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# The Child Care Industry

*An Integral Part of Long Island's Economy*



## Acknowledgements



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# The Impact of the Child Care Industry



Child care is a rapidly growing industry that makes a significant contribution to the Long Island economy. In addition to the jobs and economic activity generated by the industry itself, child care makes it possible for thousands of Long Island parents to work, draws additional federal and state dollars into the local economy and has regional economic linkages that are greater than many other Long Island industries.<sup>1</sup>

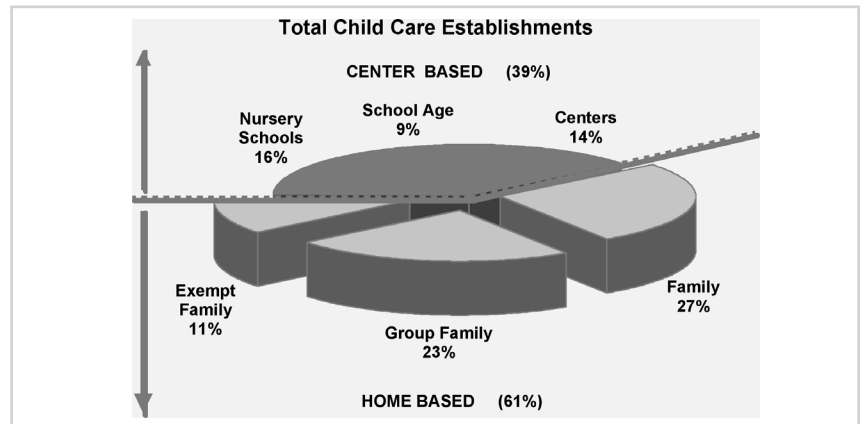
## What is Long Island's Child Care Industry?

This report includes data on a variety of full and part-day child care and early education programs, including child care centers, Head Start, nursery schools, after-school programs and family child care homes. Collectively, these programs represent:

- A \$612 million dollar industry
- Almost 2,600 small businesses
- Approximately 17,000 employees
- Over 74,000 children enrolled

## Child Care Employment is Greater Than Many Long Island Industries

The Long Island child care industry directly employs nearly 17,000 individuals — more than other important Long Island industries such as aircraft, hotels and lodging, new residential construction and greenhouse and horticultural products.

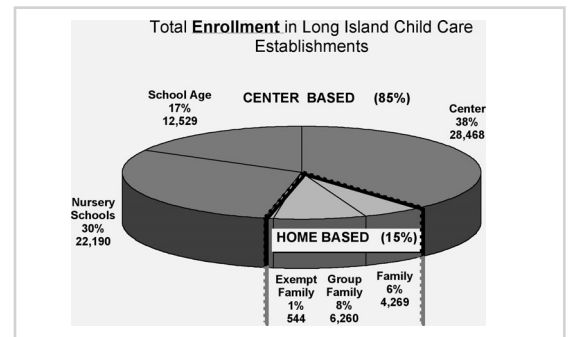
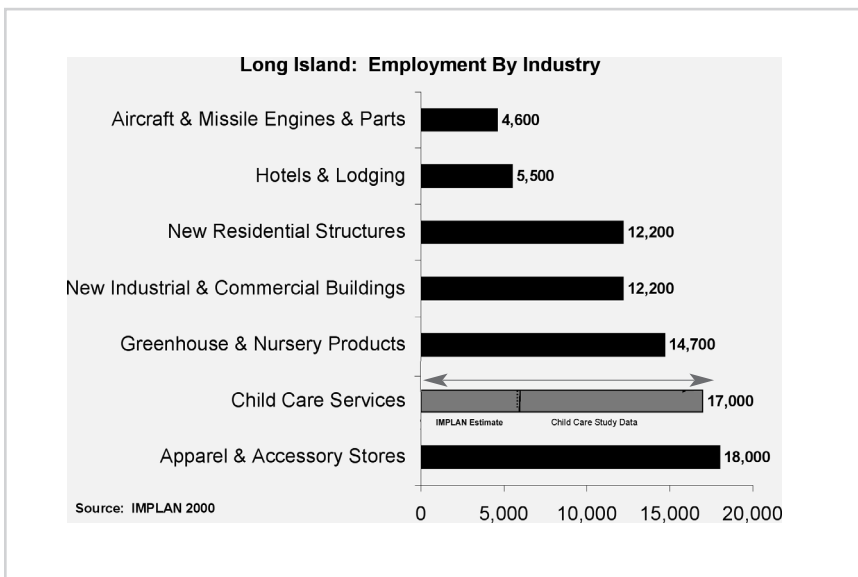


