



# Which Missouri Industry...

**EMPLOYS** 34,000 people in more than 5,000 small businesses,  
**PRODUCES** \$635 million in gross annual revenues,  
**PAYS OVER** \$400 million a year in wages,  
**PREPARES** 181,000 citizens for long-term workplace success,  
**GENERATES** \$6 billion in outputs,  
**LEVERAGES** \$255 million in federal funds each year, and  
**SUPPORTS** 120,000 workers in other industries?



**ANSWER:** It's the child care industry.



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# Child Care Keeps Missouri Working

The Missouri Child Care Industry Economic Impact Report

July 2005

*"Our children are given to us as perfect gifts. It is the responsibility of our entire community to provide them with safe, nurturing and enriching environments, at every stage of their development, so they can grow to their fullest potential. High quality early childhood education allows parents to work and prepares children to enter school ready to succeed."*

Mayor Francis Slay  
City of St. Louis

## Introduction

### Using and Understanding This Report

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With this report, Missouri joins over 20 states and numerous municipalities in studying the impact of child care on the economy. For many readers, this will be the first time that child care is considered AS AN INDUSTRY. We have done this not because we do not believe that the most important element of child care is care of children, but because we want to introduce this important field to a broader audience and support the small businesses that provide this critical service.

This report demonstrates the economics of child care: the demand for child care, the limitations inherent in our current system, and the importance of investing in early childhood education. This research and our experience have led to the recommendations made in the report.

Our goal is to define some of the critical issues for those within and outside the industry and to spur our citizens and leaders to take action in supporting, funding, and improving the care and education of our youngest children.

The report summarizes important information from the following sources:

- An economic impact study conducted by The Center for Economic and Business Research at Southeast Missouri State University in December 2004.
- "A Statewide Study on Wages and Benefits in the Early Childhood Workforce," an unpublished Master's Degree project, December 2004.
- Statewide data gathered by the Missouri Child Care Resource and Referral Network on child care funding, parent needs, and cost of care.
- Data and information from the state agencies that support and oversee early childhood programs in Missouri: The Department of Social Services; the Department of Health and Senior Services; and the Department of Elementary and Secondary Education.

# 1

## Executive Summary

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### Child Care Keeps Missouri Working

## The Missouri Child Care Industry Economic Impact Report

Child care is a critical industry on many levels. It is a service business; but, because of the nature of the service, caring for young children, it is rarely treated as a business. Child care is unique in that it not only employs a sizeable workforce internally, but it allows a significant portion of the population to get, keep, and be productive at their jobs while preparing our youngest citizens for school and adulthood.

#### Regulated Child Care in Missouri:

- **Employs 34,000 people in 5,000 small businesses.** 98.6% of the child care businesses in Missouri are owned by women and 21% of child care centers are owned by minority women. It is an industry that operates exclusively within the state, can not be moved outside the state, and is 95% locally owned.
- **Supports 120,000 workers in other industries.** Those who use child care are in every industry in the state at every level of employment from the shop floor to the corner office.
- **Produces \$635 million in gross annual receipts** making it about the same size as furniture manufacturing and larger than the hog and mining industries.
- **Pays over \$400 million per year in wages** and **purchases over \$83 million each year in consumables and utilities.**
- **Prepares 181,000 children for long-term workplace success.** Child care is a critical component of our educational system; access to high quality care can make a huge difference in a child's readiness for school and ultimate success as an adult.
- **Leverages \$255 million in federal funds each year.** The regulated child care industry (licensed and license-exempt programs) and the infrastructure that supports it, attract additional dollars into the state from the federal government.
- **Generates \$6 billion in total output.** When all outputs are considered, the total impact on the state is over \$6 billion or about 3% of all output in the state.


By any measure, the child care industry in Missouri has a significant impact on the state's economy. As the economy and workforce participation grow, this industry must grow to support the needs of working families in Missouri and their children.

When the child care system fails, everyone suffers. Children receive substandard care, the field is plagued by high turnover, workplace productivity is sapped and children enter our schools not fully prepared to succeed. Society misses an opportunity to prepare children for the future at the time they are most ready to learn. We can do a better job of caring for our youngest citizens.

# Recommendations

## To Make Child Care – and Missouri – Better

By creating partnerships with business, government, philanthropy and the early education field, we can improve the quality of child care in Missouri and make Missouri better - now and for the future.



