

Child Care as Economic Development: Theoretical and Empirical Challenges

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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?

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

Presenting Child Care as Economic Development

- 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?

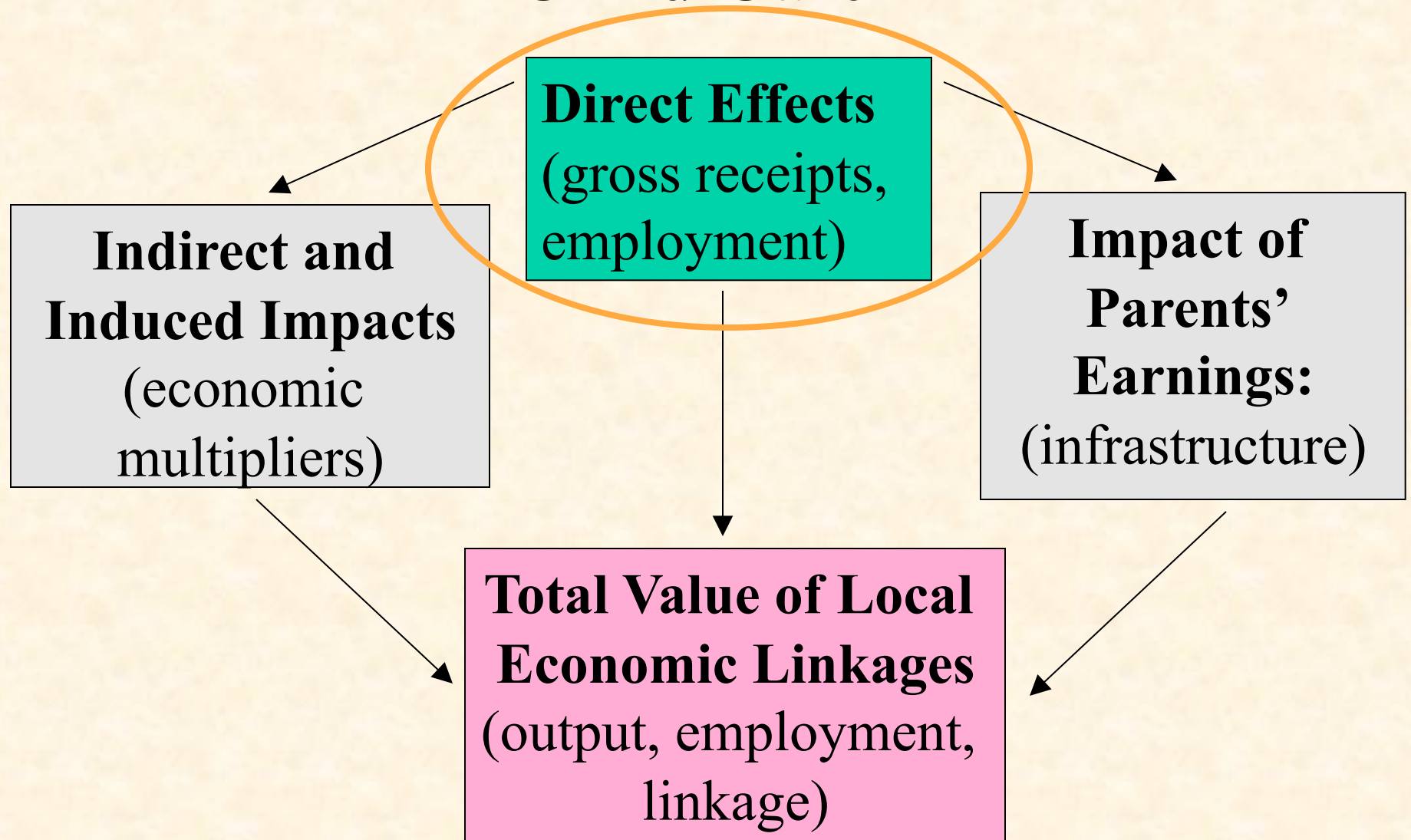
Challenges in measuring child care industry's impact

1. Most economic data seriously undercount employment and income in the child care sector. Child care industry data is also weak.
2. Much child care demand is local - from parents - but most impact models assume demand is from outside the local economy.

Challenges in measuring child care industry's impact

3. A critical impact of child care is its productivity effect on parent workers. This effect is not counted in any impact models.
4. Government funding is typically viewed as welfare, not economic development investment.