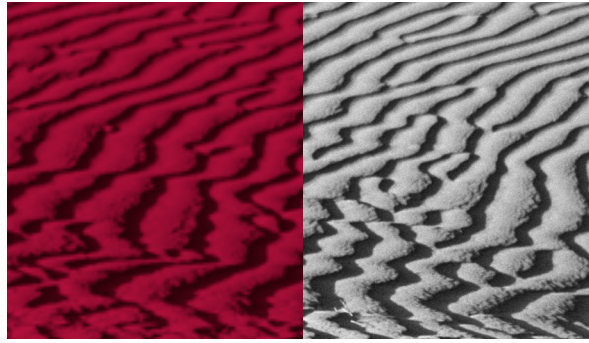
## Most Child Care Businesses are Home-Based

Home-based establishments include regulated family child care homes (up to six children each), group family child care (up to 12 children) and regulation-exempt homes that offer paid care for no more than two children. The child care industry also includes informal child care arrangements such as paid care provided by friends and relatives or in-home caregivers like nannies. These informal arrangements were not included in our estimates because comprehensive data on their scope are not available. Therefore the figures in this report represent conservative estimates of the size and contributions of the child care industry.

## Most Children Attend Center-Based Programs

Center-based care includes child care centers located in community or faith-based settings and schools, Head Start programs, nursery schools and school-age child care programs. Although center-based programs represent less than half of all Long Island child care establishments (39%), they actually serve nearly 85% of all children enrolled in paid child care.





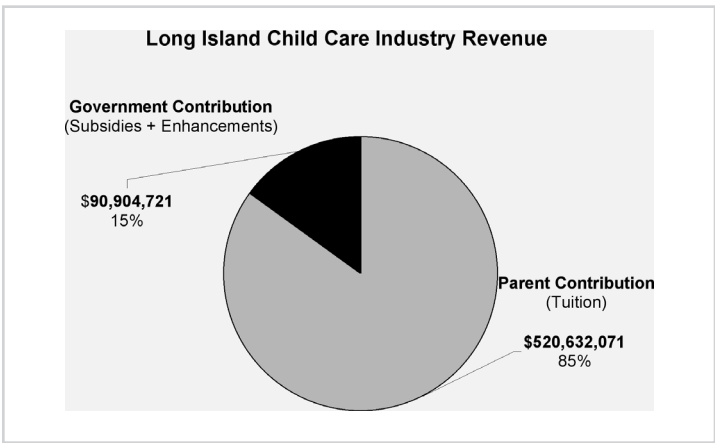
# The Ripple Effect

## Child Care is a \$612 Million Dollar Industry<sup>2</sup>

Child care is a \$612 million dollar industry on Long Island. This figure includes \$520.6 million in parent tuition fees, \$61.2 million in government subsidy supports and \$30 million in government industry investments. Of this industry total, about 85% is paid for by Long Island working families. The remaining 15% is paid for by government in the form of subsidies and industry supports.<sup>3</sup>

## Most Revenues are Generated by Center-Based Care

Center-based child care not only serves most children, it generates most of the industry's revenue. Of the \$582 million tuition revenue, over \$486 million — 84% — is produced by center-based child care.<sup>4</sup>



## Money Spent on the Child Care Industry Stays on Long Island

An output multiplier is an estimate of the total sales that would be generated in the local economy by every dollar of increased spending in a particular industry. The Long Island child care industry has an output multiplier of 1.92 — which is larger than that of most other Long Island industries.<sup>5</sup> This means the child care industry's linkages to Long Island's regional economy are stronger and more significant than many other industries. This is due in part to the fact that child care industry purchases are geographically concentrated on the Long Island region and tend to be local.

