Addressing the Affordability Gap: Framing Child Care as Economic Development

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Introduction

The United States has experienced profound changes in work patterns, family life, and women's roles in recent years. The rate of mothers who work outside their homes has risen dramatically in the last forty years (from 30 percent in 1960 to 72 percent in 1999).[1] Formal systems of providing child care while parents work have not kept pace. These problems not only have serious consequences for families and children, but also hamper economic growth.

Because child care is a labor-intensive business, wages make up a high proportion of providers' total expenses. Providers are unable to cut costs by increasing the number of children that each staff member serves because of state-mandated child/staff ratios. Neither can they lower their costs by substituting technology for workers. Providers are also unable to raise prices because fees are already as high as most families can afford, exceeding 35 percent of family income in some cases.[2] This situation results in a crisis of care: very low wages for child care workers; low returns to providers; and an inadequate supply of quality, affordable child care. Quality

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suffers because staff members are often poorly trained and underpaid and turnover is high.[3]

Employers are also affected by lower worker productivity and higher turnover when their employees are unable to find stable, trustworthy child care. A University of Michigan study shows that mothers are more than twice as likely to quit their jobs when the employer offers inadequate child care or none at all.[4]

The quality of care has a long-term impact. The well-known Perry Preschool study demonstrated that for every dollar invested in early care and education, society receives a seven dollar return.[5] In a review of thirty-six long-term studies of early childhood programs, Steven W. Barnett suggests that the national cost of failing to provide at least two years of early education could be as high as $400 billion.[6]

Community developers have been turning their attention recently to the role of child care in economic development. This article describes some of the unique challenges of analyzing child care as an economic sector and some of the opportunities an economic development frame can bring to the child care finance debate.

Economic development methods may help broaden public support and identify innovative financing solutions. Before such approaches can be applied to child care, the industry must begin to present itself as a participant in the economic sector. To begin this process, states and counties have started to conduct economic impact analyses of the child care sector. In Tompkins County, New York, described in more detail in this article, a group of business, government, and community leaders used an economic impact analysis to help build support for a local subsidy fund that will help all families pay for child care. By showing that child care is an important social infrastructure that has economic benefits for businesses, government, and workers, studies such as these are beginning to reframe the child care issue in terms of economic development, rather than welfare policy.

Broadening the Economic Development Debate

Planners and geographers often describe state and local government as the "competitive state."[7] Especially in the United States, with its system of fragmented local governments that rely heavily on locally raised revenues, states and cities are keenly aware of the need to attract higher-income taxpayers and industry to build the local tax base. This competitive stance focuses state and local government on economic development over social infrastructure and redistributive concerns.[8]

A key challenge of the competitive state is the avoidance of destructive competition, or a race to the bottom.[9] "Beggar thy neighbor" strategies abound in industrial recruitment literature. New theories of economic development emphasize investments in social infrastructure and quality of life as foundations for a new creative economy. As devolution shifts responsibility for social welfare downward to the local level, states and localities that preserve the social safety net must do so without compromising their economic competitiveness.[10]

Theoretically, markets are not well positioned to provide merit goods that everyone needs regardless of ability to pay. However, planners and community developers have been innovative in building policies and programs to stimulate private sector investment in affordable housing. In transportation and housing, both families and the industries as a whole receive public support.[11] Policies rely on many different administrative mechanisms, including grants and subsidized loans; tax abatements, deductions, and credits; and vouchers and user fee discounts. The public sector is seen as a partner with private sector actors such as financial institutions, developers, and employers. Government structures subsidies to industries (equity for capital construction or operating assistance to keep user fees reasonable) to stimulate economic development and encourage private investment. Subsidies to families in the form of tax benefits (such as the tax deduction for home mortgage interest) or vouchers (such as Section 8 housing assistance or transportation subsidies for low-income people) are designed to augment industry subsidies and promote equity and access. These funds help to stimulate growth, encourage private investment, and make services available, affordable, and accountable.[12]

Could these approaches be redesigned to stimulate private sector investment in social services? Investments in human capital are often long term and cannot be severed from the individual or sold on a secondary market. Thus, transferring the focus from the physical capital of economic development strategies to the human capital of social services will not be easy.

Clearly, economic development has traditionally focused on creating jobs and supporting business through physical infrastructure investments, loans, tax abatements, technical assistance, industrial recruitment, and job training.[13] More recently, economic development logic has shifted to give more emphasis to the importance of building the infrastructure to support both business competitiveness and quality of life.[14] Such investments, it is argued, create the foundation for sustained economic growth.

