



Understanding the Impact of Child Care on Local Economies

Presented to the Child Care Bureau
Research Symposium
April 15, 2004



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Child Care and Economic Development

1. What is economic development?
2. What is the economic importance of child care?
 - Data: What and How to Count?
 - Early Education Expenditures as Welfare or Economic Development?
 - Changing Conceptions of Regional Economic Development

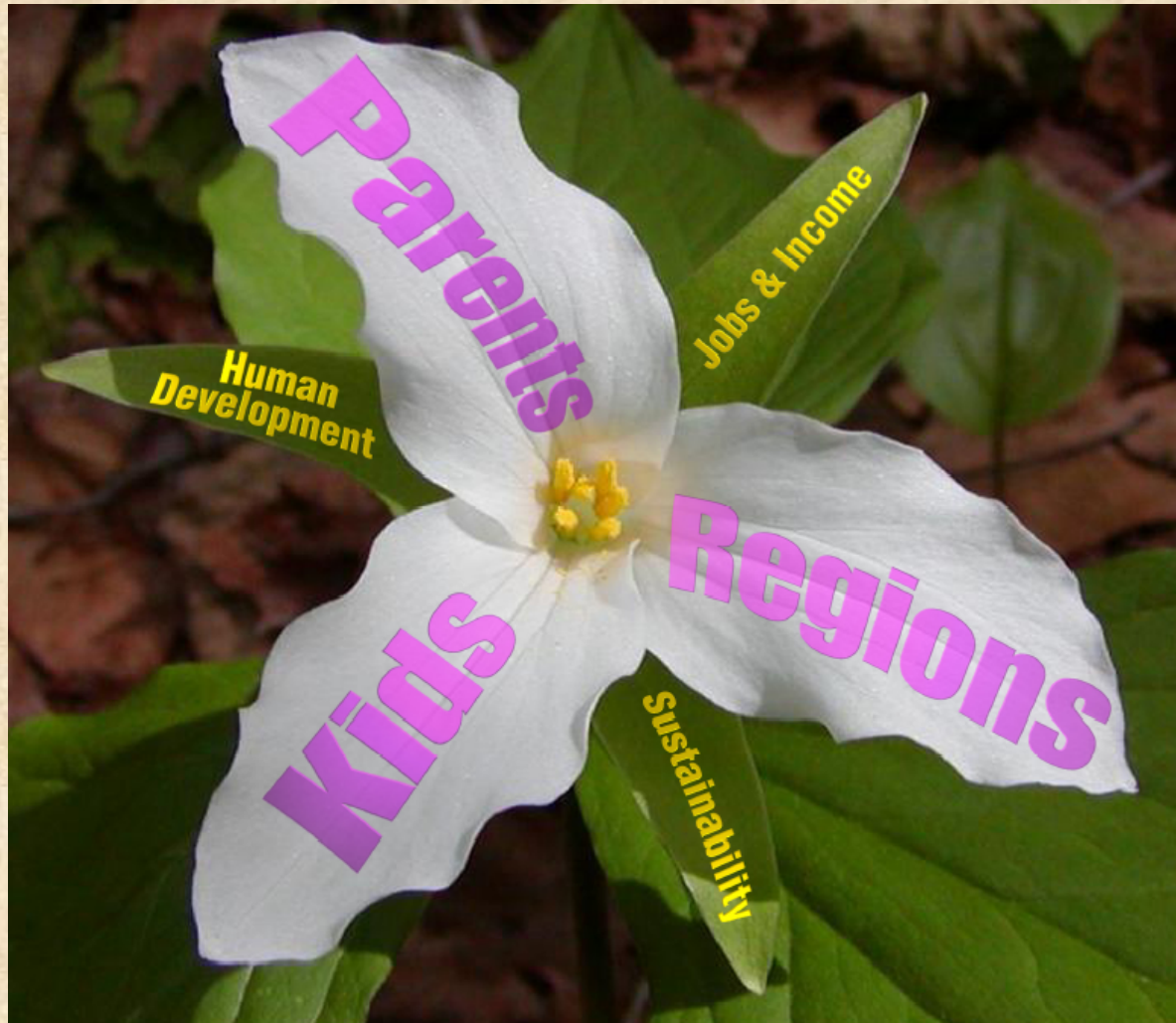


I. What is Economic Development?

- » Growth in jobs and income
 - Productivity (Porter)
- » Human development
 - Education, human capital (Schultz, Heckman)
 - Health (UNDP)
- » Choice and Freedom
 - Human Capabilities (Sen)
- » Sustainability
 - Environmental amenities
 - Innovation - Quality of Life (Florida)



2. What is the Economic Importance of Child Care?





How Do We Count the Economic Importance of Child Care?

- Children - Human development (cognitive and social skills), long term investment
- Parents –Labor Mobilization, Labor Productivity, Choice – Career Ladders
- Regions – Child Care Sector Employment, Output, Children Served, Regional Economic Linkage



Kids: Economic Development Investment or Welfare Expenditure?