### We must recognize and support the economic contribution of early childhood education to the state's economy by:

- Participating in partnerships that bring all sectors of the state's leadership together.
- Encouraging development of child care programs in new and expanding communities and making child care a part of development, growth and expansion decisions.
- Supporting the establishment of a Missouri Child Care Business Center to help programs start, expand, and become more stable businesses.



### We must ensure adequate, sustainable financing for the industry by:

- Increasing the state's child care subsidy eligibility to ensure that a slight increase in pay does not mean a loss of quality child care.
- Raising the state's child care subsidy reimbursement rates.
- Supporting development of high-quality infant care programs that are in short supply and are expensive to operate.
- Supporting the work of First Children's Finance – Missouri, a loan resource for early childhood programs.



### We must support quality in early childhood education by:

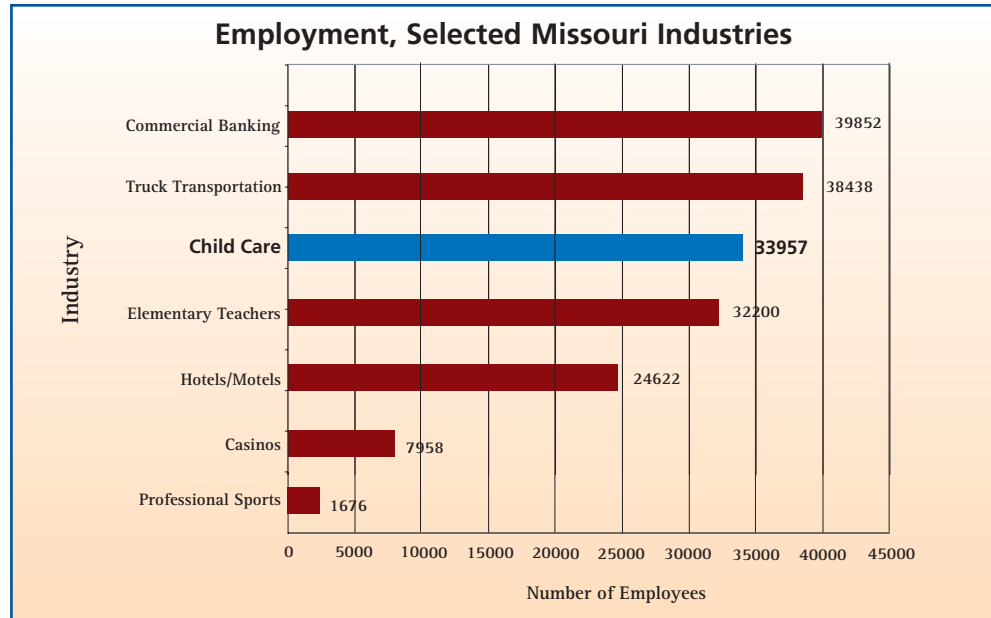
- Viewing child care as the first step in the education of our children, not as a market to succeed or fail on its own.
- Supporting comprehensive licensing standards so that all who care for children meet the same basic health, safety, and training requirements.
- Sustaining OPEN, Missouri's career development system for early childhood professionals, and encouraging high professional standards for directors, teachers and family child care providers.
- Providing state funding to expand and sustain T.E.A.C.H. Early Childhood<sup>®</sup> MISSOURI, a scholarship, compensation and retention opportunity that allows licensed child care providers to seek additional education.
- Participating in the quality ratings initiative, an effort to develop a statewide system to help consumers judge the quality of child care programs.