Financing strategies developed for affordable housing, such as the Low-Income Housing Tax Credit, are now being tested for their applicability to the child care sector.[15] Similarly, New Markets Tax Credits may have relevance for financing child care. The limitation of these approaches is that they work best when the object of finance is physical infrastructure, e.g., a facility. However, the biggest finance challenge in the child care sector is operating support. Parent fees comprise 87 percent of the revenues for a typical child care center and almost 100 percent of revenues for child care homes.[16] Although most parents regard these fees as a significant portion of their own budgets, the charges are not enough to build a stable, high-quality child care business. Employee turnover rates are as high as 40 percent, in large part due to low wages in comparison with retail wages despite the higher education requirements for child care workers.[17] Similarly, business failure among child care homes is close to 40 percent, reflecting poor profitability due to long hours and low returns.[18] To improve quality and stability in the child care sector, more revenue is needed.

To date, child care financing strategies have been limited, and the field is only beginning to craft policies that engage private sector partners in meaningful ways. Recent initiatives in some communities and states demonstrate, however, that framing child care as economic development can promote increased involvement from both the public and private sectors.[19] Child care advocates can encourage business leaders and the economic development community to take action. To turn moral support into actual public investment, though, they need to demonstrate the immediate economic returns from child care spending in jobs, tax dollars, and increased economic activity.

Framing Child Care as Economic Development

Early childhood education expert Susan Nalls Bales and cognitive linguists George Lakoff and Joseph Grady argue that we need a new child care ''frame'' that appeals to both liberals and conservatives.[20] Frames, they explain in a recent report, are the basic values and understandings of reality that structure how we analyze and interpret information. How we frame child care ''is a critical factor in determining whether . . . we must solve the issue in the public arena of government or in the private arena of parents, and whom we hold accountable for failures.''[21]

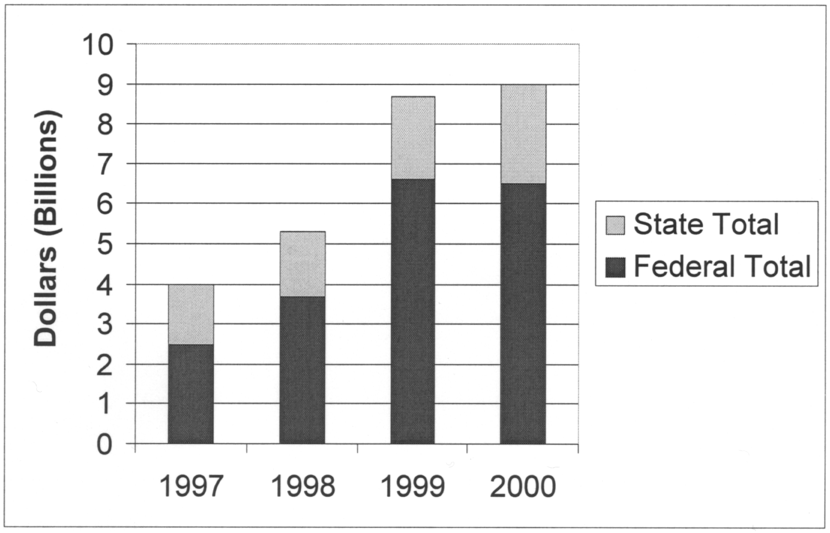
In the past, two frames have been used to encourage public investment in early childhood programs. Traditionally, a welfare frame has justified public support. Payment aid for child care, typically in the form of subsidies or vouchers, is largely limited to families with very low incomes, i.e., those who receive, or are at risk of needing, Temporary Assistance for Needy Families. Federal funding for child care subsidies increased more than 250 percent from 1997 to 2000 (from $2.5 billion to $6.5 billion), and state funding increased by two-thirds (from $1.5 billion to $2.5 billion).[22] (See Figure 1.) However, these subsidies still only serve between 15 percent and 30 percent of eligible children nationally.[23] Changes in federal welfare rules and proposals to freeze federal subsidy funding levels for 2003 are projected to reduce the number of children receiving subsidies despite increasing numbers of parents in the work force.[24]

An education frame has also been used to promote government investment in child care. In fact, preschool education investments have increased dramatically in recent years from $190 million in 1988 to nearly $2 billion in 1999.[25] But unlike K–12 education, which is designed to serve families at all income levels, early education is typically targeted to low-income families.

