



Child Care: Work Place and Economic Development Supports



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Designing Work-Family Policies for Families, Employers and Gender Equity

Lessons From the US and Around the Globe

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<http://economicdevelopmentandchildcare.org>



The Economic Importance of Early Care and Education

Children - Human development

Parents – Labor mobilization, career ladders

Regions– Critical social infrastructure for economic development





Child Care Promotes Economic Development

- 80% of economic developers see lack of affordable quality child care as a barrier to economic development (NYS and WI surveys 2005-2006).
- 14% of local governments nationwide use loans, tax credits, business assistance to support child care (NLC/ICMA 2009 survey)
- 90% of planners see families with young children as critical to the economic sustainability of communities (APA 2008 survey)



Econ Dev Frame Strongest in US

High US female labor force participation

- Employers recognize critical child care supply and affordability problems
- 70 states and local teams have led studies of economic importance of child care
- New economic development initiatives for child care (eg LA tax credits)

Beginning to see more local and market-based initiatives around the world (Parma, Italy)




What's wrong with the child care market?

- Parents lack effective demand – need subsidies
- Low profitability yields insufficient supply of affordable, quality care
- Hard to differentiate quality for providers and parents
- Fragile businesses – few economies of scale
- Recession reduces formal supply

Care Crisis: Recession will Reduce the Formal Care Sector

Most of the Iceberg Lies Below the Water Line

**1.7 million
paid workers**
(CPS 2000)



The diagram features a large iceberg floating in a blue ocean under a blue sky with light clouds. A horizontal line represents the water surface. The small tip of the iceberg is above the water, while the vast majority of the iceberg's mass is submerged below the surface. A white curly bracket on the left side of the iceberg's tip groups the statistics associated with the visible portion. Horizontal white lines extend from the water surface and from the boundaries of the submerged sections to the right, where corresponding statistics are listed.

800,000 paid workers (BLS 2000)

900,000 additional paid workers (CPS 2000)

800,000 additional paid workers
(Burton, et al 2002)

2.4 million unpaid care workers
(93% unpaid relatives) (Burton, et al 2002)

Unpaid Parental Care
(12% of total U.S. Paid Work Time, 2005 ATUS:
Approx. 17 million worker equivalents)



What can be done?

Communities – Economic development and planning tools: business assistance – shared services, employer/community partnerships, coordinated planning, public entrepreneurship

Employers – Flexible Spending Accounts, On site Child Care, Parental Leave, Flexible Work Arrangements, Direct Taxation

State and National Government – Subsidies, Tax Credits, Quality Rating Systems with Tiered Reimbursement, Preschool, Workplace Policy



Flexible Spending Accounts

- Most commonly offered employer support – easy to administer, inexpensive for employers
- Low take up among parents due to restrictive program design (once a year sign up, reimbursement basis, use it or lose it, limited to \$5000)
- Recommendation – Raise limit to cover cost of care, Allow more flexible enrollment



Innovative Employer Programs

- **Cornell University Child Care Grant**
 - » Deposit into employee's FSA account
 - » Avr. award \$1370, range \$87-\$5000, allocated \$1.6 million to 882 families in 2009
 - » Reached lower & middle-income families (\$12,000-\$150,000)
- **Most Likely to Participate:**
 - Female, single-parent, hourly employees
 - Employees with greater child care needs
 - Employees who learned about program from personal interaction (Morrissey and Warner 2009)
- **Least Likely to Participate —**
 - Those with infants - Due to federal design restrictions



Subsidies

Demand Side Focus – Seen as alternative to direct government provision

- Becoming more popular internationally
- US restricts subsidies to the poor, reimburses at lower rates, and gets a more limited market response than Australia or the Netherlands

Recommendation

- Don't limit to the poor
- Use tiered reimbursement to promote quality



More universal → more robust supply response
(Gradus and Warner, 2010)