# 2

## Child Care And The Economy

### An Economic Force

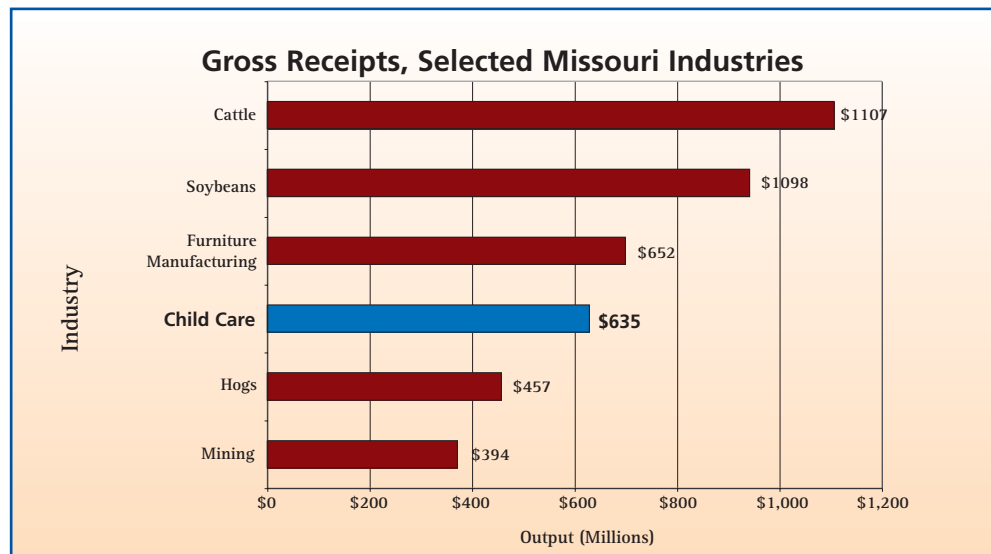
There are nearly 34,000 workers in the child care industry – more than in the hotel/motel industry (24,622), more than the number of elementary school teachers (32,200), more than the number of casino workers (7,958) and more than those employed by professional sports teams (1,676).



Source: County Business Patterns, U.S. Census Bureau, 2002.

### A Revenue Generator

The gross revenue received by the child care industry in 2004 was estimated at \$634,853,082 – larger than the Missouri hog and mining industries, and nearing the revenue level of furniture manufacturing.



Sources: U.S. Bureau of Economic Analysis and Missouri Agricultural Statistics Service 2003.

*“As a manager at a small company with only 25 employees, all my employees are important to our bottom line, but there are four people who are absolutely critical to our ability to get out the product. All four of them currently use child care. If I lose just one of them for one day because their child care breaks down, the productivity loss is over \$5,000 for that one day.”*

Executive Vice-President  
Manufacturing Company  
Rolla

## Impacts Felt Far Beyond The Obvious

The impact of the child care industry extends well beyond what is implied even by the overall employment numbers, gross receipts and payroll dollars.

Every child in care represents a guardian, parent or parents using this service in order to be productive in another area, usually in the workforce. Conservatively estimated, the child care industry supports another 120,000 workers. Combined with the industry workforce number of 34,000, employment in – or made possible by – the child care industry is almost 6% of Missouri’s total 2004 employment.

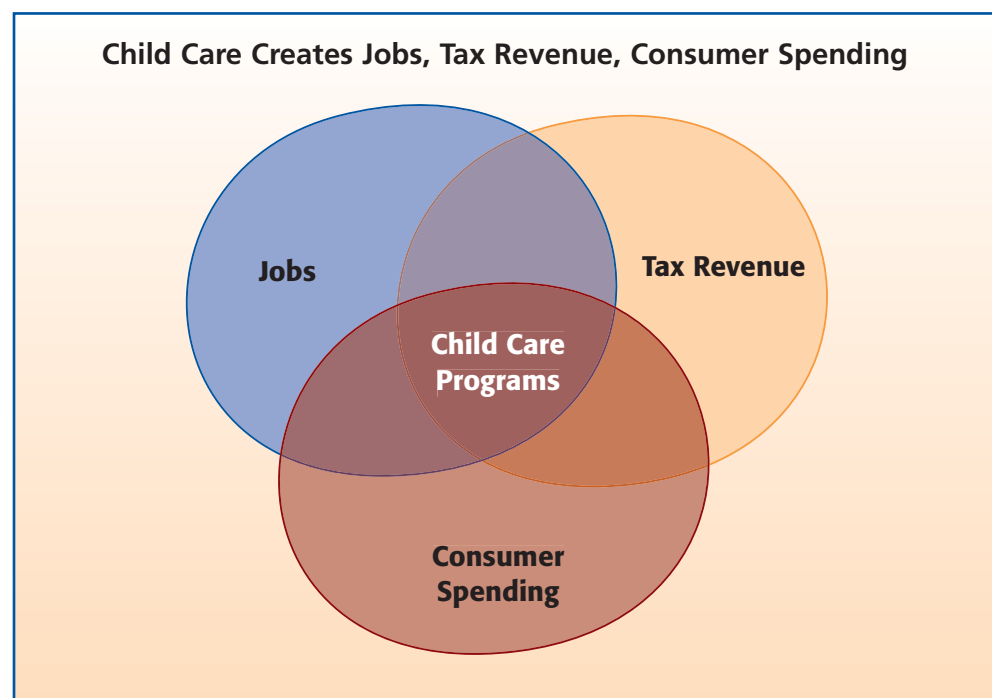
Child care programs with more than one employee reported spending \$402,770,878 on payroll in 2004. Owner-operators also received over \$32 million of net income, after program expenses, which goes back into the economy to purchase goods and services. Child care programs reported spending \$83 million on consumables and utilities in 2004.

