

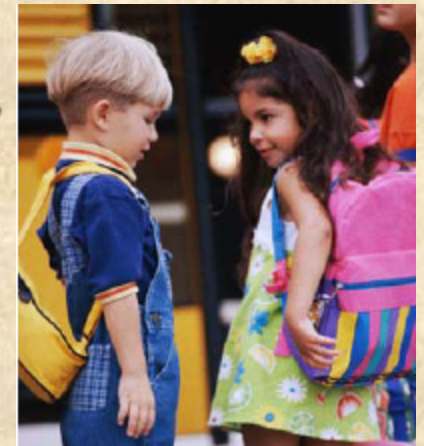


# The Economic Impact of the Early Care and Education Sector

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# Child Care as Economic Development

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- 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?





## What is child care's economic development impact?

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- 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

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- 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 the Child Care Industry's Economic Impact

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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.



## Challenges in Measuring the Child Care Industry's Economic Impact

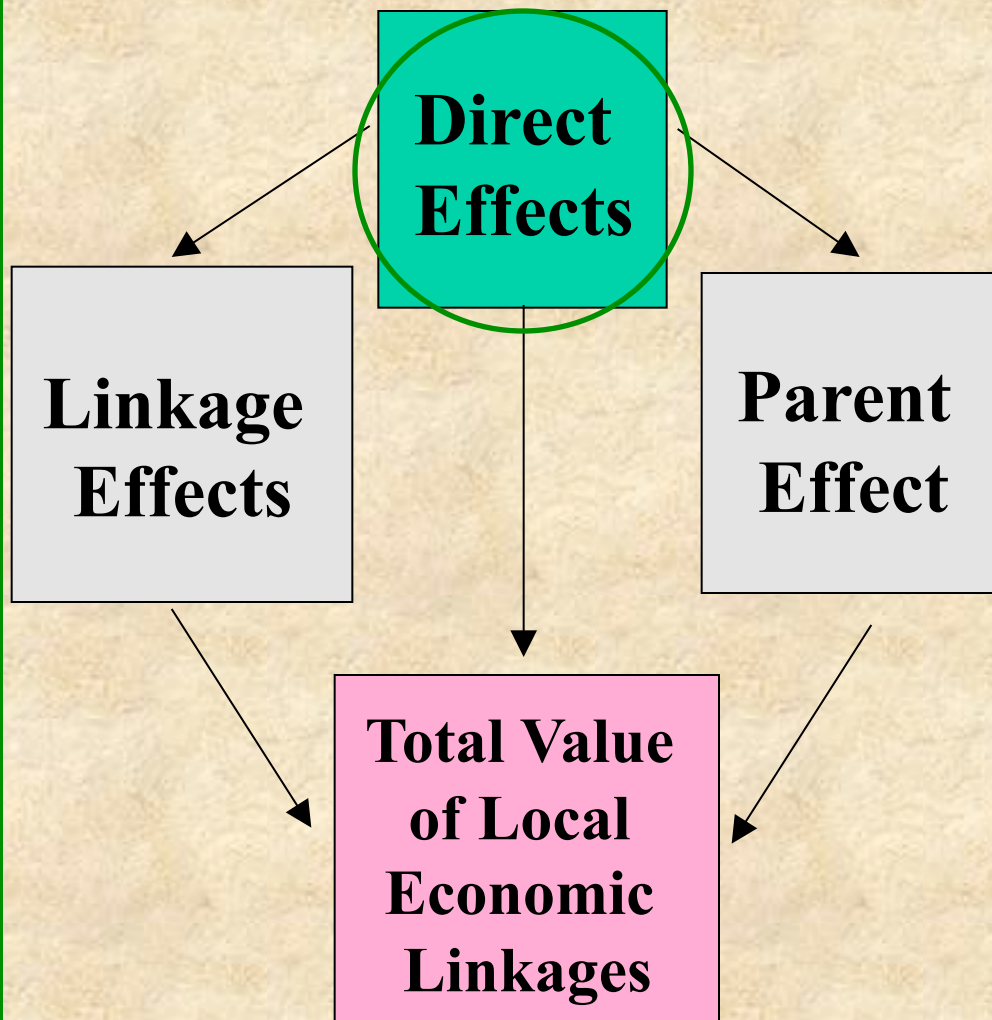
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3. Much child care demand is local - from parents - but most impact models assume demand is from outside the local economy. Exports promote growth - but what is the role of local service sector demand?
4. A critical impact of child care is its productivity 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