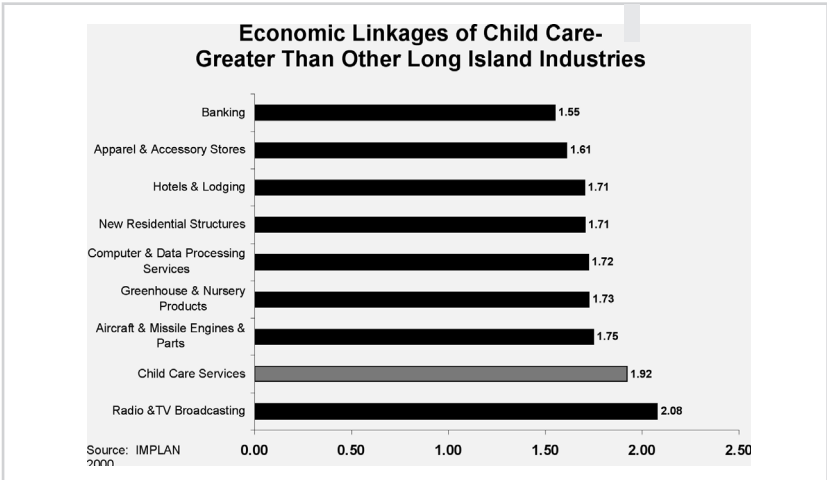


## Child Care Spending Ripples Through the Long Island Economy

The economic importance of Long Island's child care industry extends beyond the number of individuals directly employed and the revenue of the industry. As child care businesses and their employees spend money in the Long Island economy they collectively stimulate economic activity in other industries.

The standard tool that economic development professionals use to estimate the regional economic linkage of an industry, called input-output analysis, calculates the ripple (multiplier) effect that results from the spending by that industry. Multiplier effects include two components:

- Indirect effects** measure how much economic activity is stimulated by *child care businesses* when they purchase goods and services from local suppliers.
- Induced effects** measure how much economic activity is generated by *child care workers* when they use their wages to purchase goods and services from local businesses.