Counting the Economic Impact of Child Care



1. Measuring the Direct Effects of the Industry

Give size and scale of industry

Employment

Gross Receipts - Includes private and publicly funded programs

Other Useful Data:

establishments, # children served, # parents served

Must know these to calculate economic impact and compare child care to other sectors

Good National Data Are Hard to Get

Number of Workers

- 0.65 million, Implan (1998)
- 1.1 million, Econ Census (1997)
- 4.6 million, Human Service Research Center/CCCW (1999)

Gross Receipts

- \$18.9 billion, Econ Census (1997)
- \$24.2 billion, Implan (1998)
- \$35.6 billion, SIPP est. consumer spending (1995)
- \$14.4 billion, Government Funds (UPK, Head Start, CCDF, TANF 2000-01)

Standard Economic Data Undercount Child Care

Kansas	Number Workers	Number Firms	Gross Receipts
IMPLAN	5663	NA	\$238 million
State Licensing Data	14,370	8,645	\$517 million

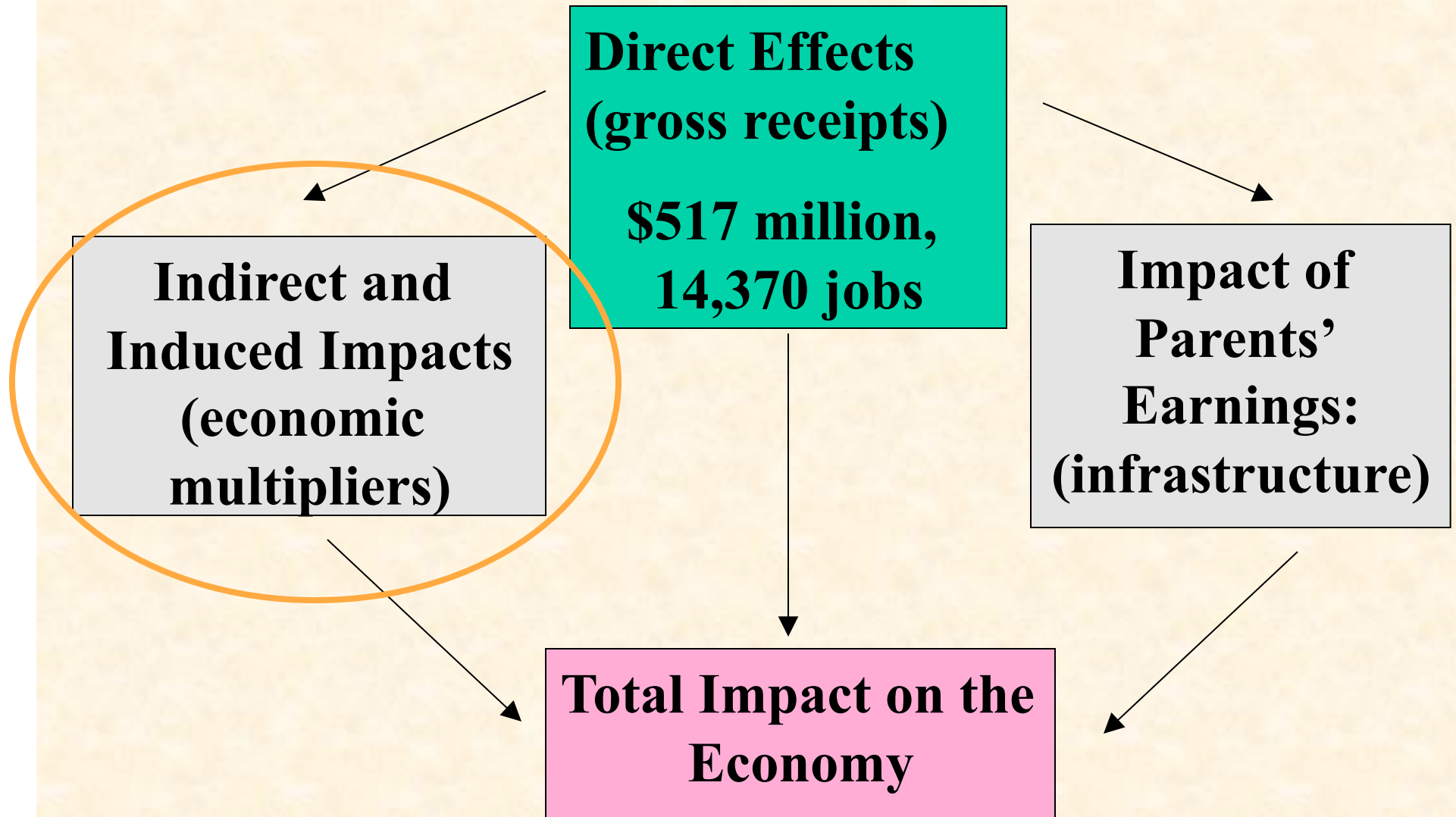
Direct Effects Allow Comparison to Other Industries