## Size of the Child Care Sector in Kansas

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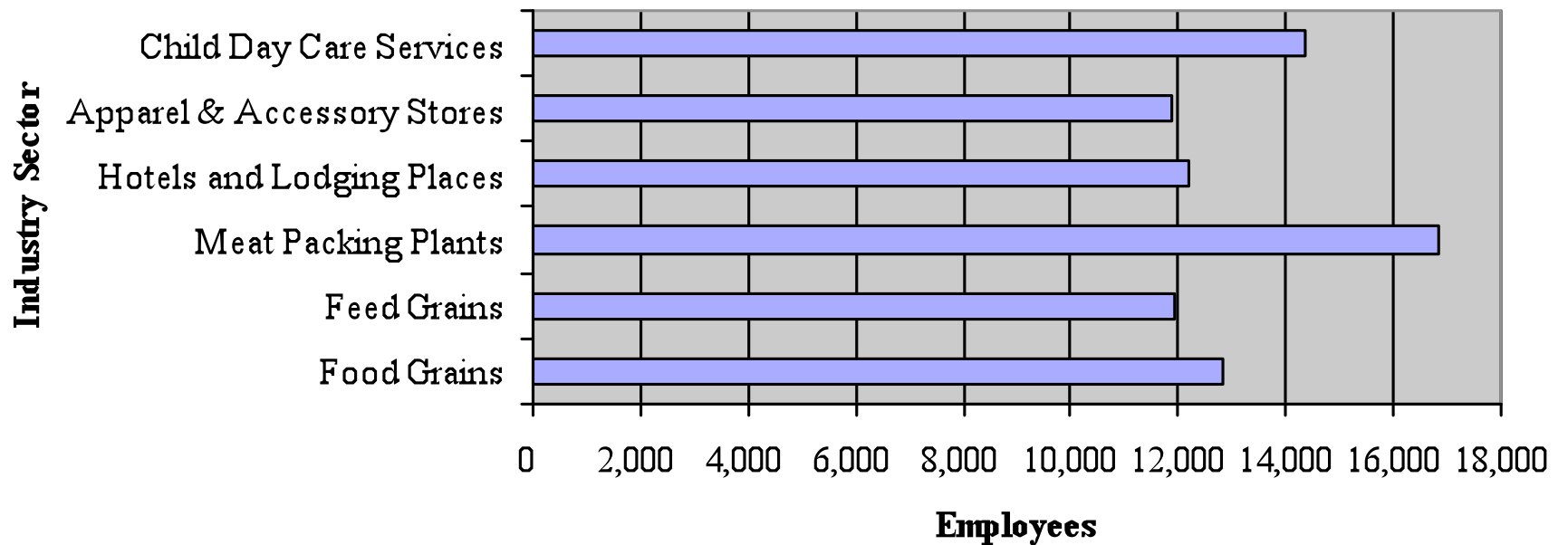
- 14,000 workers
- 8,000 establishments
- \$500 million in gross receipts
- 100,000 children