Spending by the employees and the child care programs themselves on goods and services enriches the state by increasing sales tax revenue and generating even more jobs. When the wages of workers using child care are added to the wages of child care workers, total output due to the child care industry reaches over \$6 billion, or about 3% of all output in the state.

By any measure – output, employment, or personal income – the child care industry in Missouri has a significant impact upon the state’s economy. As more families find both parents in the labor force, and as the number of single parent families increases, the importance of the industry to the state’s economy will continue to grow.

*“Quality child care for working parents has multiple benefits. Parents who know their children are cared for can focus on work, which increases productivity and profitability. Quality child care impacts not only the bottom line of business today, but will have impact tomorrow as these children become tomorrow’s workforce.”*

Becky Spain  
Manager of Workforce &  
Business Development  
Springfield Area Chamber  
of Commerce



# 3

## Driving The Demand

### By The Numbers

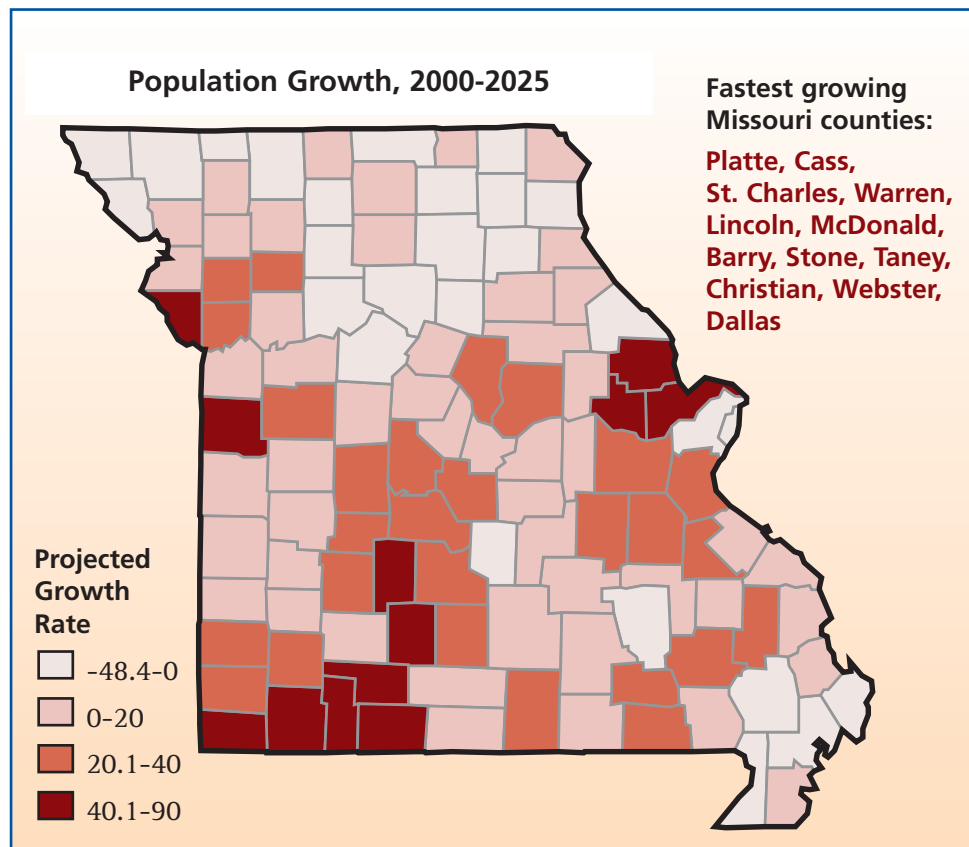
2003 Missouri population	5,704,484
• Children under 13 years of age	993,765
• Children being served by regulated child care	18%

### The Need Is Growing

The state's population grew by 9.3% in the 1990s, less than the national average of 13.2%, but growth varies widely across the state.