1. Is government funding for early care and education a welfare expenditure (-) or an economic development investment (+)?
 - Economists are reinterpreting early education expenditures as *investments for the long term*.
 - Long term studies on impact of early education
 - » Abecedarian Study 3-7% IRR (Barnett, 1998)
 - » Perry PreSchool 4-16% IRR (Rolnick and Grunewald, 2003)
 - » Invest in Kids working group – Public Finance Value of a Child close to \$150K (lifetime taxes-benefits)



Parents – Supporting Work

- Workers and Employers recognize need for child care
- Private Sector Institutes Work Life Policies to Increase Labor Productivity.
 - » Reduces absenteeism, turnover, increases productivity and improves recruitment
- Welfare Reform
 - » New benefit – public support for child care of working parents
 - » Benefits linked to work – economic conceptions of citizenship
 - » Will this lead to broader, public responsibility for care?



Regions: Child Care as an Economic Sector

- There has been a groundswell of interest in conducting regional “economic impact” studies of child care
 - » 2 studies 2001, 10 studies 2002, 15 studies 2003, 19 in progress (state and local level)
- By using economic development metaphors, they are challenging and broadening conceptions of economic development and policy.



Economic Challenges → Market Interventions

- Economic Challenges of the Sector
 - » Many micro enterprises, few economies of scale
 - » Low returns and high turnover
 - » Poor quality, information, lack of effective demand
- Potential for Market Intervention
 - » Incentives to improve quality, reduce turnover, versus the enforcement approach typical under welfare.
 - » New partnerships with the private sector



3. Data Challenges

No comprehensive data on the economic size of the child care sector. Child care data follow an education or social service model - not economic development focused.

- What should we count?
 - Product: Children Served,
 - Customers: Parents
 - Suppliers: Providers,
 - Price, Quality, Wages



Measuring the Size of the Child Care Sector

In New York State:

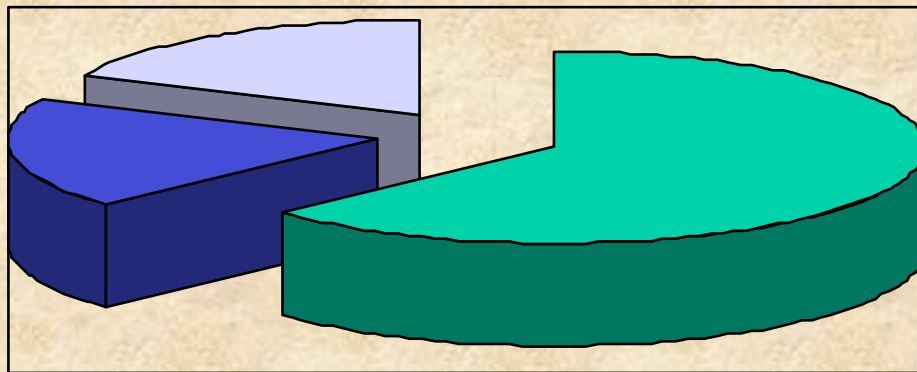
- **Businesses**: There are 22,000 small businesses providing child care (3806 centers, 14,648 registered family homes)
- **Employment**: 119,000 workers are employed in the early care and education industry.
- **Revenues**: The industry generates \$4.7 billion in gross receipts
- **Children Served**: Over 622,000 children receive care and education in the regulated system
- **Parent Market**: 750,000 working parents use Dependent Care Tax Credit.

Estimates Typically Undercount



4. Child Care: Infrastructure for Economic Development?

Riders pay only 26% of the costs of urban public transit. Parents pay most of the costs of child care.