**Standard economic data  
undercount the child care sector**



# Direct Effects Allow Comparison to Other Industries

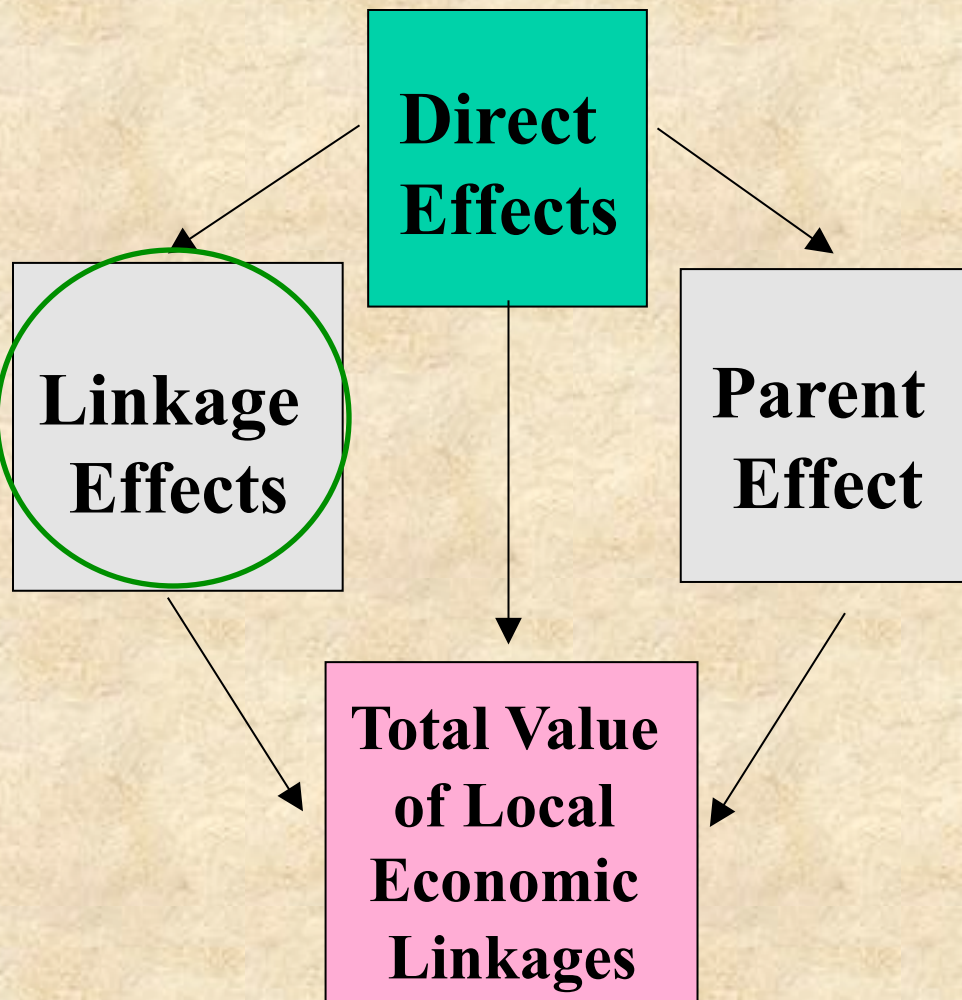
**Direct Employment by Industry Sector, Kansas**