*"High quality early learning is a community development issue. People move to a community where they feel safe and have good educational opportunities for their children."*

James Corwin  
Chief  
Kansas City  
Police Department



Source: Missouri Office of Administration.

Given the increasing number of women in the labor force, the increasing number of families with both parents working and the overall expansion of the labor force, there will clearly be an increased need for child care in Missouri – an estimated 20,000 new slots, translating into at least 3,000 new child care jobs.

Any failure of the child care industry to expand to meet these needs will hinder the ability of the state's economy to grow and will impact the early education opportunities of our children.



Child care is used by employees at every level, from professionals to service workers, in every industry in every part of the state. Who uses child care in Missouri? We all do.

### Who Uses Child Care In Missouri?

- A lobbyist at the state capital in Jefferson City
- A designer at Hallmark Cards in Kansas City
- A pizza delivery driver in Cuba
- A waitress in Springfield
- A student at William Woods University in Fulton
- Line workers at Procter & Gamble, Gilster-Mary Lee and Rubbermaid in Cape Girardeau County
- An accountant in Columbia
- An unemployed parent looking for work in St. Joseph
- An attorney at a major law firm in St. Louis
- Nurses, firefighters and police officers statewide

Source: Some of the 20,000 calls from parents to Missouri's child care resource and referral agencies in 2004/2005.

*"I just want to say that your online child care website has been a godsend to me in finding in-home day care providers. Thank you for providing this resource to a working parent!"*

A Parent  
Citigroup Real Estate  
Servicing and Technology  
O'Fallon

### When Do Children Need Care?

Safe, high quality, affordable child care is critical for parents while they go to work, attend school or take part in other activities outside the home. School-age children swell the need during the summer, before and after school, and during school holidays.

### Parents Are Looking For Help And Finding It

In 2004, 30% of the calls to the child care resource and referral agencies in Missouri were for infant care and nearly half (48%) of the calls were seeking care for children under age 2. The vast majority of callers – nearly 80% – sought full time care (30 or more hours per week) and more than 4,500 families needed care during “odd hours,” including nights and weekends.

The seven child care resource and referral agencies in Missouri helped over 20,000 families find child care; offered technical assistance or training to over 24,500 child care providers; talked with over 800 employers by telephone or at their worksite to discuss child care benefits for their employees; and responded to over 3,500 community leaders with information on child care supply, demand, and quality.

# 4

## Limitations

### A Critical Need, At The Whim Of The Market

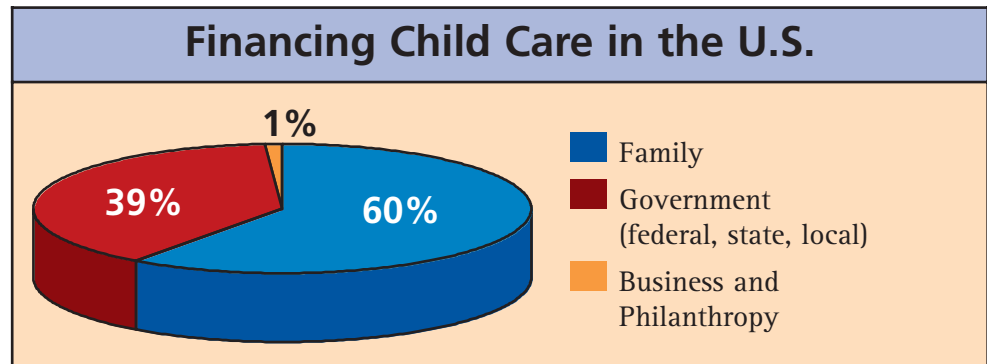
Unlike all other forms of education – and despite its significant long-term benefits – child care receives limited government (tax) support. It is treated solely as a market rather than as a public good.

Unfortunately, the full cost of quality care is often unaffordable to parents, just as the full cost of elementary and secondary education would be if it did not receive extensive public support. The consumer (parents) can not afford the cost of the product (safe, high quality care), so the producers (child care programs) are forced to subsidize the industry by accepting lower wages.