In order to preserve government investments in child care subsidies, an economic development frame showing the economic impact of such investments beyond the benefits to children and their parents is needed. Most parents in the United States seek care and education for their young chil-

Figure 1

Federal and State Spending on Childcare: 1997–2000



Source: Jennifer Mezey, Rachel Schumacher, Mark H. Greenberg, Joan Lombardi, and John Hutchins. ''Unfinished Agenda: Childcare for Low-Income Families Since 1996: Implications for Federal and State Policy.'' March 2002. CLASP: Washington, D.C.

dren through a private system composed of nonprofit, for-profit, and family providers. These providers comprise a rapidly growing industry that provides jobs and contributes to the local economy through the purchase of goods and services. In addition, these providers form part of the social infrastructure that supports economic development. Just as roads, airports, and bridges enable people to get to work and businesses to get their supplies, child care enables parents to work.

Employment and economic development is strongly supported by business and community leaders and the American public at large. Making the case for child care in these terms can broaden support for the field. Although parents and providers are traditionally considered the primary beneficiaries of child care policy, an economic development frame extends the beneficiaries to include employers, local governments, and economic developers. Drawing in new partners is crucial to opening up new ideas for public policy and new approaches to finance.[26]

Although framing child care as economic development can open up the field to new sources of support and to new ideas, it also has the potential to undermine one of the field's most important purposes. In a recent interview, Dr. Edward Zigler, the ''Father of Head Start,'' discusses the public policy problems that occur when child care is treated simply as a work support for parents.[27] Emphasizing the needs of parents for child care above the needs of young children for intellectual and emotional stimulation may result in programs and policies that do not pay sufficient attention to the quality of care. Substantial research shows that the quality of children's experiences before the age of five years is crucial for their development. Recent research on the human brain has increased understanding of the importance of early learning.[28] Long-term studies have found that high-quality early childhood programs can produce large benefits for children in terms of IQ, school achievement, grade retention, placement in special education, and social adjustment.[29]

As child care policymakers work to count the field's contribution in the traditional economic development measures of jobs and income, they should not neglect the field's importance for human development and the long-term economic returns from quality. In this vein, a recent article by the Federal Reserve Bank of Minneapolis criticized traditional industrial recruitment approaches to economic development as ineffective, and recommended early childhood development as an effective economic development strategy precisely because of its long-term impacts.[30]

The Early Education Partnership in Tompkins County, New York

The Early Education Partnership (EEP), a project of the Tompkins County Chamber of Commerce, includes top-level leadership from local business, economic development, higher education, social services, and philanthropic organizations. These leaders came together to develop innovative approaches to financing the high costs of early care and education in this largely rural county of about 100,000 in upstate New York. The partnership is working to design a local fund that will coordinate public and private child care funding to provide support for all working families. This fund will also promote administrative efficiency within the local child care sector. By reaching out to area employers and working closely with local departments of social service and workforce development and local foundations, the partnership is helping build public and private support for early care and education.

The partnership is especially interested in addressing the affordability of quality care for all families. Partnership members interviewed center, family, and informal providers to gain a clearer understanding of the structure of the sector and its financing problems. They also assessed the costs to parents and determined that middle-income parents, who are eligible for few, if any, subsidies, face some of the highest costs relative to their incomes. For example, for a family of three with income below 200 percent of poverty and with one child enrolled in a child care center, family income spent on care averages less than 10 percent if the family receives public child care subsidies. Similarly, for parents with incomes over $80,000, child care averages less than 10 percent of income. However, the percentage of income spent on child care jumps to over 20 percent for middle-income families earning between $30,000 and $50,000 per year. (See Figure 2.)

Such high costs to parents force low- and moderate-income parents to opt out of the formal child care system. The EEP pledged itself to address the affordability gap by creating a community-based scholarship system that would combine public subsidies, employer contributions, and private charitable funds so all families could gain access to quality child care. The EEP dedicated itself to three principles:

1) every child should have access to quality, affordable child care;
2) child care staff should not have to subsidize the cost of care through unacceptably low wages; and
3) the partnership will help all families pay for child care through a universal system that combines public, private, and charitable funds.

The partnership decided to frame child care as economic development to help secure business, government, and philanthropic support for the fund. The partnership had an early success in increasing private local support for child care when Cornell University, the largest employer in the county, started a new employee benefit in 2001: direct contributions into employees' flexible spending accounts for dependent care. The program received applications from 239 employees to cover 371 children aged twelve years and under. A total of $609,164 was allocated for the 2002 plan year, and awards were between $156 and $5,000. The household incomes of applicants ranged from less than $10,000 to $148,000 per year. Forty-five percent of applicants were in the middle-income range ($30,000—$59,000), and half of the award recipients had annual incomes of less than $60,000 a year.[31] This private sector investment in child care greatly expanded support to low- and middle-income working parents in the county.

