



Reframing Child Care as Economic Development: United States Experience

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Acknowledging Child Care

- Child care is a critical social infrastructure for economic development
- It is more than the private responsibility of parents. It is key to promoting children's development and a critical component of business productivity and regional economic growth.
- Across the US business, government and community leaders are coming together to address this problem.



What is the Economic Importance of Child Care?

- » Children - Human development (cognitive and social skills)
- » Parents – Choice – career ladders, labor productivity
- » Regions – Child care employment, children served, regional economic linkage
- » Society – Sustainability, Social infrastructure





Economic Importance of ECE: Children

- ECE promotes human development (cognitive and social skills) for school readiness and long term workforce development of today's children.
- Policies come primarily from a welfare (health and safety) and education frame
- As a welfare expenditure, government funding for ECE has been considered an expenditure, a negative (-), in national accounts.



Economic Importance of ECE: Children

- 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)
- Cost benefit ratios of quality preschool range from 17:1 (Perry PreSchool) to 4:1 (Abecedarian)
- Don't expect similar returns when take model programs to scale. 1:1 (Universal PreK)



Growth in Universal PreSchool

- 38 States now have publicly funded preschool
 - » “Universal” – for all families
 - » Formal/educational - School or community based
 - » Broad public and economist support
- Preschool is not enough
 - » Ignores broader care needs of children and families
 - » Cheaper than comprehensive ECE



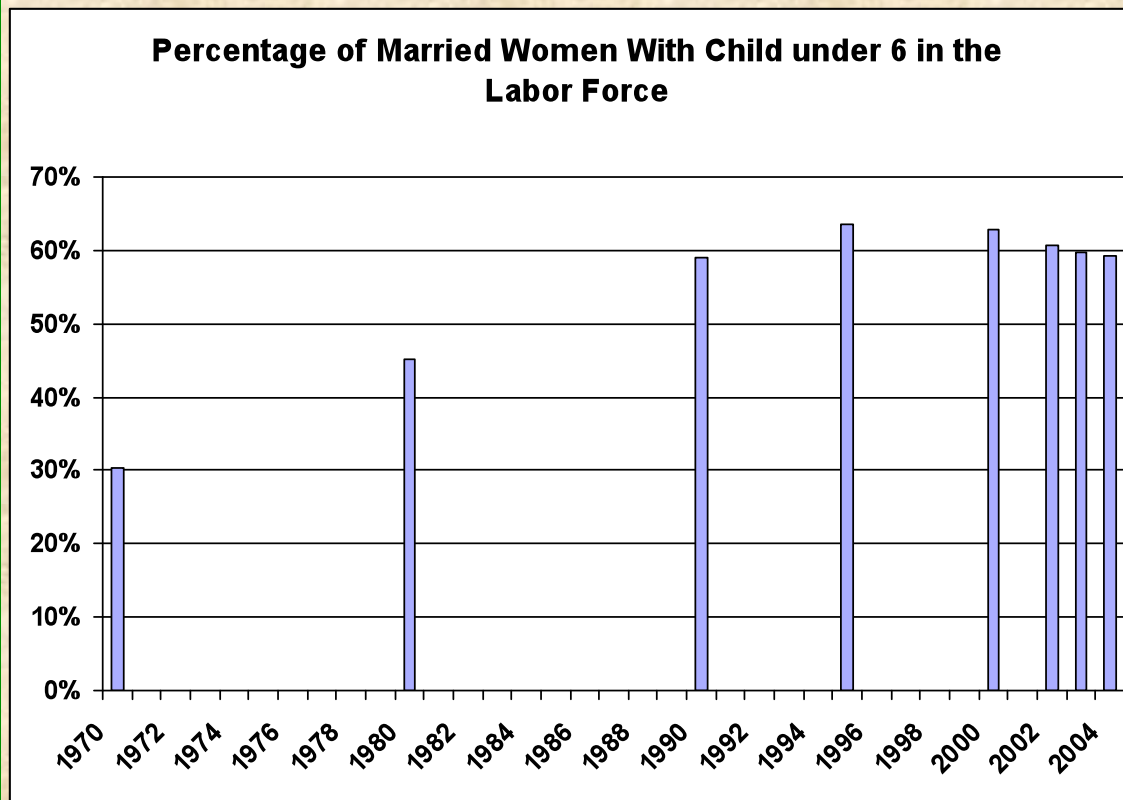
Economic Importance of ECE: Parents

- Comprehensive child care and early education
 - » Promotes labor mobilization of parents as workers
 - » Improves their productivity
 - 30% report breakdowns in child care, on average 5-9 days missed/yr
 - » Reduces turnover
 - Turnover costs 75-150% of annual wage. Costs business billions
 - » Enhances choice and career ladders, especially for women.