In the end, everyone suffers. Children receive substandard care. The field is plagued by high turnover. Productivity in the workplace is sapped. And schools receive children not fully prepared for kindergarten.

*“To have a thriving community we need to ensure that all children have the kinds of positive early experiences that lead to success in school and life. We rely on child care professionals to offer these kinds of experiences to many of our children.”*

Bobbie Cronk  
Director of Early  
Childhood Initiatives  
United Way  
of Greater St. Joseph



Child Care Centers	87%
Public Transportation	41%
Higher Education	35%

Source: "Financing Child Care in the United States," 2001 Edition.

### The Cost Of Care

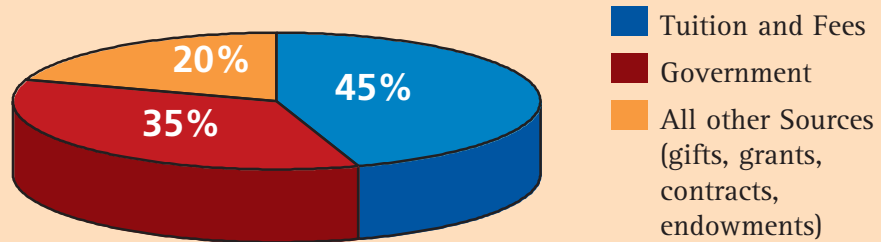
Most of the cost of child care is borne by the families who use the care. The average cost of child care in Missouri is \$1.88 per hour although the real cost varies widely depending on type of care, geographic area, and age of child. For full time care at 40 hours per week, the average cost is \$3,910 a year for one child and \$7,820 per year for two children. By comparison, average tuition at University of Missouri-Columbia for 2004-2005 was \$5,858.00 as estimated on their website. The young families using child care are typically at their lowest earning levels and, while families often save for college, they rarely save for child care expenses. In addition, although some child care

programs are able to offer a sliding fee scale or limited scholarships, it is nothing like the scholarship and financial aid programs available to college students and their families.

*“Economic development is directly and significantly impacted by the growth and well-being of children. Productivity in the workplace is compromised when there is inadequate child care available. If employers become more “child and family friendly,” the economic health of the state can be enhanced through loyal employees who can focus more energy on work and less on seeking a safe, healthy, quality environment for their children.”*

Dr. Loretta P. Prater  
Dean  
College of Health and  
Human Services  
Southeast Missouri  
State University

### Major Revenue Sources for Higher Education in the U.S.



### Family Contributions to Child Care Vs. College (National Averages)

Percent of Total Income Spent on Child Care	<b>15-18%</b>
Percent of Total Income Spent on College	<b>5-7%</b>

Source: “Financing Child Care in the United States,” 2001 Edition.

### Large Payrolls, Small Paychecks

Child care programs with more than one employee spent over \$402 million on payroll in 2004, with an average hourly wage of \$7.40. Wages vary widely: smaller programs in rural areas pay close to the minimum wage of \$5.15 per hour; larger programs in urban areas can pay wages approaching \$10 per hour. In addition, less than half of the programs offer health insurance. In comparison, elementary school teachers in Missouri earn an average salary of \$39,414 plus benefits, according to the 2003-2004 Report of the Public Schools of Missouri.

### Not Much Money For Critical Work

Average take home pay for family child care owner-operators:	<b>\$13,761</b>
Average annual salary for a child care center director:	<b>\$27,082</b>
Average annual salary for a child care center teacher:	<b>\$16,286</b>

Source: “A Statewide Study on Wages and Benefits in the Early Childhood Workforce” by Supriya Pandey, Master’s Degree Project, University of Missouri-Columbia, unpublished survey data, December 2004.

# 5 A Return On Our Investment

## Some Of The Most Effective Money We'll Ever Spend

Art Rolnick and Rob Grunewald at the Minneapolis Federal Reserve, James Heckman at the University of Chicago, and others have revolutionized the thinking about early childhood education by applying the principles of economics to early childhood education.

Heckman found that quality early childhood education for disadvantaged children pays off by promoting achievement, improving their labor market outcomes and reducing involvement in crime. In speeches in St. Louis (November 2004) and Springfield (March 2005), Rob Grunewald shared his review of three classic long-term studies of child care programs that showed returns of \$4, \$7 and \$17 on every dollar invested.