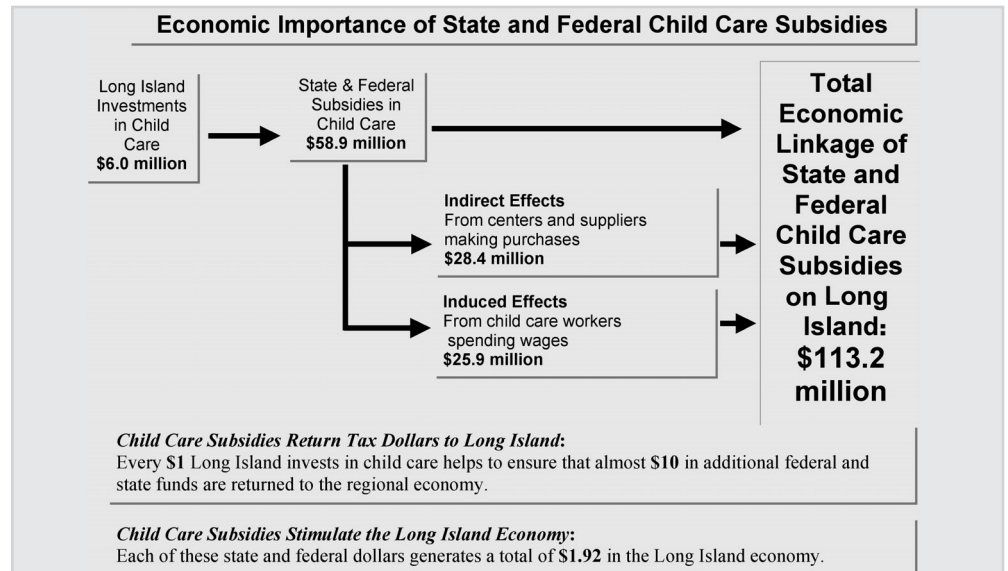


# Government Child Care Subsidies Generate Returns

Most federal and state child care funds are used to help low-income families pay child care tuition so they can remain employed. While typically viewed as welfare, these subsidies are actually part of a comprehensive economic development strategy — and a critical one for Long Island. Input-output analysis can be used to measure the economic impact of government child care subsidies.

Local Long Island tax dollars spent on child care draw a large amount of federal and state dollars into Long Island's economy. This funding ripples through the economy in much the same way as the dollars generated by attracting new businesses. In 2001, Long Island spent about \$6 million in local funds for child care. These funds helped to leverage an additional \$58.9 million in state and federal subsidy funds — almost \$10 for every \$1 invested.<sup>6</sup> Each of these state and federal dollars generates \$1.92<sup>7</sup> in the larger Long Island economy, resulting in a total leverage and linkage of almost \$19.<sup>8</sup>

It is difficult to precisely estimate the number of employed parents who purchase child care. However, based on state income tax data adjusted by population, approximately 108,000 Long Island parents claimed child care expenses on their 2001 tax return.<sup>9</sup> Using Long Island's average wage data we estimate that working families who rely on child care collectively earn \$4.4 billion in wages.<sup>10</sup> These working parents pay dearly for child care. 2003 Long Island prevailing market rates for weekly full-time care of a pre-schooler are \$250 in a child care center and \$225 in a regulated family child care home.<sup>11</sup>



## Working parents who rely on child care collectively earn \$4.4 billion annually.

In cases where a family uses child care 50 weeks out of the year, it spends over \$11,250 annually for one child in care.<sup>12</sup> This amounts to over 27% of the average wage. Quality child care is expensive, but it's an investment that more than pays for itself. We have shown in this report that child care spending has short-term benefits for the regional economy. Investing in young minds can also yield high returns over the long haul. The National Institute for Early Education Research estimates that the long-term benefit of preschool for three- and four-year-old children is, on average, \$25,000 per child — substantially more than the costs.<sup>13</sup>

### Child Care Investments Support the Knowledge Economy

In addition to stimulating the regional economy, child care is part of the social infrastructure that enables parents to work. And it gives children the learning opportunities they need to become successful in school and life.

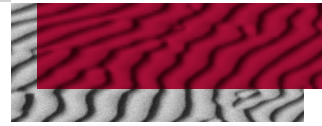
“Investment in the Long Island child care industry yields short-term returns in higher levels of economic activity today by allowing parents to work and support their families and long-term returns by preparing our children for school and stimulating young minds at a key point in their development.”

Patrick Foye, President  
United Way of Long Island

“The conventional view of economic development typically includes company headquarters, office towers, entertainment centers and professional sports stadiums and arenas... We have argued that in the future any proposed economic development list should have early childhood development at the top. The return on investment from early childhood development is extraordinary, resulting in better working public schools, more educated workers and less crime...”

Arthur J. Rolnick, Economist  
Rob Grunewald, Economist  
Federal Reserve Bank of Minneapolis<sup>14</sup>