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



# Defining Early Care and Education as an Economic Sector



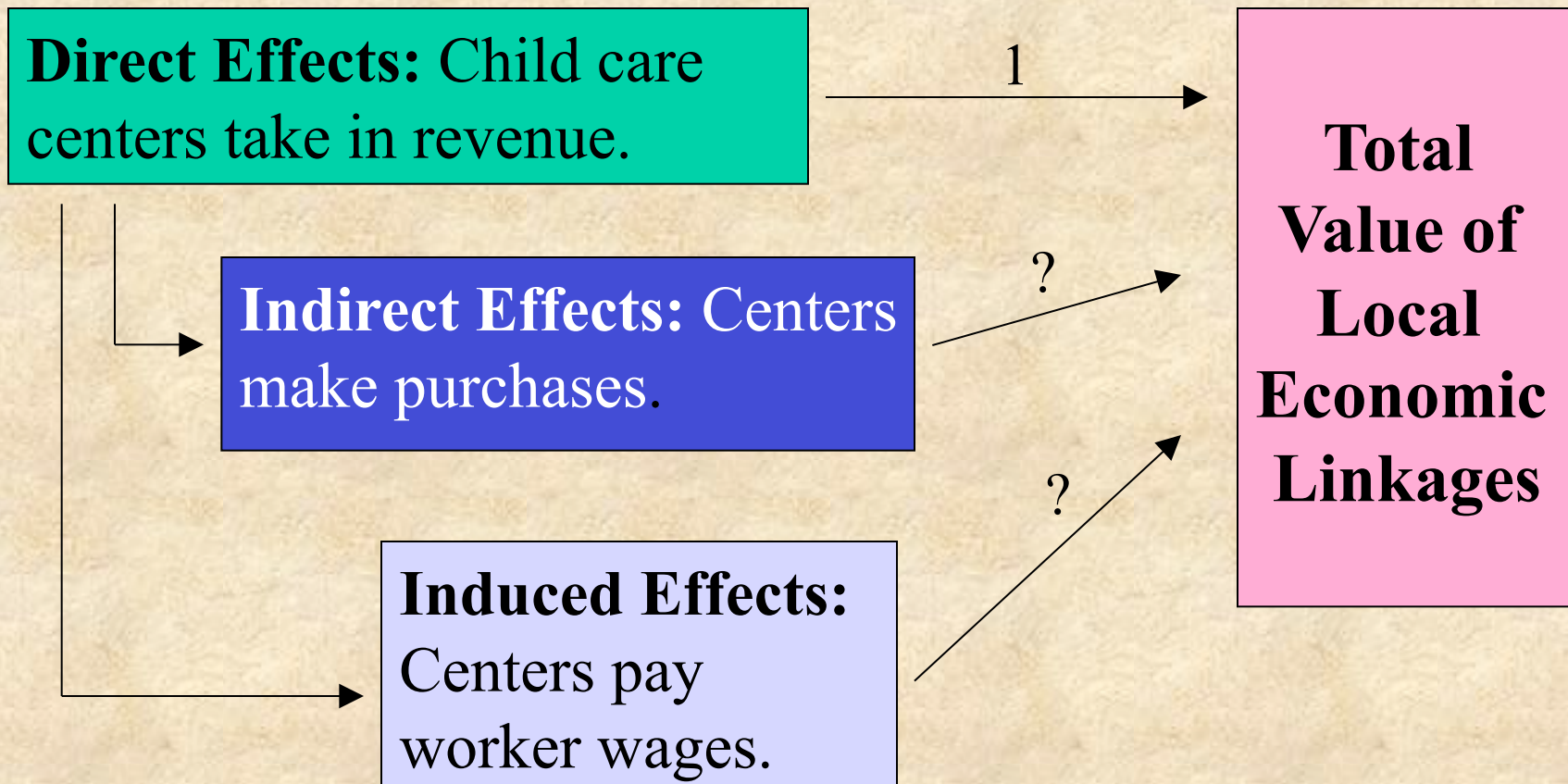
- Direct Effects
  - » Establishments, Workers
  - » Children, Gross Receipts
- Linkages
  - » Input / Output Analysis
  - » **Each \$1 spent in the child care sector stimulates \$1.98 in the wider Kansas economy**
- Parent Effect