Direct Employment by Industry Sector, Kansas



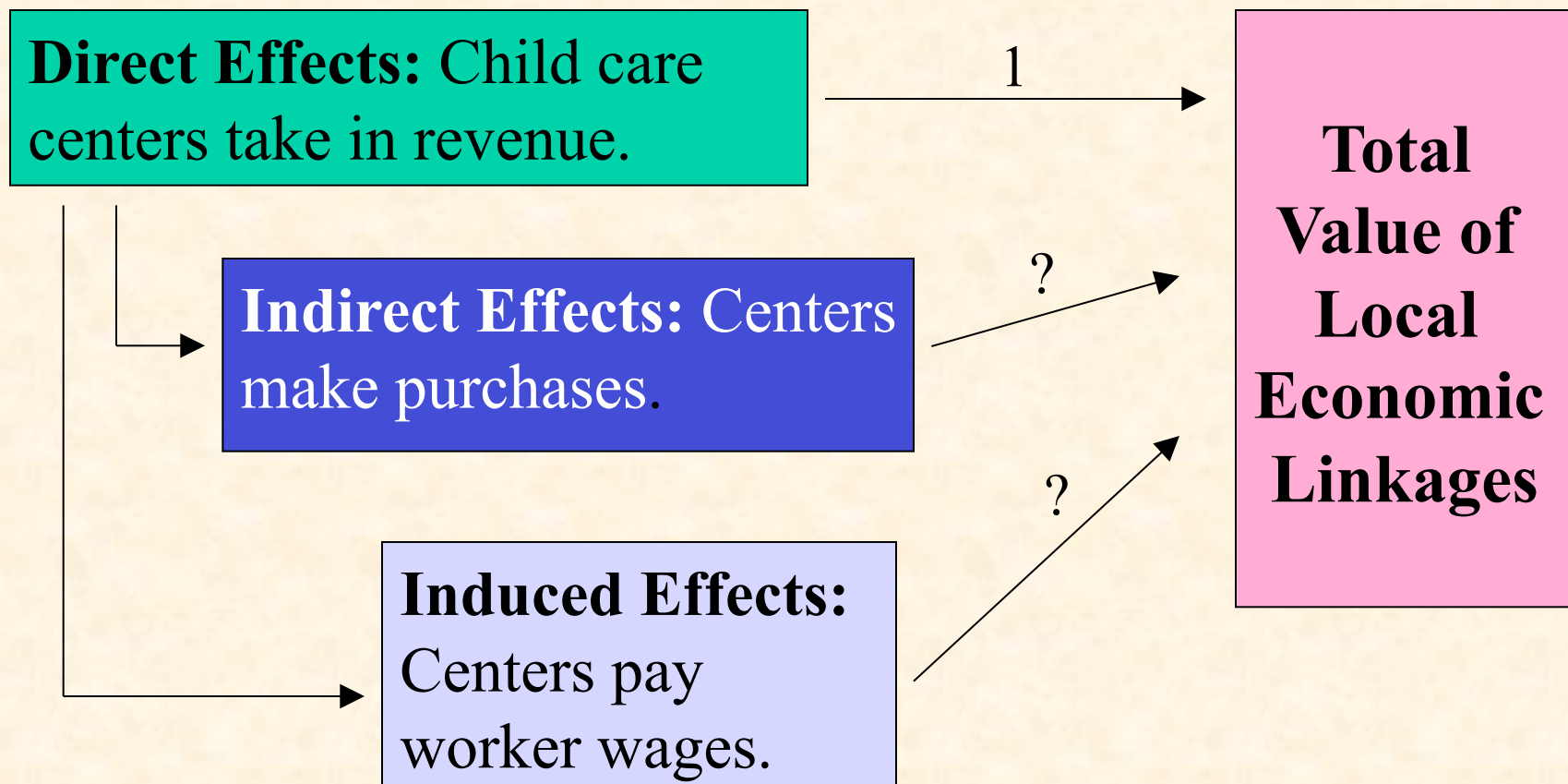
*From IMPLAN Database, 2000, ** State Licensing Data 2002