# Endnotes



- <sup>1</sup> The information contained in this report was supplied by Child Care Council of Nassau, Inc. and Child Care Council of Suffolk, Inc. Both councils maintain an internal database that tracks resource and referral data specific to their constituency. In special situations where data was not available, each council conducted specific queries and phone surveys to obtain the missing information. The data contained in this report was collected in May 2003 unless otherwise noted. The financial and funding information contained in this report represent FY2001-FY2002 unless otherwise noted. For the purpose of this Long Island analysis, industry figures represent CCC Nassau and CCC Suffolk figures added together.
- <sup>2</sup> The size of Long Island's child care industry includes: 1) parent tuition receipts 2) government industry supports and 3) government subsidy supports. Total parent tuition receipts include: \$520,632,071. Total government industry supports include: \$29,749,656. Total government subsidy supports include: \$61,155,065. Total child care industry includes: \$ 611,536,792 (\$612 million).
- <sup>3</sup> Government subsidy investments include: Child Care Development Block Grant (CCDBG) \$49,184,864, Temporary Assistance for Needy Families (TANF) \$9,703,254 and Local Maintenance of Effort (MOE) \$2,266,947. Total Government subsidy investments = \$61,155,065. Government industry investments include: Child and Adult Care Food Program (CACFP) \$490,617, Head Start \$22,537,641, Start-Up Grants \$276,000, Health and Safety Grants \$139,700, Professional Retention \$ 2,620,000, Salary Enhancement (Nassau) \$3,186,041 and Education Advancements for Rewards Now in Suffolk (EARNs) (Suffolk) \$499,657. Total government industry investments= \$29,749,656. Total government contributions (subsidies plus enhancements) include: \$90,904,721. This represents \$90,904,721 / \$611,536,792=14.86 % (15%) of the industry total.
- <sup>4</sup> Full-time child care center tuition \$294,109,140 + school-aged child care program tuition \$138,121,708 + nursery school tuition \$54,451,200 = \$486,682,048 = 83.65%= 84%
- <sup>5</sup> Source: Implan 2000. Type II Multiplier (includes direct, indirect and induced effects); analysis conducted by Cornell University Linking Economic Development and Child Care Project.
- <sup>6</sup> Total local funds include: MOE \$2,266,947 + Nassau Salary Enhancement \$3,186,041 + Suffolk EARNs \$499,657. Total local investments= \$5,952,645. Total state and federal child care subsidies include: CCDBG (\$49,184,864) + TANF (\$9,703,254) = \$58,888,118. Hence, every local dollar invested in child care leverages \$58,888,118 / 5,952,645 = \$9.81 on the state and federal level.
- <sup>7</sup> Source: Implan 2000. Type I Multiplier for Long Island's child care industry (1.48) is used to analyze local monies. Type II Multiplier for Long Island's child care industry (1.92) is used to analyze external monies. In looking at state and federal funding, we applied the Type II Multiplier (1.92). Type II Multiplier of child care industry= (direct effect 1.0 + indirect effect .482 + induced effect .439) = 1.92. State and federal funding= indirect effect (\$58.9 million x .482) = \$28.4 million; induced effect (\$58.9 million x .439) = \$25.9 million. Total economic impact of state and federal subsidies = \$ 58.9 (direct) + \$ 28.4 (indirect) + \$ 25.9 (induced) = \$ 113.2 million. Please note that this figure only represents subsidy monies. It does not include industry investment monies.
- <sup>8</sup> Total local funds include: MOE \$2,266,947 + Nassau Salary Enhancement \$3,186,041 + Suffolk EARNs \$499,657. Total local investments= \$5,952,645. Total state and federal child care subsidies include: CCDBG (\$49,184,864) + TANF \$9,703,254) = \$58,888,118. The ratio of local to state and federal funding = \$58,888,118 / \$5,952,645 = 1: 9.81. For monies that come from external sources, we applied the Type II Multiplier (1.92) to calculate the total economic impact these funds have on Long Island's economy. Thus, the total leverage and linkage effects is 9.81 x 1.92 = \$18.84.
- <sup>9</sup> According to the New York State Office of Tax Policy Analysis, 745,435 New York State parents claimed the NYS child care tax credit in 2000. Based on 2000 U.S. Census Bureau Population Figures, 14.51% of the total New York State population live on Long Island (Nassau and Suffolk Counties) 745,435 x .1451 = 108,163. (Note: Tax law permits parents to claim expenses for any legal child care, including informal arrangements provided by nannies. These informal providers are not included in our gross receipt figures or in the number of children served.) For this study, we approximated that 108,163 Long Island parents (Nassau and Suffolk Counties) claimed the child care tax credit.
- <sup>10</sup> According to the Fiscal Policy Institute under the State of Working New York 2003: Regional Economic Profile, the average Long Island wage is \$40,388. For this study, we estimated that the 108,163 parents who claimed the child care tax credit earned on average \$40,388. In total, all of Long Island's parents who used the credit made a combined income of (108,163 x \$40,388) = \$4,368,487,244.
- <sup>11</sup> New York State Child Care Market Rates (Spring 2003).
- <sup>12</sup> Average weekly rate of full-time preschool \$225 x 50 weeks = \$11,250 annually.
- <sup>13</sup> National Institute for Early Education Research. Fast Facts: Economic benefits of quality preschool education for America's 3- and 4-year olds. <http://nieer.org/resources/facts/index.php?FastFactID=6> (accessed, December 2003).
- <sup>15</sup> "The Child Care Industry: Supporting Jobs and Economic Development in Minneapolis" June 2003.



