



Cultivating Connections...

Between Economic Development & Child Care

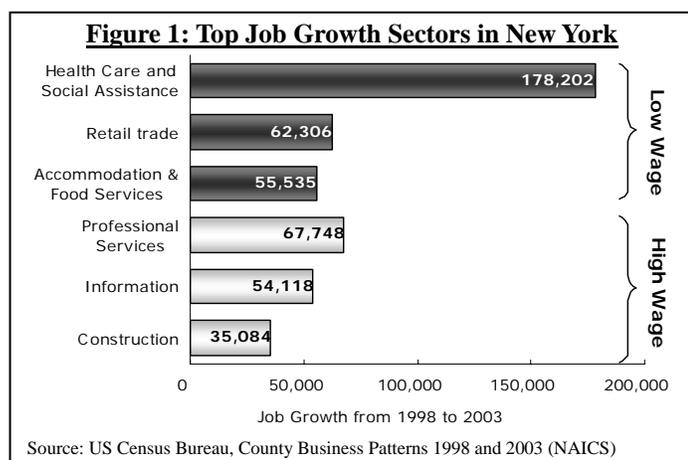
Labor Force Trends and the Role of Child Care in New York

What are the Growing Industries in NYS?

The New York State economy has seen moderate growth in recent years. There has been a significant expansion of the service sector but a sharp decline in manufacturing employment. From 1998 to 2003, the state added a total of 423,000 jobs, but with a base of roughly 7 million jobs, this yielded an average annual growth rate of less than 1%.

Large job growth in low-wage industries

Overall, the largest employment growth was recorded in low paying sectors. Figure 1 exhibits the top three industries in terms of job growth in both low and high wage categories (either below or above the state average payroll of \$44,850). The health care industry, which is the largest employer in the state, was also the biggest contributor to workforce expansion adding 180,000 jobs. Retail trade and accommodation and food services also contributed to job growth, and altogether, these three industries created nearly 300,000 jobs in five years. These three sectors hire roughly 37% of all New Yorkers.



A few high-end industries also experienced job growth. Professional services, with an average salary of \$63,000 added 68,000 jobs. With the information sector and construction industry, the job expansion of these high wage industries reached 160,000, barely exceeding half the growth of low-wage jobs.

Working mothers in need of child care

Assuming that the current trend of job expansion in low-wage industries continues, we need to consider how

to ensure affordable child care of good quality for working parents. The 2004 American Community Survey revealed that in New York, there are 254,781 women age 16 years and over who are employed and who have children under 6 years old, compared to 201,590 who are either not employed or not in labor force.

Although the breakdown of these mothers for each industry or occupation is not available, we may reasonably assume that a large proportion of young working mothers are employed in the low-end sectors. An Urban Institute survey finds that low-income families, either single- or two-parent, are less likely to use center-based care or formal licensed care (Sonenstein et al, 2002). In fact, quality care in centers may be too costly for these parents. *The average annual cost of center care in New York State is \$9,500 (NYSCCC, 2004); an unreasonable burden for a worker in retail trade whose average wage is only about \$20,000.*

Many studies demonstrate a considerable loss of productivity for working parents whose children do not have access to quality child care programs. Furthermore, low-wage sectors face the problem of high turnover of their employees. Ensuring quality and affordable child care is crucial to maintaining the economic competitiveness of New York's growing employment sectors.

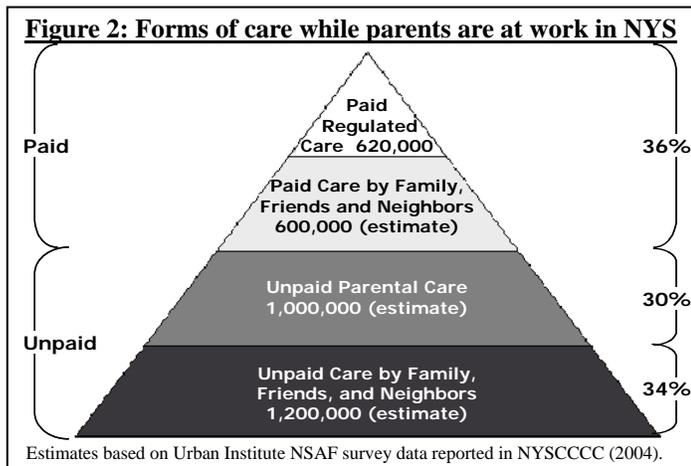
Measuring the Supply and Demand of Child Care: A Tough Challenge

Complex picture of the child care industry

What is the current supply and demand of child care? According to a report by the New York State Child Care Coordinating Council (2004), roughly 620,000 children were served in regulated care in 2003. With 3.4 million children in the state who have working parents, the Urban Institute estimates 1.2 million (36%) are in paid care. The gap between the number of children in regulated care and the total number in paid care estimates the number of children in informal settings. The remaining 2.2 million are cared for by unpaid family, friends or neighbors.