Counting the Economic Impact of Child Care in Kansas



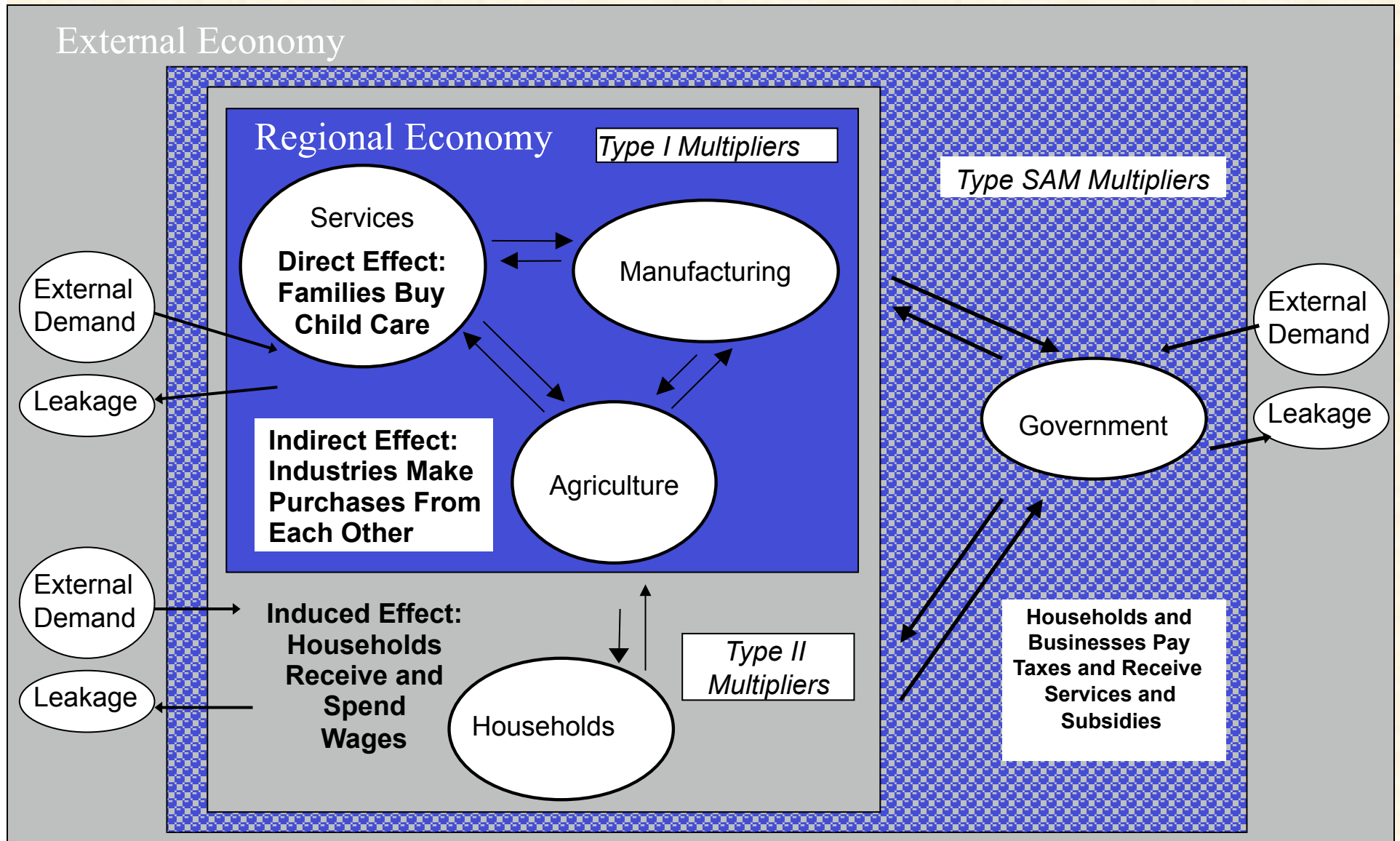
2. Multiplier Effects

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

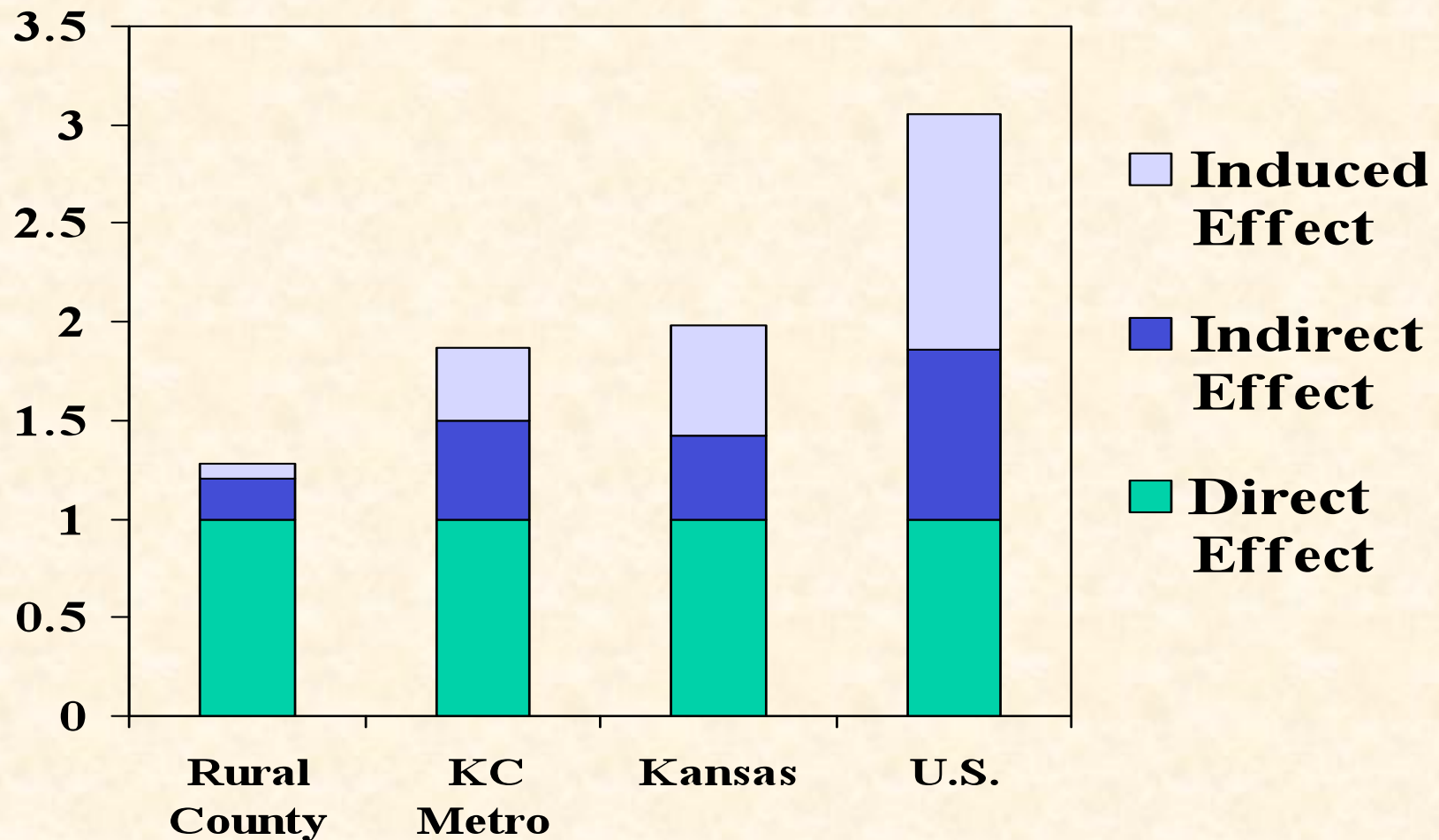


- Type 1 multipliers count only the indirect effect of industry purchases.
 - This would be the most conservative estimate of child care's economic impact.
- Type II multipliers count the effect of household expenditures and workers spending their wages.
 - Since most child care demand comes from households, some argue Type 11 multipliers can only be counted on demand originating from outside the local economy - such as government spending.

A Simplified Input-Output Model



Every \$1.00 spent on child care generates
\$1.20 - \$3.00 in the larger economy.



Output Multipliers Increase with the Size of the Economy

Employment Multipliers

Every child care job generates 1.3 to 1.8 jobs in the wider economy

Tompkins County	1.27	Kansas (State)	1.55
New York (state)	1.42	California (State)	1.68
Vermont (state)	1.46	U.S.	1.8

3. Parent Productivity Impact

- There is no established methodology on how to measure this
- A first step is to determine the number of working parents using paid child care and their incomes.
- Some portion of this is made possible by child care.
- Some studies claim all these wages are attributable to child care. This grossly overestimates the effect.