# Report Summary The economic importance of child care can be described in the three key ways:

## Child Care Supports the Regional Economy

Child care is a rapidly growing industry that contributes directly to growth in jobs and income, draws additional federal and state dollars into the local economy and has regional economic linkages that are greater than most other Long Island industries.

## Child Care Supports Parents

Just as roads and bridges enable people to get to work, child care is a social infrastructure that supports working parents and their employers. Public support for child care not only helps working parents find affordable care, it helps many small businesses recruit and retain employees.

## Child Care Supports Children to Succeed in School and Life

High quality child care is a cornerstone of the knowledge economy. It helps to build the future workforce by giving children the early education and guidance they need to succeed.

# Policy Recommendations

To benefit every Long Islander, all child care industry stakeholders — businesses, government and the child care industry — must work and plan together to maximize the economic potential of the child care industry.

### Business Strategies

- Identify corporate champions who will promote the child care industry as critical to Long Island’s economic vitality and economic development.
- Enlist business and government support in promoting the link between child care and economic development.
- Create a child care business task force to advocate for child care and its link to economic development.
- Explore new ways that will make child care more affordable for families such as: launching a regional effort to expand the number of employers who have established Dependent Care Assistance Plans.
- Work with economic development agencies to promote and create industry-wide solutions to common problems. Approaches may include: establishing purchasing cooperatives, sharing services or equipment and jointly developing automation systems to support fiscal management.
- Leverage public economic development dollars with private support to create loan funds and other resources for the child care industry.

### State and Local Government Strategies

- Continue financial support to the child care industry. Maintain all government child care funds and where possible expand investments.
- Leverage the linkages between child care and economic development.
- Incorporate child care into state and local planning.
- Provide incentives for business investment in the child care infrastructure.
- Create loan funds and resources using public/private dollars to enhance child care sustainability.

### Community Strategies

- Work with businesses that have successful child care programs to create advocates within the business sector.
- Economic Development agencies should help develop the child care workforce and human resource practices. This could include examining, designing, and implementing an array of improvements to the sector’s human resource practices.
- Introduce strategies to state and local government and businesses that incorporate child care into economic development planning.
- Recognize and support the Child Care Councils of Nassau and Suffolk as a critical partner with all other stakeholders.
- Coordinate an island-wide data collection effort that maintains data on the supply of and demand for early care and education programs. Collect data on commuting patterns, companies that employ large numbers of working parents and plans for new residential and commercial developments.
- Expand efforts to educate parents about the impact of the child care industry.

**When stakeholders work together to integrate child care into economic development, engage business, and build a coordinated system of early care and education, they set up a win-win situation:**

- ✓ Businesses win when they improve their bottom line.
- ✓ State and local governments win when they save money and improve quality of life.
- ✓ Child care wins when the industry is stable and meets the demands of Long Island’s working families.
- ✓ Long Island wins when the economy is healthy and children are ready to succeed.