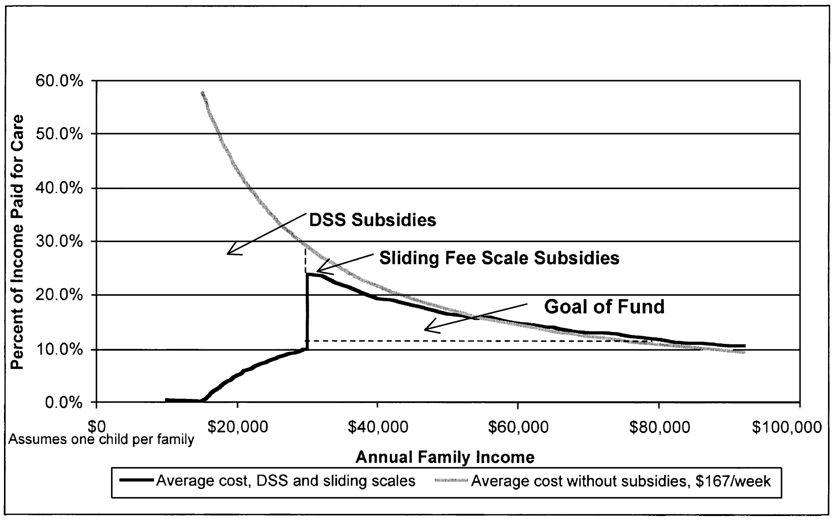
The original plan had been to use the early initiative by Cornell University to encourage other employers to follow suit. However, with the recession in New York, in part resulting from the 9/11 attacks, the partnership realized that it was unrealistic to encourage other employers to expand employee benefits in the middle of an economic downturn. Instead, the partnership decided to enlist employer support to expand parents' utilization of subsidies and tax credits that already existed.

The most important sources of subsidy for middle- and low-income families are the child and dependent tax credit, employer-sponsored flexible spending accounts, and public subsidies for low-income working parents. Unfortunately, none of these programs is as widely used as possible.

The federal dependent and child care tax credit lacks optimal effectiveness. It was set at $2,400 for one child and $4,800 for two children in 1981. The credit was not raised again until 2002, when limits were raised to $3,000 and $6,000 for one and two children, respectively. Had the credit been indexed for inflation, it would now be worth $4,596 and $9,191, much closer to the current market rates for child care. Parents can only claim 20

Figure 2

Continuum of Existing Subsidies & Goal of Fund, Tompkins County, NY



Based on survey data of child care centers, Tompkins County, NY 2002. Chart prepared by Benjamin McCloskey.

percent to 30 percent of these eligible expenditure levels, and the credit has no value for lower-income families with no tax liability. New York State made its tax credit refundable in 2001, but unfortunately it is one of only ten states to do so.[32]

The U.S. Census Bureau estimates that nearly twenty-six million families include children under age twelve, but only five million make claims each year on the child care tax credit.[33] The tax credit would be more widely used if it were easier to claim and had higher limits, like the mortgage interest deduction. In 2000, the federal government expended $97 billion in foregone tax revenues for the home mortgage interest deduction.[34] This was equivalent to 0.62 percent of the gross domestic product (GDP) in 1999; in comparison, the cost of the child care tax credit was only 0.03 percent of the GDP.[35] Home builders and the banking industry help lobby for support of the home mortgage tax deduction. Similarly, child care advocates can work with providers and parents to lobby for a more effective and user-friendly child care tax credit program.

Flexible spending accounts (FSAs) are another mechanism that working families can use to subsidize their child care costs. These accounts enable employees to set aside up to $5,000 per year for child care expenses. This money is untaxed, resulting in a savings of $1,000 to $2,500 per employee each year (the savings reflects an employee's tax bracket). Employers are not liable for payroll taxes on funds set aside in FSA accounts. Social Security, Medicare, and federal unemployment insurance taxes represent more than 8 percent savings for employers. This more than covers the cost of plan administration.