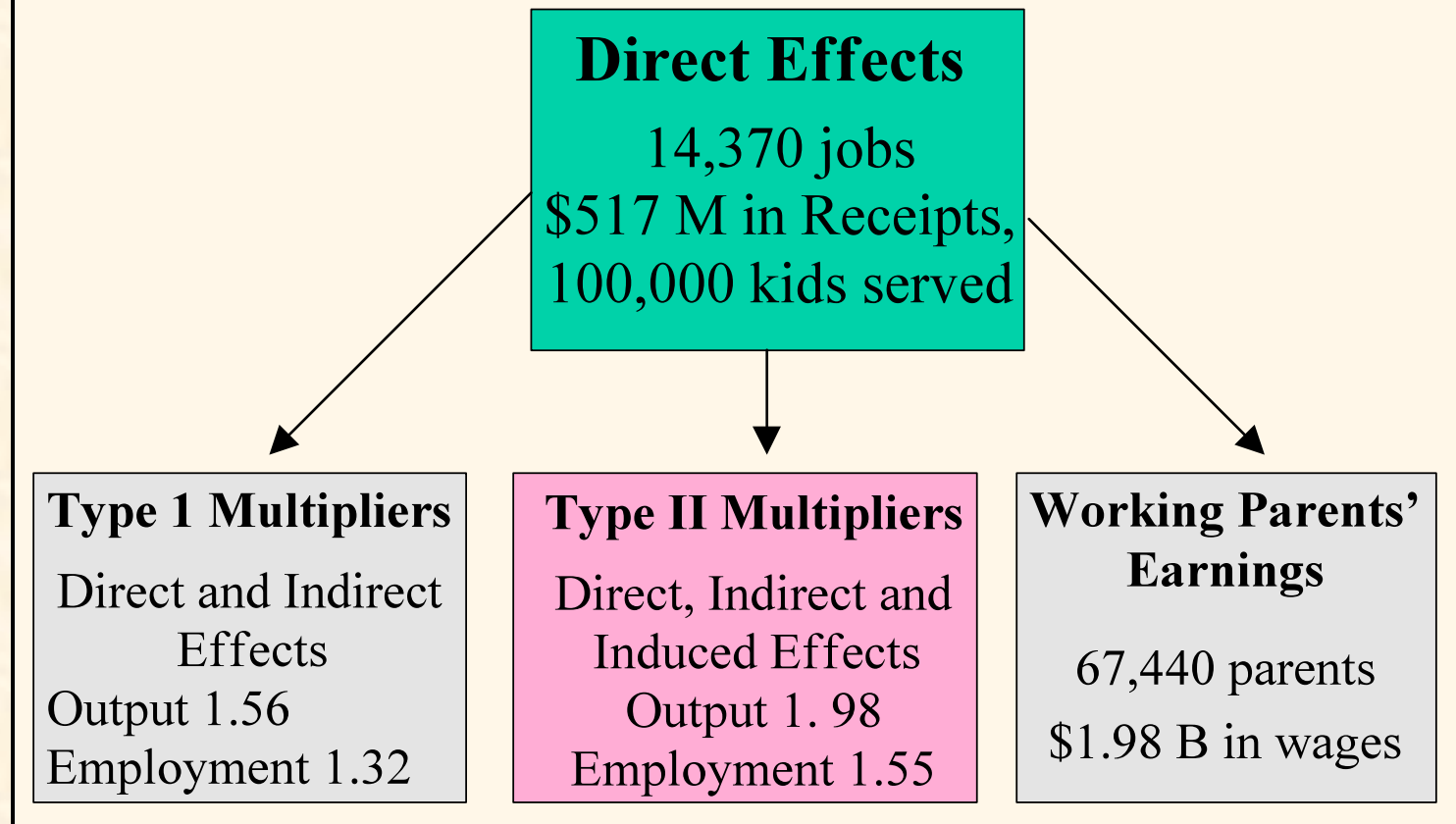
Child Care Enables Parents to Work

Number of Parents using Paid Child Care: 67,440	*	Median Income in Kansas \$29,356	=	Total Impact of Parents' Earnings: \$1.98 billion
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How much can child care count as its contribution to the parent wage impact?