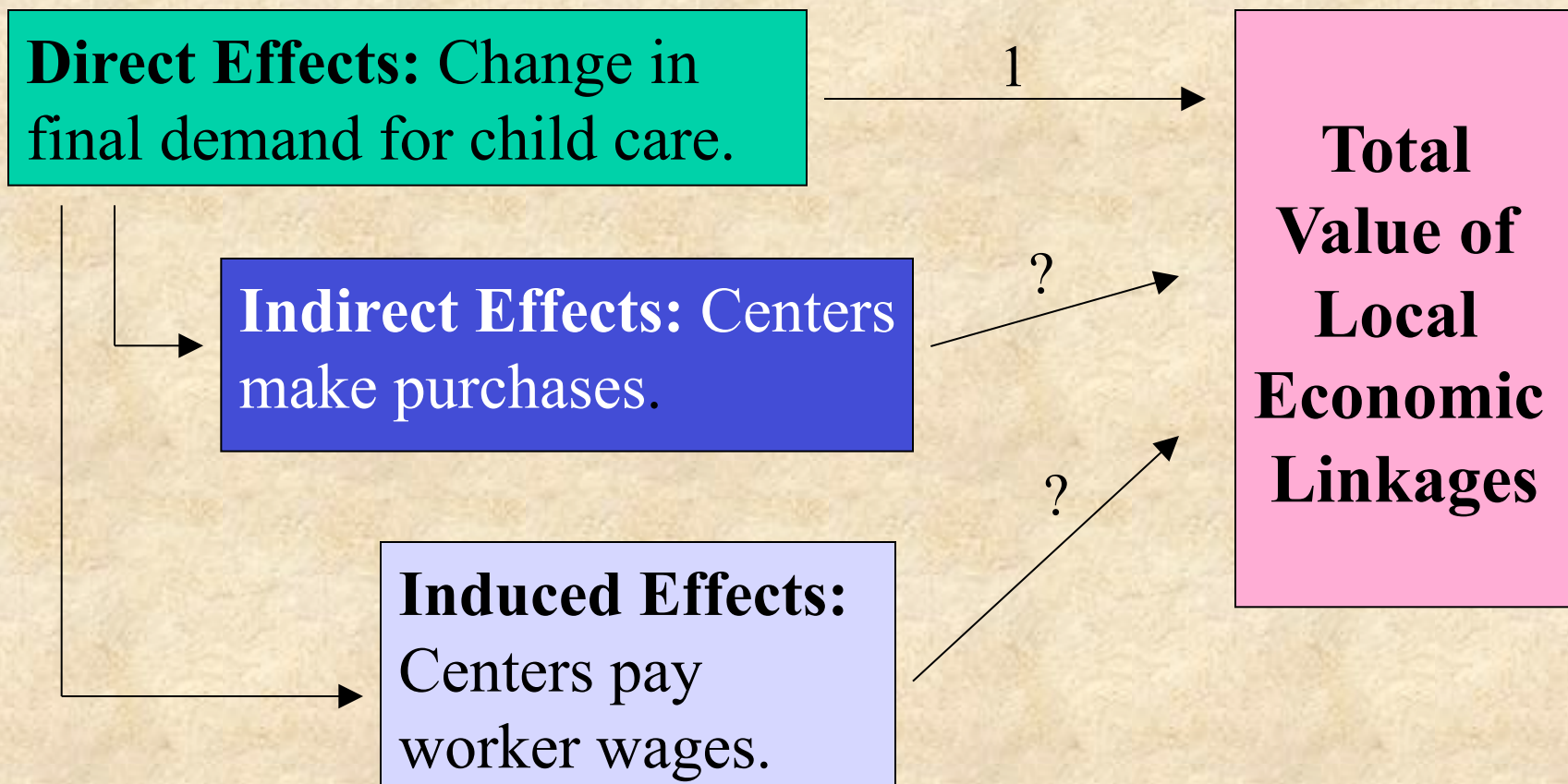


- Parent Tuition Payments
- Government Subsidies to Parents
- Government Investments in Quality and Education (UPK, Head Start)

**Gross Receipts of the Child Care Sector in NYS :
4.7 Billion (63% Parent Fees)**



Calculating the Short Term Linkage Effects in the Regional Economy





The Child Care Sector Compared to Other Infrastructure Sectors, 2000

Child Care Type II Output multipliers are similar to education and training, and larger than water, sewer and transportation.

State	Child care multipliers	Elemen. and Secondary Schools	Job Training and Related Services	Colleges University and Schools	Water Supply and Sewage Systems	Local Interurban Passenger Transit
50-State & D.C. Average	1.91	1.91	1.84	1.84	1.67	1.72

Source: IMPLAN Multipliers 2000 - 50 States plus DC analysis



V. Challenging Conceptions of Regional Economic Development

- Much child care demand is local - from parents - but most regional economic models assume demand is from outside the local economy.
- Exports promote growth - what is the role of the service sector and local demand?
- Multipliers measure backward linkages (purchases). What about forward linkages – the enabling effects of service sectors?



New Visions for Economic Development Policy

- Balanced Growth Strategies
 - » Support both export industries and those service sectors (like child care) which enable other sectors to produce
 - – supplements the “tradable sectors” focus of most regional economists (Porter)
- Quality of Life
 - » Once considered a product of economic development, it is now considered a *precondition* for it. (R. Florida, Creative Economy)



Economic Development Policy

- Export Growth Promotion
 - » Manufacturing and agriculture as primary drivers.
 - » What about service sectors and local demand?
- Industrial Recruitment
 - » Almost all governments offer tax abatements, infrastructure development, job training.
- Business Retention and Expansion
 - » Business management support, clusters (training, research, marketing)
- Quality of Life Investments – less common
 - » Housing, environmental amenities, education
 - » Business Sustainability – Triple Bottom Line



Broadening Economic Development

Reinterpret investments in care as economic development

- Business – Work Life Policies for productivity gains
- Government – Social expenditures as economic development investments
- Economic Developers – Social investments as infrastructure for economic development

Power of economistic conception of social goods

- » Glimpse into the new social welfare state
- » Narrowing or broadening of conceptions of citizenship?