Citing the hassle of setting up the accounts, few small employers offer FSAs. When these plans are offered, typically only 2 percent to 4 percent of employees use them. Reasons for low utilization include the inflexible structure of the program (sign up only once per year), the use-it-or-lose-it nature of deductions (any unused funds remaining at the end of the year are forfeited to the employer), the limit of $5,000 (set back in 1981 and not raised since), and the reimbursement basis that requires employees to pay out of pocket for child care first and then wait to be reimbursed.[36] Some employers have facilitated employee use of FSAs by contributing employer funds to the accounts (like Cornell in Tompkins County), or by scheduling the plan year to begin in February so parents have reimbursable expenses as soon as deductions from their paychecks are made.[37]

Public subsidization for child care is the one area of support that has witnessed significant growth, largely in response to welfare reform. However, national estimates suggest that only 15 percent to 30 percent of eligible children are served by the program.[38] One problem is outreach to working parents (as opposed to former welfare recipients). Another problem is the lack of state matching funds, a problem that will only become more serious with the state fiscal crises looming in 2003.

Tompkins County Department of Social Service data illustrated that only one in eight eligible children in the county was being served with subsidies. Tight county budgets coupled with hiring freezes and staff reductions in the department made it difficult to reach out to eligible working parents. Failure to utilize the county's subsidy dollars had resulted in a shrinkage in the county allocation from $1.8 million in 2000 to $1.4 million in 2002. The social services department was interested in increasing the demand for subsidies so it could increase its allocation from the state. Human resource managers of area employers were not initially aware of the income levels (under $32,000 a year for a family of four) that would make many of their employees eligible for subsidies. To reach out to working parents, a set of materials was developed to address tax credits, FSAs, and public subsidies; these materials were field tested with families and select human resource professionals from local employers in spring 2002.[39] By reaching parents through their employers rather than through the social service office, the partnership could reduce the stigma of applying for public support, and the business community could extend the reach of social services staff to eligible working parents. The local chamber of commerce is set to begin a full-fledged campaign with area employers in 2003.

Conducting an Economic Analysis of the Child Care Sector

The EEP decided to use an economic analysis approach to address problems in the child care sector and build a broader base of public support.

The most important part of any economic development analysis is enumerating the number of businesses, employees, and revenues generated by the sector. Standard economic data seem to undercount the sector; licensing data provide a more accurate estimate of the actual number of providers, workers, and gross receipts.

The early care and education sector is complex. It includes for-profit, nonprofit, and publicly funded establishments: child care centers; family-based providers; school-age child care; and part-time educational programs such as Head Start, prekindergarten, and nursery schools. There are also many self-employed informal providers who are not registered or licensed and who are even harder to enumerate. Furthermore, some early care and education establishments are attributed to other sectors, including both other social services sectors and education. Although many federal and state agencies collect economic data on the sector, most fail to capture all activity. Among the federal and state economic data series that report on the sector in local areas are County Business Patterns, the Economic Census, and Covered Employment and Wages (ES202).[40] In addition, a number of federal, state, and regional agencies and networks within the child care field collect data on the sector. For the Tompkins County analysis, we used licensing data collected by the Day Care and Child Development Council of Tompkins County. (See Table 1 for comparisons in basic industry data by data source.)

One of the most common ways to present this data is to compare child care to other sectors in terms of both employment and gross receipts. In Tompkins County, for example, the child care sector employs 700 workers, more than residential and commercial construction, local transportation, or hotels. However, because child care is labor intensive, its employment levels are higher, but its gross dollar output is lower. We estimated that the 280 child care establishments, including private providers and publicly funded Head Start and prekindergarten, generated gross receipts of $15.2 million. This is the direct effect of the industry on the local economy.

Basic data on direct effects do not count their full impact on the local economy. Each industry has a multiplier effect that measures its linkage to the wider economy. A standard tool that economic development professionals use to estimate the economic impact of an industry is input/output analysis. Input/output analysis calculates the multiplier (ripple) effects in a local economy that result from a change in the level of spending for the ultimate outputs of any industry. Typically, input/output analysis assumes that any changes in the spending level for final outputs are initiated from outside the local economy. In the case of child care, for which much of the demand is generated locally by households, this may not be the case. However, changes in the level of public subsidies do represent an external source of child care demand for the local economy. We used an input/output analysis to measure the linkage effects of the child care sector in the local economy and then applied these to analyze the impact of fully funding the public subsidy program.