Putting it all Together

Counting the Economic Impact of Child Care in Kansas



4. Government Funding as Economic Development, not just Welfare

- Tompkins County, NY used impact analysis to look at child care subsidies.
- Showed a positive return on subsidies as an economic development investment (multiplier effect), and a parent wage impact.

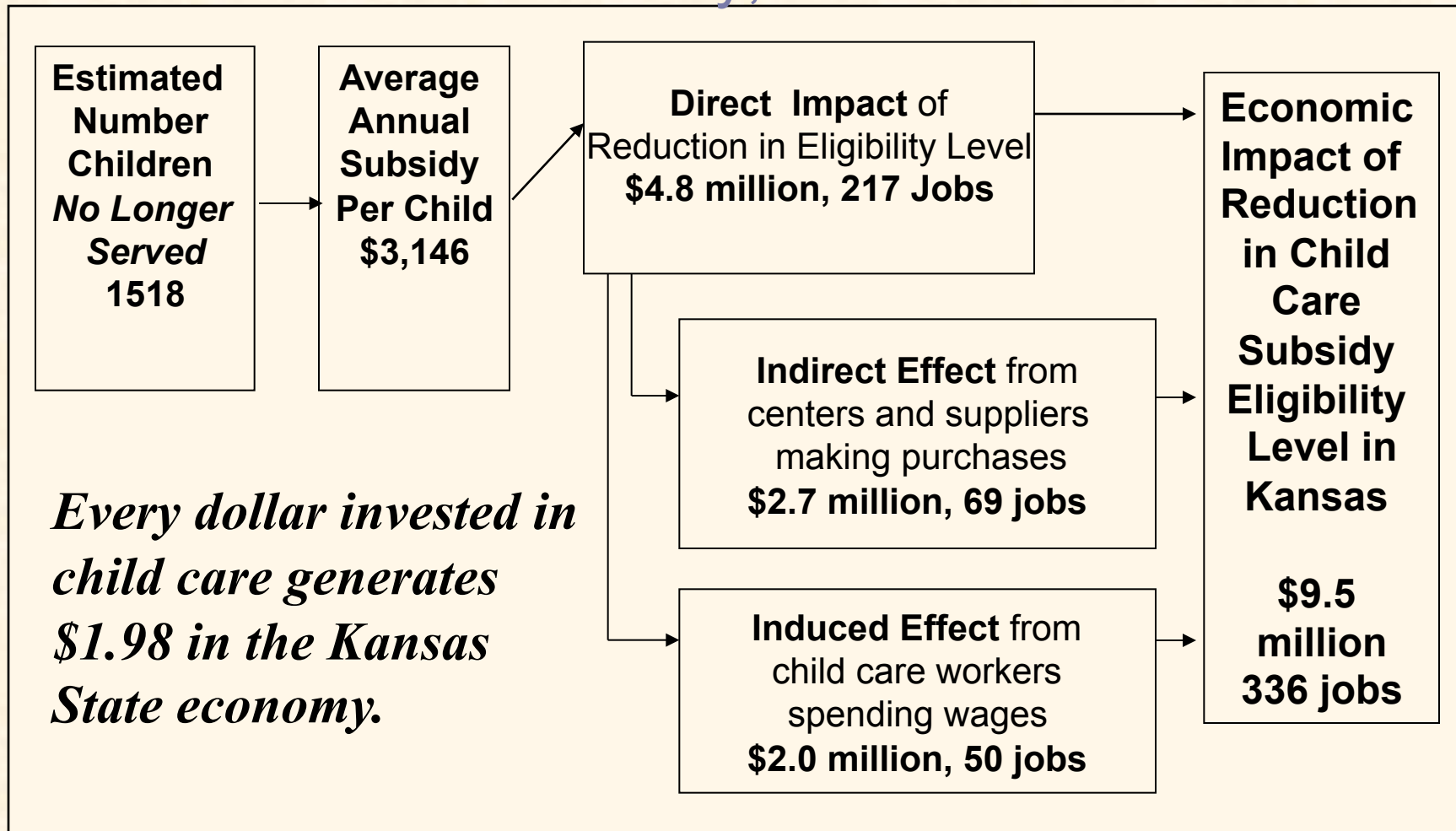
Economic Impact of Subsidies

- 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.

Impact of Reduction in Subsidy Eligibility from 185% to 150 % of Poverty, State of Kansas



Source: Based on estimates from Kansas Department of Social and Rehabilitative Services 2002, and IMPLAN multipliers 2000.

