The Economic Impact of the Early Care and Education Sector

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Child Care as Economic Development

• What is economic development?
  » Growth in jobs and income
  » Human development (literacy, health)
  » Choice and freedom
  » Sustainability

• How can we count the contributions of the child care sector?

• How can we use an economic development frame to increase public and private support for child care?
Where Does Child Care Fit In?

Parents

Sustainability

Kids

Human Development

Locations

Growth in Jobs and Income
What is child care’s economic development impact?

• Localities - Growth in jobs and income
• Children - Human development (literacy, health)
• Parents - Choice, enable them to work
• Society - Social infrastructure, sustainability
We know child care has long term impacts

But economic development focuses primarily on short term impacts.

How can we count the contributions of the child care sector in the short term?

Can we use an economic development frame to increase public and private support for child care?
1. Most economic data seriously undercount employment and income in the child care sector. Child care data follows an education or social service model - not economic development focused.

2. Government funding is typically viewed as welfare, not economic development investment.
3. Much child care demand is local - from parents - but most impact models assume demand is from outside the local economy. Exports promote growth - but what is the role of local service sector demand?

4. A critical impact of child care is its productivity effect on parent workers. This effect is not counted in any impact models.
Defining Early Care and Education as an Economic Sector

- **Direct Effects**
  - Establishments
  - Workers
  - Children
  - Gross Receipts

- **Linkages**
  - Input / Output Analysis

- **Parent Effect**

**Linkage Effects**

**Total Value of Local Economic Linkages**
Size of the Child Care Sector in Kansas

- 14,000 workers
- 8,000 establishments
- $500 million in gross receipts
- 100,000 children

Standard economic data undercount the child care sector
Direct Effects Allow Comparison to Other Industries

Direct Employment by Industry Sector, Kansas

- Child Day Care Services
- Apparel & Accessory Stores
- Hotels and Lodging Places
- Meat Packing Plants
- Feed Grains
- Food Grains

*From IMPLAN Database, 2000, ** State Licensing Data 2002
Defining Early Care and Education as an Economic Sector

- **Direct Effects**
  - Establishments, Workers
  - Children, Gross Receipts

- **Linkages**
  - Input / Output Analysis
  - Each $1 spent in the child care sector stimulates $1.98 in the wider Kansas economy

- **Parent Effect**
Understanding Linkage Effects

Input-Output analysis calculates the ripple effects of an industry’s spending in the local economy.

**Direct Effects:** Child care centers take in revenue.

**Indirect Effects:** Centers make purchases.

**Induced Effects:** Centers pay worker wages.

Total Value of Local Economic Linkages
Output Multipliers Increase with the Size of the Economy

- Rural County
- KC Metro
- Kansas
- U.S.

Legend:
- Induced Effect
- Indirect Effect
- Direct Effect
Every child care job generates 1.3 to 1.8 jobs in the wider economy

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Defining Early Care and Education as an Economic Sector

- **Direct Effects**
  - Establishments, Workers
  - Children, Gross Receipts

- **Linkages**
  - Input / Output Analysis

- **Parent Effect**
  - 67,000 parents in Kansas claim the state child care tax credit.
  - These parents collectively earn $2 billion in wages.
Infrastructure for Economic Development

- Roads, airports, and buses enable people to get to work and businesses to get their supplies.
- Child care enables parents to work.
- Transportation receives significant public subsidies.
- Parents pay most of the cost of child care.
How Can We Use and Economic Development Frame?

- Increase supply – non-traditional hours, infant care
- Improve quality – retention, professionalism, educational content
- Improve business management practices
- Increase affordability and access
- Encourage private sector support
- Justify increased public sector investment
Impact Analysis - Comparison to Other Policy Sectors

- In Kansas, Child Care has economic impacts (1.98) similar to
  - local interurban passenger transit (1.84),
  - job training (1.83),
  - elementary and secondary schools (1.90),
  - colleges and universities (1.86).

  *Kansas Type II output multipliers, Implan 2000*

- Is child care getting a similar level of subsidy?
In Tompkins County, NY only 1 in 8 eligible children receive child care subsidies. We determined if government funded all eligible children in Tompkins County it would return:

» $9 million in federal and state taxes to the local economy &

» stimulate $5 million in local economic impact.

The Chamber of Commerce is sponsoring an employer outreach campaign to Fill the Gap!
Subsidy Gap Impact

• Kansas proposed reducing eligibility level for subsidies from 185% to 150% of poverty.
• That this would cause a direct loss of $4.8 million and 217 jobs.
• Economic impact analysis showed a further loss to the broader state economy of $4.7 million and 119 jobs.
Economic development arguments can help us to broaden the collective responsibility for care.

Be careful in framing this argument not to undermine the educational and social values of care.

Remember, economic development itself is now being framed in broader terms - sustainability, human development, choice and freedom.
Thank You!

Working parents spend 10-35% of their income on child care.

65% of mothers with kids under 6 are in the labor force.

Early learning is key to academic success.

High quality care reduces the risk of later behavioral problems.

Child care employs over 1.1 million workers.

Money spent on child care generates jobs and income in the larger economy.