Table 1

A Comparison of Data Sources on Child Care in Tompkins County, New York

Source	Year	Number of Workers	Average Wages	Output	Est. Annual Cost of Care
IMPLAN	1998	231	$12,588	$7.99 million	N.A.
County Business Patterns	2000	316	$11,984	N.A.	N.A.
Economic Census	1997	255 (non-employers) 20–99 (employers)*	*	*	N.A.
Covered Employment and Wages	2000	230	$11,808	N.A.	N.A.
NY State Market Rate Survey	2001	N.A.	N.A.	N.A.	$5,928
Day Care and Child Development Council of Tompkins County	2001–2002	690	$16,297 (center) $8.10/hr (SACC)** $10,800 (family)	$15.2 million	$7,746 (center) $1,353 (SACC) $6,256 (family)

*Some data is not disclosed at low geographic levels in order to protect the confidentiality of local businesses.
**SACC is school-age child care.

Input/output analysis uses data on the direct employment and output of an industry and then calculates the multiplier effects based on assumptions about the linkage of the child care sector to other sectors in the local or regional economy. Multiplier effects are of two types. Indirect effects measure (1) how much economic activity is stimulated by child care businesses when they purchase goods and services from local suppliers and (2) how much additional economic activity is stimulated by these local suppliers when they, in turn, purchase goods and services from other local businesses. Induced effects measure (1) how much economic activity is generated by child care workers as they use their wages to purchase goods and services from local businesses and (2) how much economic activity is further generated by the employees of these local businesses as they purchase additional goods and services. (See Figure 3.)

There are several types of multipliers that can be run in an input/output model. Type II multipliers, which are the ones we use in this analysis, are the direct, indirect, and induced effects divided by direct effects.[41] They measure child care's economic linkage by tracing interindustry transactions and household spending generated in the local economy from child care sector spending. Our analysis shows that each dollar of final demand spent on the child care industry has a total impact of $1.60 in the Tompkins County economy. Similarly, the employment multiplier shows that each job created in the child care industry in turn generates 0.27 jobs in the wider economy due to the linkage effects of child care.

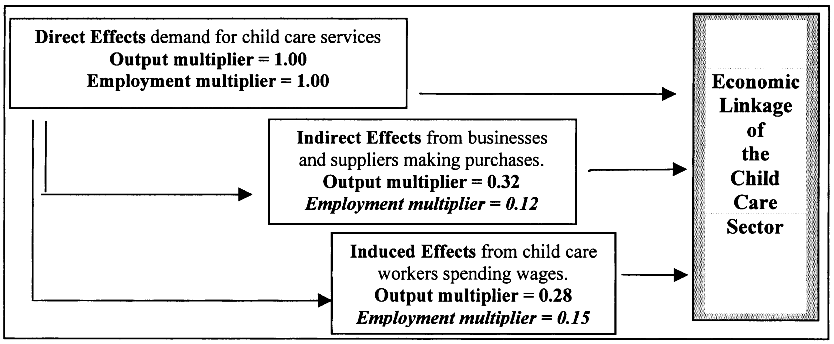
Input/output analysis is not designed to count the fact that child care enables parents to go to work, an important infrastructure role played by the child care sector. Two recent studies have used input/output analysis to estimate a parent ''productivity effect.''[42] These studies assume that 100 percent of the productivity of the parent worker can be attributed back to the child care sector. This significantly overstates the child care sector's contributions. It is obvious that child care enables parents to go to work, and feminist economists have called for a way to count the broader economic contributions of care work.[43] However, no methodology to more accurately measure the social infrastructure role of child care has yet been developed.

One of the main uses of multipliers is for comparison between industries. Governments might examine the multiplier effects of two alternative activities in which they are considering spending changes to determine which activity is expected to generate greater local economic growth. Table 2 compares Tompkins County child care multipliers with those for education, job training, local transportation, and hotel sectors. The education, job training, and local transportation sectors represent likely targets of public infrastructure investment. Hotels serve as a proxy for tourism, which is often the target of local economic development policy. Clearly, child care has multiplier effects similar to those of other infrastructure sectors.

Multipliers are, in part, dependent on the size of the local economy because the greater the ''leakage'' (the amount of purchases made outside the local economy), the lower the multipliers will be. Figure 4 shows

Figure 3

Direct, Indirect, and Induced Effects in Tompkins Co.
(Type II Multipliers)



Source: Direct Effects from Day Care and Child Development Council of Tompkins County administrative data 2001, 2002. Type II Multipliers from IMPLAN 1998.

Type II output multipliers for child care in Tompkins County compared to those of a larger urban county (Onondaga County) in upstate New York, to those in New York State, and to those in the nation. Multipliers for our rural county are much lower than those for larger or more urban places. Even so, they can be used to describe the linkage of child care in the local economy.