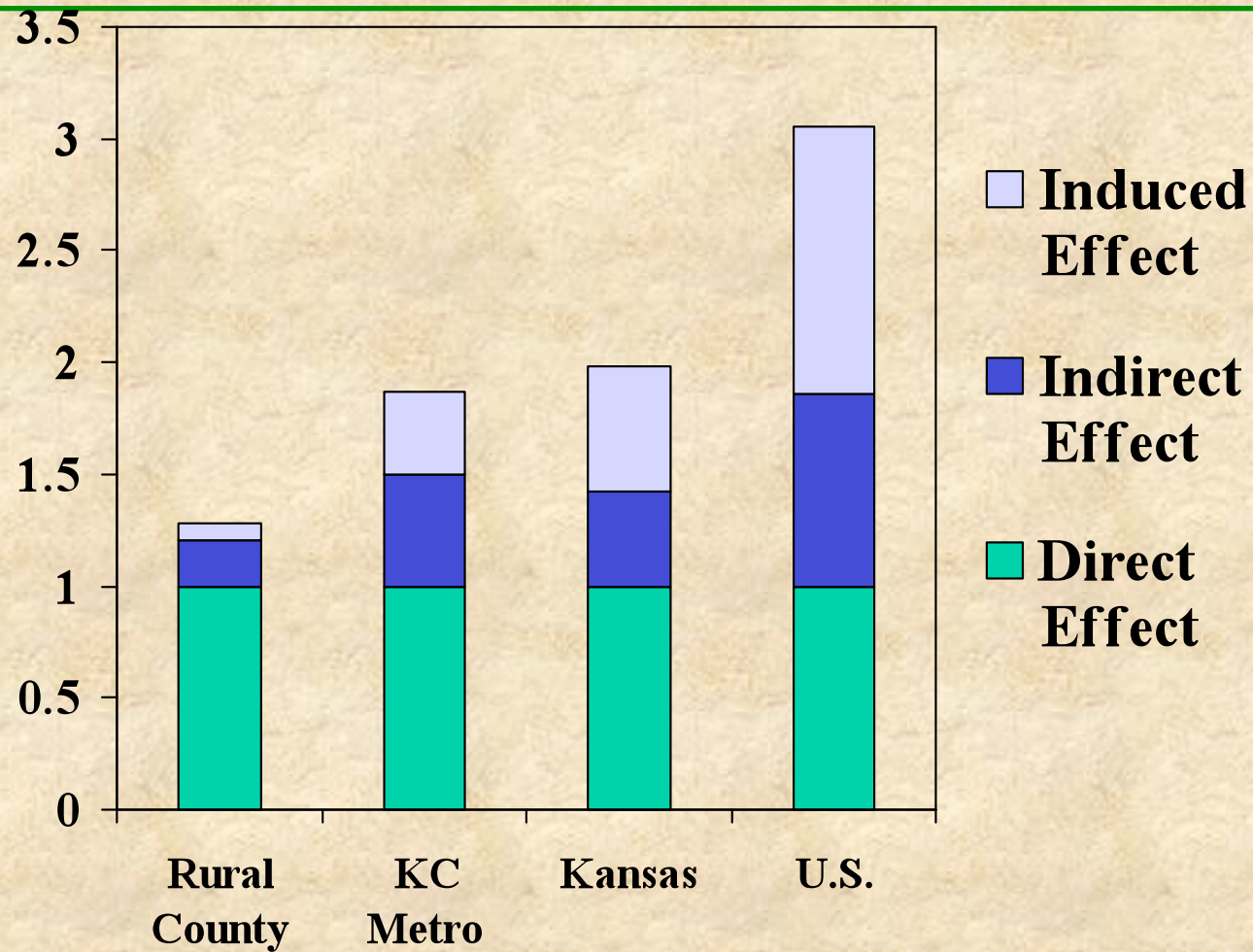
# Understanding Linkage Effects

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





## Output Multipliers Increase with the Size of the Economy





## Employment Multipliers

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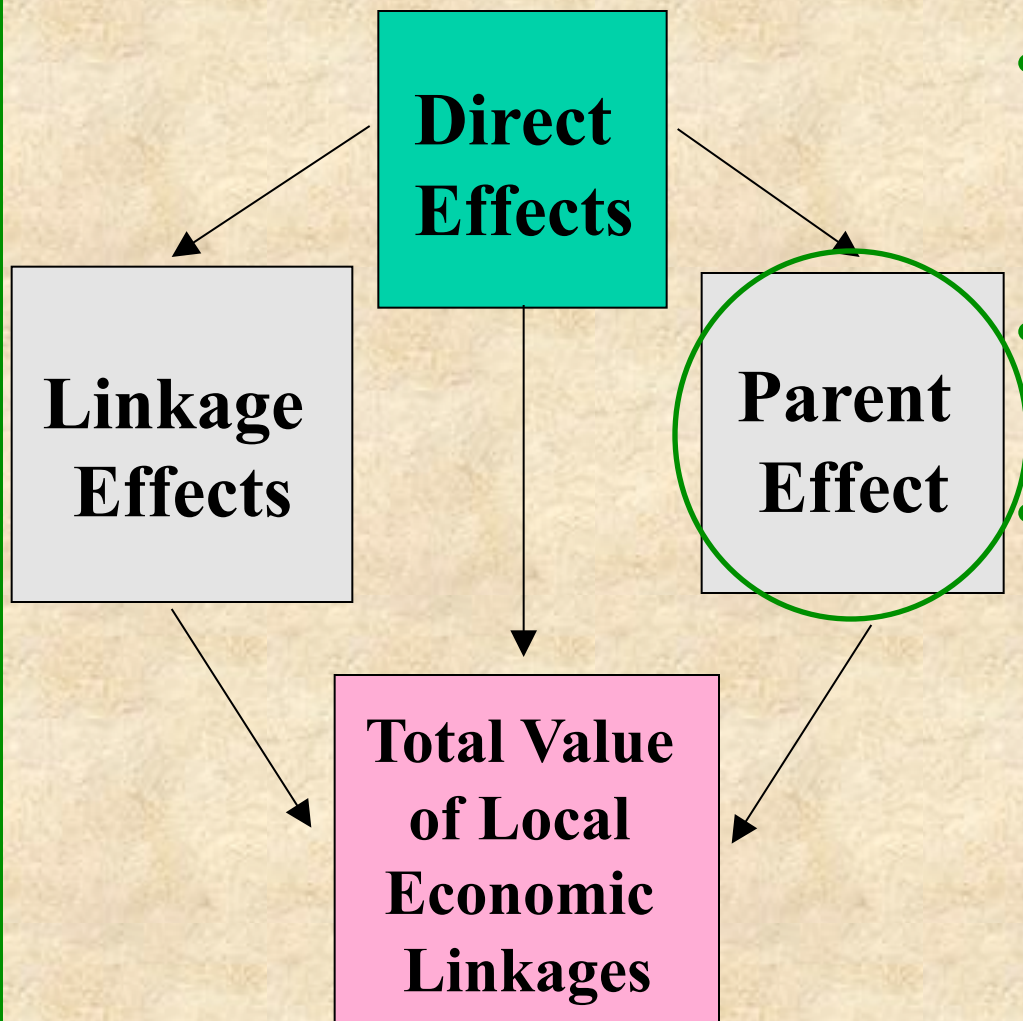
**Every child care job generates 1.3 to 1.8 jobs in the wider economy**

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





# Defining Early Care and Education as an Economic Sector



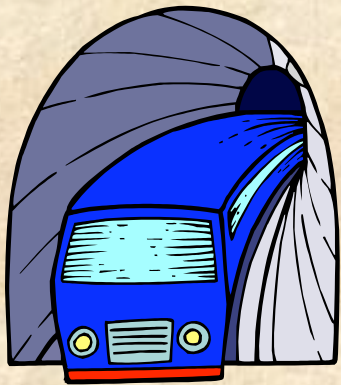
- Direct Effects
  - » Establishments, Workers
  - » Children, Gross Receipts
- Linkages
  - » Input / Output Analysis
- Parent Effect
  - » **67,000 parents in Kansas claim the state child care tax credit.**
  - » **These parents collectively earn \$2 billion in wages.**



## Infrastructure for Economic Development

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- 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

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- 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?



## Economic Impact of Subsidies

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- 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

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- 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.





## Broadening Public Support

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- 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!**