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).

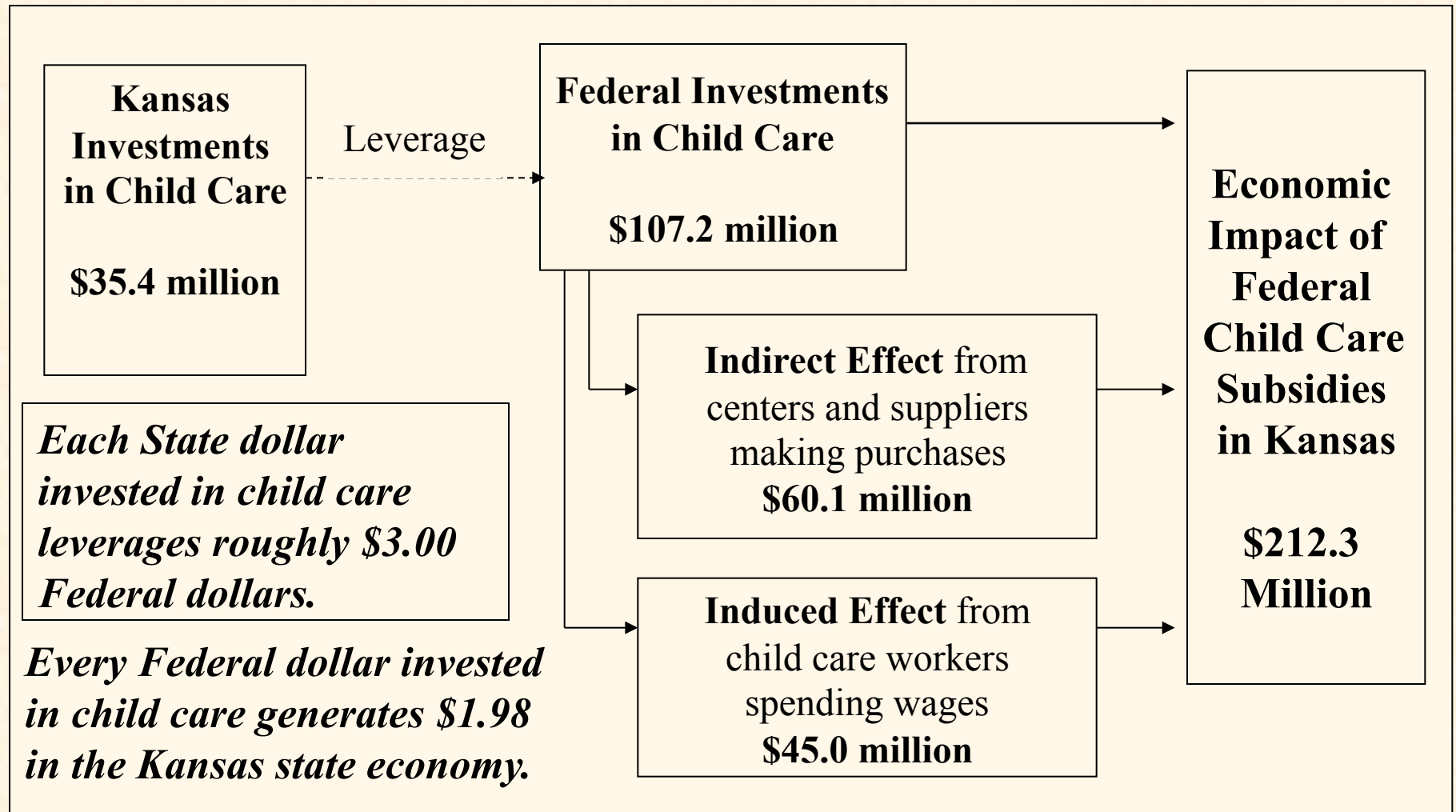
Kansas Type II output multipliers, Implan 2000

- Is child care getting a similar level of subsidy?

Leverage Effects of Government Funding

- By supporting licensing and early education, in addition to maintenance of effort and matching requirements, State investments in child care leverage Federal dollars.
- In Kansas, we determined that state dollars leverage roughly \$3.00 Federal dollars and each Federal dollar in turn has a total impact on the Kansas economy of \$1.98
- Federal dollars represent a source of external demand - economic development.

Child Care as Economic Investment



Source: Based on SRS data for 2001.

Broadening Public Support

- 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.