Input/output analysis is best used to estimate the impact of changes in the economy. One important change could be to fully fund the public child care subsidy program. Typically, government expenditures for social welfare are not treated as economic development investments. We used an input/output analysis to show how public child care subsidies are an important economic development investment in our community. Child care subsidies support low-income working parents who depend on affordable child care to join the labor force. A recent study of four states and the District of Columbia suggests that the vast majority of parents receiving child care subsidies work in retail trade and nonprofessional services.[44] Subsidies also benefit employers by promoting higher economic productivity, lower absenteeism, and lower turnover. Because child care subsidies are paid through federal and state taxes, they represent transfers to the community and can be treated as changes in final demand for the input/output analysis. Earlier research has shown that child care subsidies are an economic development investment that pays for itself in real dollars returned to the government through taxes on family earnings, employment, and the child care industry.[45] Our analysis shows the short-term positive impact of subsidies through their local multiplier effects.

Table 2

Selected Output Multipliers for Tompkins County, NY 1998

Sector	Direct Effects	Indirect Effects	Induced Effects	Type II Multiplier
Child Day Care Services	1.00	0.32	0.28	1.60
Elementary and Secondary Schools	1.00	0.31	0.36	1.67
Colleges, Universities, Schools	1.00	0.18	0.47	1.65
Job Training & Related Services	1.00	0.33	0.32	1.66
Local, Interurban Passenger Transit	1.00	0.23	0.33	1.55
Hotels and Lodging Places	1.00	0.21	0.28	1.49

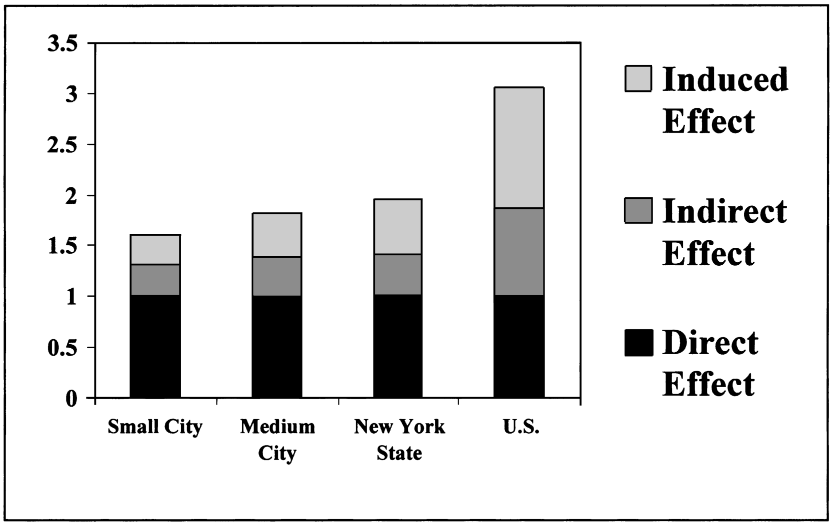
Source: Type II Multipliers from IMPLAN 1998.

We used IMPLAN output multipliers for the child care industry to calculate the indirect and induced effect on the local economy of serving all eligible children of working parents with public subsidies. From our input/output analysis, we knew that each new dollar spent on child care in the local economy generates $1.60 through linkages to other local industries. We used this economic multiplier to determine what the broader effect on the local economy would be if our public subsidy program were fully funded. We determined that if our local government funded all eligible children, the return would be an additional $8.8 million in state and federal tax dollars to the local economy, and these investments would stimulate an additional $5.2 million in economic linkage throughout the local economy. (See Table 3.) Such an investment would require almost a doubling of the regulated local child care industry. The Chamber of Commerce is launching an outreach campaign to area employers and government recommending full subsidy funding as a strategy to support economic development in our region.

Input/output analysis, typically used for export-based industries, is based on the notion that final demand, generated primarily by exports, is what fuels local economic growth. Although input/output analysis is widely applied to retail and service sector industries, some economists question its appropriateness as a modeling tool for such service industries when the demand is primarily local.[46] However, there is also wide recognition that we are becoming primarily a service economy and that service industries contribute to growth and are not simply derivative of it. Consumption comprises over 60 percent of final demand at the national level, and a model based on exports as the primary economic driver misses most of the action. Regional economists have become especially interested in the potential of import substitution and capturing and recycling dollars as much as possible in the local economy.[47] This has been the rationale for the

Figure 4

Multipliers Increase with the Size of the Economy



Source: Type II Output Multipliers from IMPLAN 1998.

emphasis on housing, retail, and small business development in poor inner cities and rural areas.[48] Community economic developers recognize that not only are these services important sources of economic growth, but they also improve the quality of life and create the infrastructure necessary for economic growth in low-income communities. Using such multiplier analyses for the child care sector helps economic developers see child care in that light.

