 2017-2019, Kristine also served as a part-time citizen legislator, representing the 30th Legislative District and the hard-working families of the South Puget Sound area. A Moses Lake native, Kristine received her bachelor's degree in Political Science from Washington State University in Pullman (Go Cougs!) and then pursued a master's degree in Organizational Leadership at Gonzaga University in Spokane. A former international student advisor, non-profit leader, and U.S. Senate staffer, Kristine is also a small business owner, specializing in strategic planning, project management (PMP# 2269325) and graphic facilitation services.

For over 115 years, the Association of Washington Business has served Washington employers. We proudly stand with them as they support family-friendly workplaces and invest in the next generation.

And to all the parents, teachers and caregivers helping build a better future, we say 'thank you.'

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To learn more, visit www.awb.org.



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