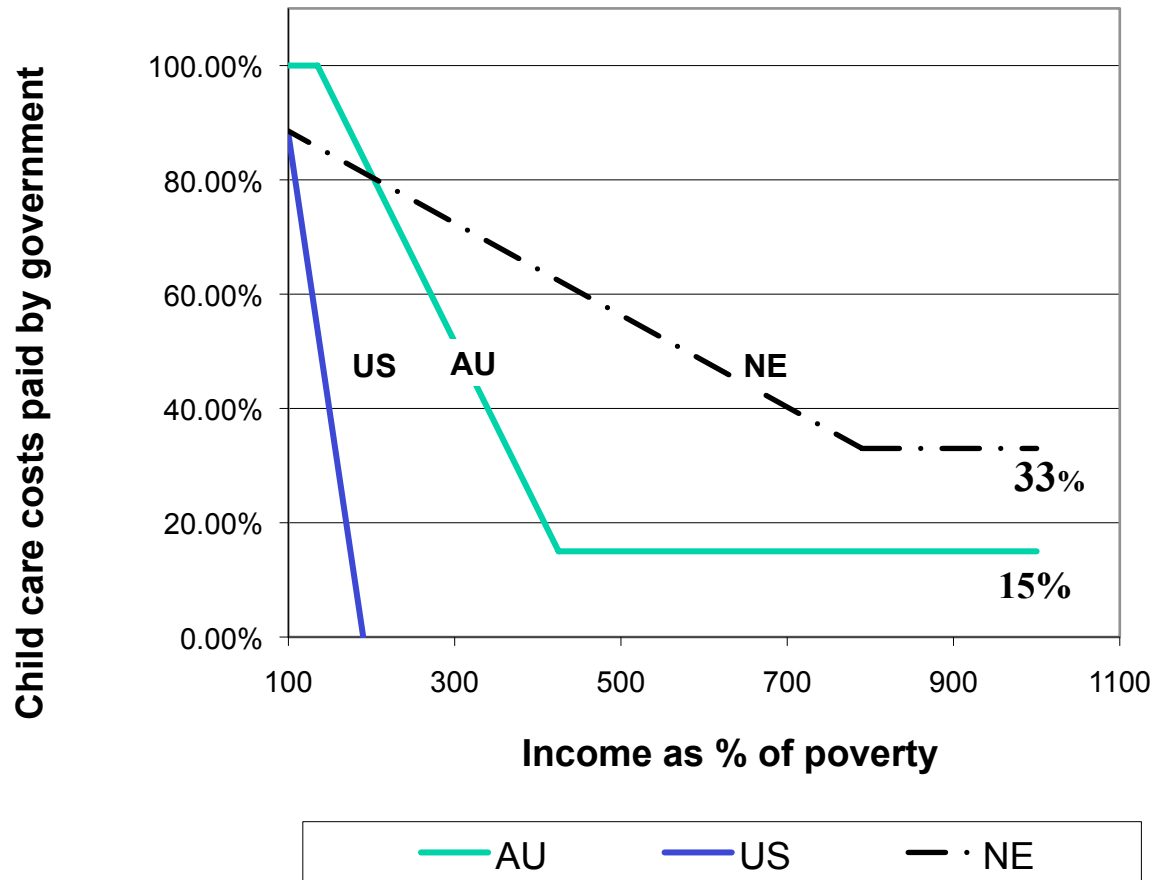


Figure 2a: Netherlands

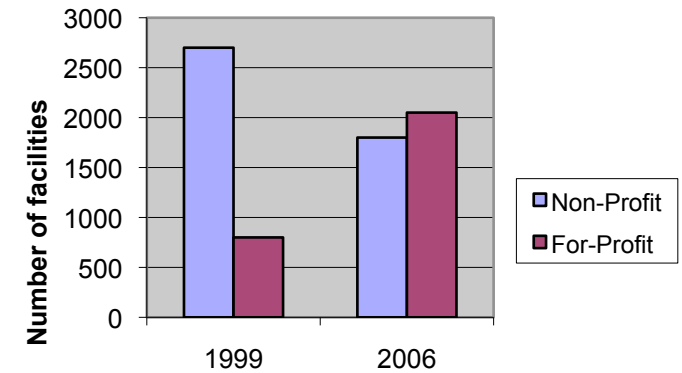


Figure 2b: Australia

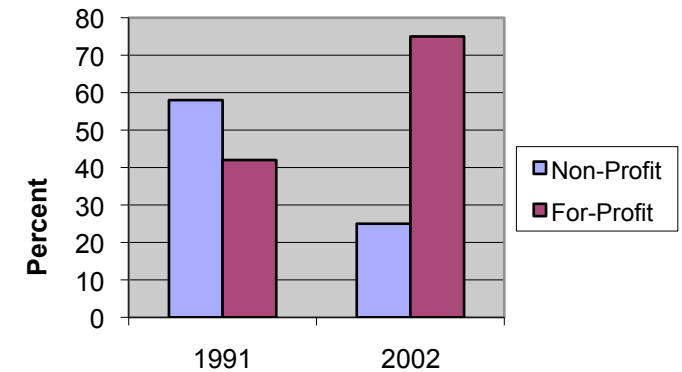
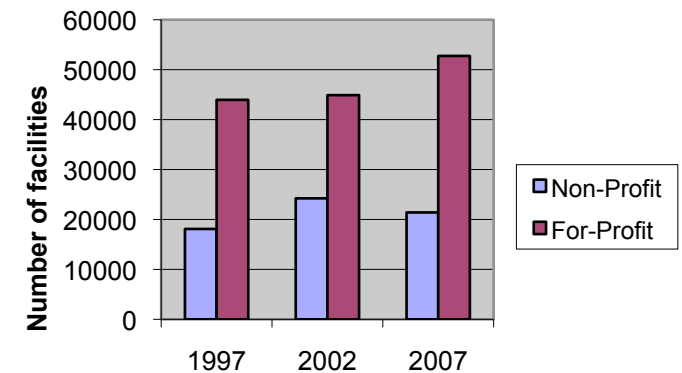


Figure 2c: USA





Innovative Employer Programs

- **Working Parents for a Working New York**
- \$1.525 million in subsidies, 2007-2009
- 169 NYC subsidy-eligible health care workers (hospital, public school, home attendant)
- Results – Increased productivity and concentration at work, fewer missed days
- Labor management cooperation, dialogue with supervisors was key to beneficial results



Other Policies

Tax Credits: US - \$3000 per child, 28 states have tax credits – 13 are refundable, range from \$500-2300/year

- **Problem** – Credit level has not kept pace with cost of care. Avr cost of care 2-4 times level of credit.

Recommendation - Expand to cover the costs of care, index level and income eligibility to inflation, and make refundable.

Preschool –38 states have programs, 24 states cut back with recession.

- **Problem** - Only serves 24% of children nationwide, 3 hours a day does not mesh with working parents' schedules

Recommendation – Integrate with child care. Preschool as stable supply side subsidy to improve quality of child care



Future Challenges

- Too much focus on the demand side.
- Need more attention to supply side.
 - » New models of delivery – social cooperatives, family networks, shared services
- Need more attention to employer role
 - » Voluntary, or tax as in NE (0.34% of payroll)
- Informal Care – this is where the children are. Identify ways to improve quality
- Parental Care – need workplace flexibility, parental leave and care credits



Linking Economic Development and Child Care Project

A Collaboration of
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