Conclusion

An economic development frame will provide new tools and language that will enable child care resource and referral agencies and economic development agencies to work together to increase public and private support for child care. Framing child care as economic development can be a powerful tool, as has been shown in our work in Tompkins County, New York, since 2000. The partnership has received a planning grant from the National Community Capital Association to design a coordinated child care fund that will maximize the efficiency of local child care centers and bring all local child care dollars (government, private, and charitable) into a single pool to be administered and invested collectively, creating a universal point of entry for all working families.

In states that have engaged the private sector, innovative policy has resulted in expanded funding for child care. For instance, the State of Flor-

Table 3

Multiplier Analysis of Fully Funding Child Care Subsidies, Tompkins Co, 2000

Average Annual Allocation Per Child		**$3,149**
Average Number of Children Not Currently Served		**2,787**
	Multiplier	**Economic Impact**
Direct Effect of Subsidies	1.00	($3,149 * 2,787) = $8,776,263
Indirect Effect	0.32	$2,808,404
Induced Effect	0.28	$2,457,354
Total Impact	1.6	$14,042,021

Source: Tompkins County Department of Social Services, 2000 data provided in 2002; IMPLAN 1998, Type II Multipliers.

ida approved legislation (Child Care Partnership Act) that encourages businesses to help low-income parents pay the costs of child care.[49] Based on this law, the state government will match the funds used by employers to subsidize child care. The enactment of this law was possible based on a bipartisan effort and the strong support of business leaders. The program has leveraged $19 million in business investments, matched by a similar amount of public funding, to create a new $38 million fund for child care in the State of Florida.

In California, the Local Investment in Child Care (LINCC) project, initiated by the National Economic Development and Law Center, was designed to increase public support for child care; LINCC has encouraged leaders in eight counties throughout the state to include child care as a part of the local economic development process.[50] This project included not only a state report and several county reports on the economic impact of child care, but also a planning guide for promoting policy change using an economic development frame. The planning guide describes strategies for changing perceptions of the child care sector.[51] It also discusses ways in which child care advocates can generate greater financial resources and public support for the child care sector by bringing new stakeholders to the table and providing them with information on the importance of the sector for the local economy. The LINCC project has led to important policy changes in support of the child care sector.

Other states have also addressed the link between child care and the economy. Vermont conducted an economic impact study in 2001, and Kansas and Massachusetts, among other states, are conducting studies now.[52] Many local governments, too, have recognized the value of child care as an economic sector and as a social infrastructure for economic development and have acted to include the needs of the sector in land use and economic development planning. For example, the government in the City of Bakersfield (California) has included child care as a priority in the ''City's Consolidated Plan 2005.'' The city will set aside Community Development Block Grant funds and other funds to build child care centers and family homes that will accommodate more than 1,000 children.[53] In Santa Cruz County, the LINCC project provides technical assistance to child care providers in order to help them improve their business management and financing skills, which in turn helps these child care providers gain access to business loans. The report states that nearly $230,000 in loans were approved for the applicants who had technical help from the LINCC project.

All of the examples cited above have used an economic development frame to increase public support for child care. With the help of government, business leaders, research organizations, and community foundations, child care advocates have been able to transform child care into a public concern in many communities. These examples are only a small sample of the ways in which the economic development frame can be and has been used to draw the interest of new stakeholders.

An economic analysis provides an opportunity to bring together feminist notions of care and count them in traditional economic development terms. Future research must look at other physical infrastructures and how they are measured and adapt these approaches to an investment in a social infrastructure like child care. These analyses can help identify practical community development tools that bridge the divide between physical capital and human development models. Policies typically reserved for economic development can be applied to child care.

The pressure toward local government economic competitiveness and the linkage of entitlement to economic productivity under welfare reform could limit citizenship rights and narrow local government policy.[54] However, these trends also create an opening to explore child care and other social infrastructure investments as economic development. Although one might prefer to support child care for its intrinsic human development value, as planners we recognize the need to structure the debate in a manner that can achieve political support. An economic development frame may help us do that.

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