By any measure, investment in quality early care and education generates exponential rewards.

The state of Missouri invests over \$88 million in early childhood education programs and leverages another \$255 million in federal funds for early childhood programs including Early Head Start, Head Start, the Child and Adult Care Food Program and others.

*“The return on investment from early childhood development is extraordinary, resulting in better working schools, more educated workers and less crime.”*

A. Rolnick and R. Grunewald  
Minneapolis Federal Reserve  
March 2003 *Fedgazette*

*Every dollar our state invests in child care leverages nearly \$3 in federal funds.*

### Missouri Federal and State Child Care Funding - 2004 Appropriation

Funding Source	State Funds	Federal Funds
State General Revenue	\$62,312,362	
Early Childhood Education and Care Fund (Early Head Start, Accreditation, Start-up and Expansion, Training, MO Preschool Project)	\$25,829,172	
Federal Funds (Child Care Development Fund, Temporary Assistance to Needy Families, Social Services Block Grant, Maternal and Child Health Block Grant)		\$107,053,422
Federal Early Head Start Funds		\$11,917,608
Federal Head Start Funds		\$102,259,367
Federal Child and Adult Care Food Program		\$34,547,274
Total Funding	\$88,141,534	\$255,777,671

*Chart includes federal and state funds going to licensed and license-exempt early childhood and preschool programs.*

Sources this page: “Early Childhood Development: Economic Development with a High Public Return” by Rolnick and Grunewald; “The Productivity Argument for Investing in Young Children” by Heckman and Masterov; information on state and federal funding of child care in Missouri from Missouri Departments of Social Services, Health and Senior Services, and Elementary and Secondary Education.

# 6

## Research Methods

### Data and Methodology

Child care is a complicated business in our state. For this report, regulated child care programs (licensed and license-exempt) - the only ones with relatively detailed information available - were studied. Exempt programs and registered vendors were not part of the study.

Numbers of Providers/Children per Category as of April 4, 2005	Licensed Child Care <i>Family child care homes, group homes, child care centers</i>	License-Exempt Child Care <i>Church-run programs and nursery schools</i>	Exempt Programs <i>Before/after school and child care programs operated by school districts; homes caring for 4 or fewer children</i>	Registered Vendors <i>Unlicensed homes receiving state funds to care for fewer than 5 children</i>
Number of Providers	4,000	500 church-run programs 82 nursery schools	409 programs operated by school districts 602 exempt homes	4,575
Number of children	146,127	35,705 (estimate)	Estimate 25,000 in programs operated by school districts. Estimated current maximum in exempt homes: 2,408	13,911 (estimate)

### Methodology

This study was commissioned by the Missouri Child Care Resource and Referral Network (MOCCRRN) which hired The Center for Economic and Business Research at Southeast Missouri State University to conduct research and analysis. A survey was developed by MOCCRRN and sent to every licensed and license-exempt program in the state for a total of 4,457 surveys. The response rate was over 25%. Research was conducted between September and December 2004.

The Center for Economic and Business Research used IMPLAN, an input-output model developed by the Minnesota IMPLAN Group, to estimate the magnitude of the impacts of the child care industry on the state. The latest IMPLAN model available is for 2001.

The estimation of economic impacts should be viewed as estimates. Therefore, while IMPLAN gives results down to the last dollar, figures used in the report are rounded to the nearest thousand dollars as a reflection of the estimation process.

### Selected Resources

The study, "Early Childhood Development: Economic Development with a High Public Return" by Art Rolnick and Rob Grunewald (December 2003) is available at: <http://minneapolisfed.org/research/studies/earlychild/ABC-Part2.pdf>

"The Productivity Argument for Investing in Young Children" by University of Chicago economists James Heckman and Dimitriy Masterov (October 2004) is available at: [www.ced.org/docs/report/report\\_ivk\\_heckman\\_2004.pdf](http://www.ced.org/docs/report/report_ivk_heckman_2004.pdf)

Information on financing child care and comparisons to higher education are from: "Financing Child Care in the United States," 2001 Edition, available from the Ewing Marion Kauffman Foundation Fulfillment Center at 816-221-0221 or [fplus@swbell.net](mailto:fplus@swbell.net).