Sources: APA 2004, Carillo 2004, Shellenback 2004, Gornick and Meyers 2003



The Historic Increase in Mothers' Labor Force Participation Rates in the U.S. Has Levelled Off



Earnings differential is a *Mommy Gap* more than a gender gap - it is largest between women who have children and those who don't.

Attention to parents' needs must be part of workforce policy



Parent Impact: Employer and Government Responses

- Parents' child care choices are too constrained
 - » Attention to parents' needs must be part of workforce policy
- Some employers have expanded work-life policies
 - » parental leave, child care supports, flex time
 - Less likely among low wage service sector employers
- Some states have increased tax credits, made them refundable, and linked them to quality
- Federal government expanded child care subsidies



Economic Importance of ECE: The Region

- ECE is a critical part of the social infrastructure for the economy.
- ECE is an economic sector in its own right.
 - » ECE employment and children served are large and growing.
- Across the US economic developers and planners have come together to measure the regional economic impact of the ECE sector
 - » 70 state and local teams in the last 5 years
- ECE needs to think like a sector and explore an additional set of strategies and tools.



ECE is an Underdeveloped Market Sector

- Economic Challenges of the Child Care Sector
 - » Many micro enterprises, few economies of scale
 - » Low returns and high turnover, poor quality
 - » Inadequate information, lack of effective demand
- Potential for Market Intervention
 - » Incentives to improve quality, reduce turnover.
 - » Improved market information and management.
 - » New partnerships with the private sector
- Incentive Based Economic Development Policy – a new tool for strengthening child care



ECE both a Public and a Private Good

- Be careful to distinguish public and private aspects of ECE when crafting economic development solutions.
- As a public good ECE supports long term human development.
 - » A market based system of care can undermine quality.
 - » Parents may seek convenience and low cost, while children and society need high quality.
- This is why direct public investment is required.
- But there is still a role for economic development policy.



Economic Development Policy

- ECE can benefit, as a sector, from economic interventions.
- Economic development approaches are a complement, not a substitute, to broader public sector support.
- Economic development incentives must be applied with caution, because economic development policy itself is often poorly designed.
- Including ECE will help balance economic development policy