The child care market is complex. Regulated and licensed suppliers include center and family-based care, preschool programs, and after-school care. There are also publicly provided services such as Head Start and pre-kindergarten. However, these regulated care providers

form only the tip of the iceberg. Many parents, seeking availability and affordability, depend on informal, unregulated care that constitutes the foundation of the pyramid (Figure 2).



Attempts to measure supply and demand

Cornell University's *Linking Economic Development and Child Care Project* has developed several approaches to measure the supply and demand of child care services at the local level (Cornell Workshop Group, and Ribeiro and Warner, 2004). One approach is to look only at the regulated spaces; another is to determine potential demand using estimates of children with working parents and potential child care usage based on survey estimates.

All children need care but not all parents use paid care. The Urban Institute's National Survey of America's Families found 36% of children of working parents in NYS in 1999 were in center and family care (NYSCCCC, 2004). Parents use both regulated and unregulated care but most administrative data only capture regulated care.

Availability, Affordability, and Parental Choice

Communities should be careful not to overbuild child care centers as a panacea for child care needs. NYS's cost of care is the highest in the country and working families above the cut off for public subsidies often cannot afford regulated care. *While many parents prefer regulated family child care, paid and unpaid family, friend, and neighbor care is often preferred because of its flexibility. Choice is critical, and communities must ensure a diversity of quality child care options if they are to meet parents' needs.* The following case of Westchester provides an illustration.

Supply-Demand Gap: The Case of Westchester

The Child Care Council of Westchester County published a report in 2005 describing the supply and demand of child care services in the area. While recognizing the importance of informal care and the legally exempt portion of the industry, the report solely focused on regulated full-time child care, which includes child care centers, school age programs, family child care providers

and group family child care providers (Child Care Council of Westchester, 2005).

Demand exceeds regulated supply

Through surveys to 771 child care businesses, the study found roughly 25,000 slots of regulated care, a 25% increase in the past five years, far outpacing general population growth. With 172,000 children from infancy through 12 years in the county, the report assumed half of these children (86,000) would need some form of care. The current supply of regulated slots represented only 30% of estimated demand.

High vacancy rate in regulated care

Despite this hypothetical but huge supply-demand gap, surprisingly, over a quarter of the county's regulated child care slots are *empty*. Even in some communities with limited capacity, the enrollment rates are very low. For example, the city of Yonkers has regulated spots that meet only 27% of the calculated demand, but the vacancy rate in centers is as high as 53%.

Need for further research

How can we explain such high vacancy rates? Is the market saturated? Is it an affordability issue or a location issue? Do these reasons vary by program or family type? The report made clear the need to further explore the preferences of families: what types of early care and education services do they want and will they use? *The primary assumption for calculating the demand (50% of all kids) may be too high.* The county is now engaged in a more in-depth study to seek answers to these questions. Other communities will benefit from these findings as calculating demand for child care is complex.

References

- Child Care Council of Westchester. "Westchester County Child Care Supply and Demand Survey 2005." Child Care Council of Westchester, Inc., 2005.
- Cornell Workshop Group. "Methodology: Child Care Demand." <http://government.cce.cornell.edu/doc/pdf/Child%20Care%20Demand%20Methodology.pdf>
- New York State Child Care Coordinating Council. "Investing in New York – An Economic Analysis of the Early Care and Education Sector." April 2004. <http://www.nysccc.org/FinalReport4-22-2004.pdf>
- Ribeiro, Rosaria, and Mildred Warner. "Measuring the regional economic importance of early care and education. The Cornell methodology guide." Cornell University Linking Economic Development and Child Care Project, 2004. <http://government.cce.cornell.edu/doc/html/MethodologyGuide.htm> (Includes interactive tools for quantitative analysis)
- Sonenstein, Freya L. et al. "Primary Child Care Arrangements of Employed Parents: Findings from the 1999 National Survey of America's Families". Urban Institute, 2002.
- The Annie E. Casey Foundation, KIDS COUNT State Level Data Online, <http://www.kidscount.org>
- US Census Bureau. "Who's minding the kids? Child Care Arrangements: Winter 2002" October 2005. <http://www.census.gov/prod/2005pubs/p70-101.pdf>
- Warner, Mildred. "Child Care and Economic Development: The Role for Planners" PAS MEMO, American Planning Association, 2006. <http://government.cce.cornell.edu/doc/pdf/pasmemo0106.pdf>