Information on teacher salaries and elementary school workforce from the Missouri Department of Elementary and Secondary Education, 2003-2004 Report of the Public Schools of Missouri found at [www.dese.mo.gov/schooldata/AnReptdl.pdf](http://www.dese.mo.gov/schooldata/AnReptdl.pdf)

### Acknowledgments

Special thanks to Dr. Bruce Domazlicky, Director of the Center for Economic and Business Research at Southeast Missouri State University who, with his team, not only conducted the research for this report, but also "got" the complicated nature of child care in Missouri. The research team included: Dr. Rebecca Summary, Chair of the Economics and Finance Department and economics students Ian Breunig, Scott Kehlenbrink, Suzanne Long and Dana Zoellner. Sarah Kirschner, an independent work/life consultant, oversaw the project on behalf of the Missouri Child Care Resource and Referral Network.

Thank you to our funders for this research and report: The Missouri Department of Social Services, Children's Division, Early Childhood and Prevention Services Section in conjunction with the Department of Health and Senior Services, Bureau of Child Care; the Deaconess Foundation; and T.E.A.C.H. Early Childhood® MISSOURI Scholarship. Cover photo of "The Scout" courtesy of Kansas City Convention & Visitors Association.

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# The Missouri Child Care Resource And Referral Network And Its Members

The Missouri Child Care Resource and Referral Network (MOCCRRN) coordinates and monitors the activities of the child care resource and referral agencies in Missouri. MOCCRRN's mission is to provide coordinated, statewide child care resource and referral services that promote a high quality child care system.

**Area 3**  
 The Family Conservancy  
 3217 Broadway  
 Kansas City, MO 64111  
 913-342-1110  
 800-755-0838  
 Fax: 913-342-3632  
[www.thefamilyconservancy.org](http://www.thefamilyconservancy.org)

**Area 1**  
 YWCA – St. Joseph  
 304 N. 8th Street  
 St. Joseph, MO 64501  
 816-232-4481  
 800-404-9922  
 Fax: 816-232-4494  
[www.ywaccarr.org](http://www.ywaccarr.org)

**Area 4**  
 Central Missouri State University  
 Workshop on Wheels CCR&R  
 Richards Hall  
 Warrensburg, MO 64093  
 660-543-8321  
 800-666-1461  
 Fax: 660-543-8393  
[www.cmsu.edu/workshop](http://www.cmsu.edu/workshop)

**Area 2**  
 ChildCare Connection  
 319 N. Rollins  
 Macon, MO 63552  
 660-385-1378  
 800-201-7745  
 Fax: 660-385-1387  
[www.childcareconnection-nemo.info](http://www.childcareconnection-nemo.info)

**Area 6**  
 CDCA  
 4236 Lindell Blvd.,  
 Suite 300  
 St. Louis, MO 63108  
 314-531-1412  
 800-467-2322  
 Fax: 314-531-4184  
[www.childcarestl.org](http://www.childcarestl.org)

**Area 5**  
 ChildCare Connection  
 310 Tiger Lane  
 Columbia, MO 65203  
 573-445-5627  
 800-243-9685  
 Fax: 573-446-0342  
[www.childcareconnection.info](http://www.childcareconnection.info)

**Area 7 & 8**  
 Council of Churches of the Ozarks CCR&R  
 1910 E. Meadowmere, Springfield, MO 65804  
 417-887-3545, 800-743-8497  
 Fax: 417-823-9459  
[www.ccochildcare.org](http://www.ccochildcare.org)

**Area 9 & 10**  
 Southeast Missouri State Workshop on Wheels CCR&R  
 1 University Plaza, MS 9425, Cape Girardeau, MO 63701  
 573-290-5571, 800-811-1127  
 Fax: 573-290-5599  
[www5.semo.edu/ccr](http://www5.semo.edu/ccr)

# Invest in Kids...

**It's Smart Business for Missouri.**



Child Care Keeps Missouri Working



MISSOURI  
CHILD CARE  
RESOURCE  
AND REFERRAL  
NETWORK

4236 Lindell Boulevard, Suite 202

St. Louis, MO 63108

314-535-1458

314-754-0330 fax

email: [info@moccrn.org](mailto:info@moccrn.org)

1-800-200-9017

[www.moccrn.org](http://www.moccrn.org)