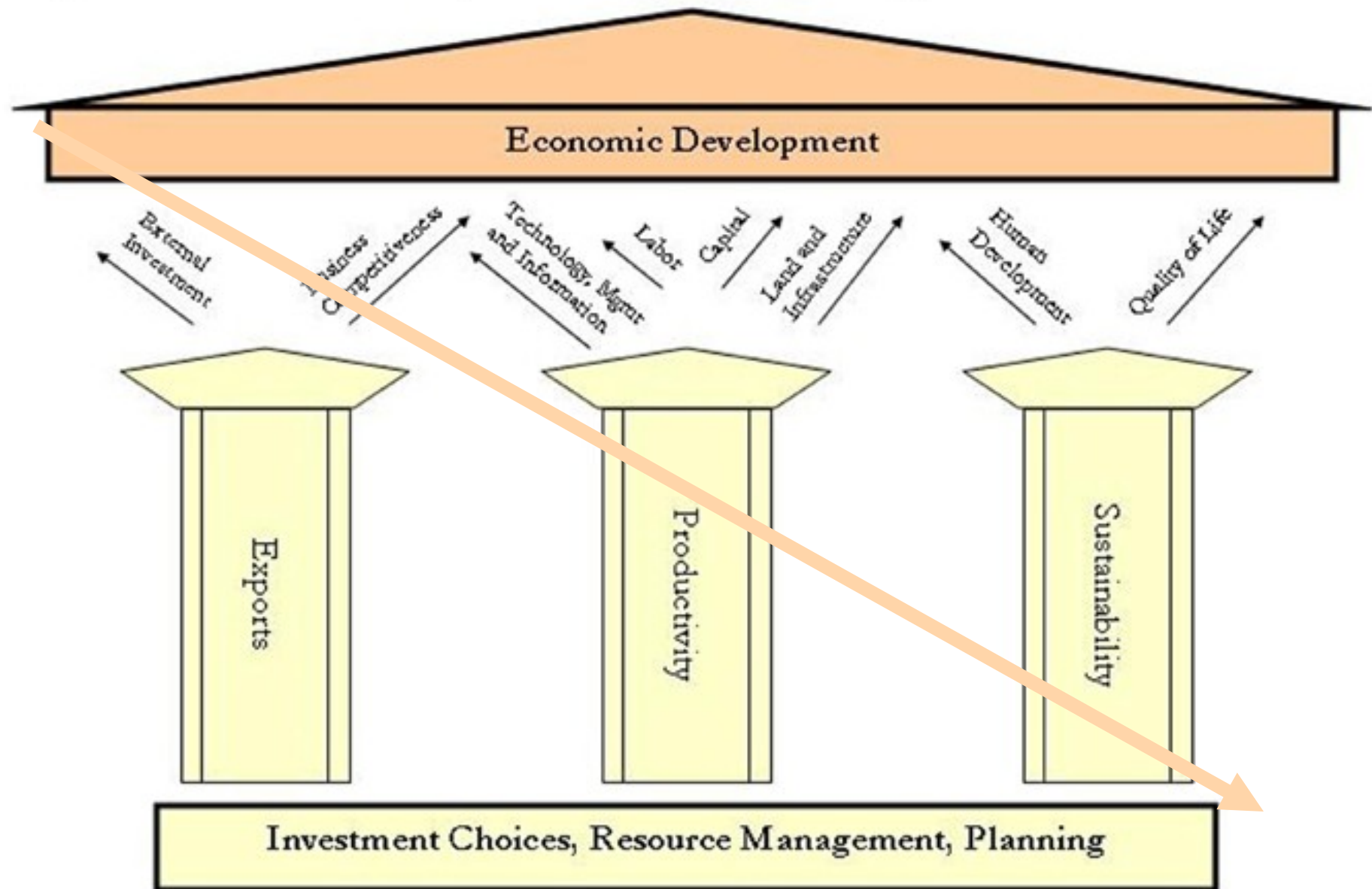


Economic Development Policy

- The Primary Focus is Export Growth Promotion and Industrial Recruitment
 - » Tax credits, business subsidies
- Secondary concern with productivity improvements
 - » Information, management, technology, workforce development, finance strategies, planning and infrastructure
- Limited focus on sustainability
 - » Parent supports, tax credits, community coalitions

Cornell Economic Development Strategy Guide

Figure 1: Economic Development Principles and Strategies





ECE Linkage Effects

- Typically firms command tax abatements based on job growth and regional economic linkage
- ECE sector has linkage effects as large or larger than many sectors which are traditional targets for economic development policy.
- Analysis across all 50 U.S. states shows:
 - » For every new dollar in ECE final demand, an additional dollar of economic activity is stimulated in the state economy.
 - » For every new ECE job, an additional half job is created.
- These short term economic impacts do not include the long term educational impact, or the labor productivity effects on parents.



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 – Human Development
 - » Once considered a product of economic development, it is now considered a *precondition* for it. (R. Florida, Creative Economy)
- Child care should be part of economic development policy



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

ECE can broaden economic development policy. Regional economic analysis extends beyond child effects to acknowledge the challenges of working parents and ECE's role in the regional economy.



No Room for Simple Solutions

- Early care and education field is COMPLEX
 - » New business and economic development partners need to do the basic market research
- ECE experts must be at the table, as leaders, in designing new policy solutions
- Need to conceptualize the issue from the perspective of children, parents, employers and the regional economy, in the short and long term.



A Comprehensive Solution

- **Institutional Support for ECE Programs** to ensure quality.
- **Financial Aid for Families** to ensure access to quality ECE.
- **Work Place Policies** (e.g. paid parental leave, flexible work schedules with full benefits) to ensure parents can pursue careers *and* have time to nurture their children.
- **Publicly Funded Infrastructure** to ensure ECE professional development, program monitoring, consumer education, data collection and employer education.

Source: Stoney, Mitchell and Warner 2006. “Smarter Reform: Moving Beyond
Single Program Solutions to an Early Care and Education System”



Cornell's Linking Economic Development and Child Care Project Reports

can be found at

<http://economicdevelopment.cce.cornell.edu>