

## Supply and Demand Gap

The gap between supply and demand in the childcare industry refers to the difference in the number of slots provided by licensed/registered providers and the number of children demanding childcare services. In Tompkins County, several factors including demographic shifts, welfare reform and trends towards greater involvement in the labor force and have caused the demand for childcare services to increase. Concurrently, the increasing numbers of regulations on childcare providers (e.g. the new Child and Adult Care Food Program (CACFP) reimbursement system, changes in zoning ordinances, et cetera) and low profit rates have caused a decrease in the number of licensed slots. The following is an analysis of the demand and supply in Tompkins County and a quantification of the gap.

Number of Children Under age 6 not in Kindergarten	4,372 <sup>1</sup>
Number of Children Demanding Childcare	2,405 - 3,195 <sup>2</sup>
Number of Licensed Slots (full-time equivalent)	1,849 <sup>3</sup>
Supply Gap (unmet need)	<b>556 – 1346</b>

(For further analysis of how these numbers were obtained see the methodology section for demand).

The gap between supply and demand (556-1346) indicates that there is not a licensed slot for every child demanding childcare. Unlike other industries that respond to fluctuations in the market, the supply of childcare is not responsive to the demand for a number of reasons. Because childcare is a labor-intensive service, a majority of the expenses incurred are costs of salaries and benefits for teachers and teaching assistants. These costs cannot be reduced due to state-required minimum staff to children ratios. The inability of childcare businesses to decrease costs and increase profits then results in the observed low profit margin that serves as a deterrent to those who would potentially provide care. Instead of supply increasing to meet demand, these trends indicate that the supply gap will remain and may even increase. Parents that cannot find childcare arrangements may then be at risk of losing jobs, incurring high costs to ensure care, or having trouble transitioning off welfare.

More reasonably, families are pragmatic about their choices concerning childcare: i.e. if both parents work and licensed care is not a practical option, other forms of care will be used. For example, many low and middle-income families may find that single or multiple informal childcare arrangements offer a more flexible and cost effective way of providing necessary care. Legally-exempt care and relative care represent the two primary alternatives parents have for providing care other than using licensed providers. Informal care here refers to that care which does not require a license or regulation (providers of this type may care for two children other than their own). Due to the lack of regulation/restrictions on informal providers, this type of care tends to be the most responsive to fluctuations in supply and demand. Further regulation of informal care providers could help assess how parents are coping with the cost of childcare and changes in the sector.

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<sup>1</sup> Census 2000 provides the number of children age 6 (5,267). The school district profile, NYSED provides number of children in kindergarten (895). Total number of children under age 6 not in kindergarten therefore equals 4,372.

<sup>2</sup> Range of children demanding childcare in Tompkins County determined using three different definitions of demand for care. The low end defines demand for childcare as 55% of children not in school (KIDSCOUNT 1994 based on Census 1990). High end defines demand for childcare as 73% of children not in school (estimate using labor profile data Census 1990 and educational purpose).

<sup>3</sup> Number of registered full-time slots or full-time equivalent slots as reported by the DCC (2001).