



A Regional Economic Analysis of the Child Care Sector in NYS

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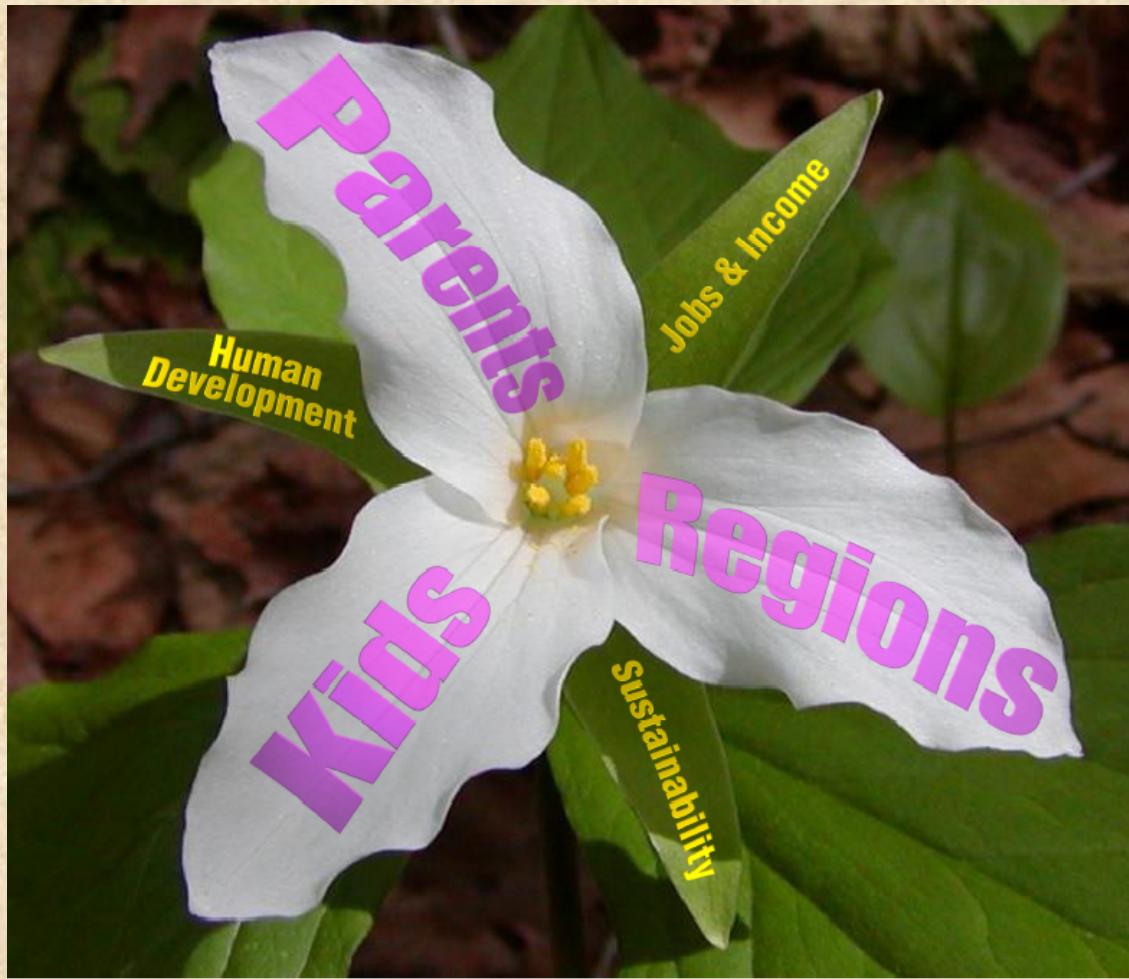


What is Economic Development?

- » Growth in jobs and income
- » Human development (literacy, health)
- » Choice and freedom
- » Sustainability



The Economic Importance of Child Care



Warner, 2004 Cornell University Linking Economic Development and Child Care Project



Presenting Child Care as Economic Development

- We know child care has long term impacts
 - » Abecedarian Study 3-7% IRR (Barnett, 1995)
 - » Perry PreSchool 4-16% IRR (Rolnick and Grunewald, 2003)
- But economic development policy 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 Regional Economic Effects

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 Regional Economic Effects

3. 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 local service sector demand?
4. A critical impact of child care is its support for parent workers. This effect is not counted in regional economic models.

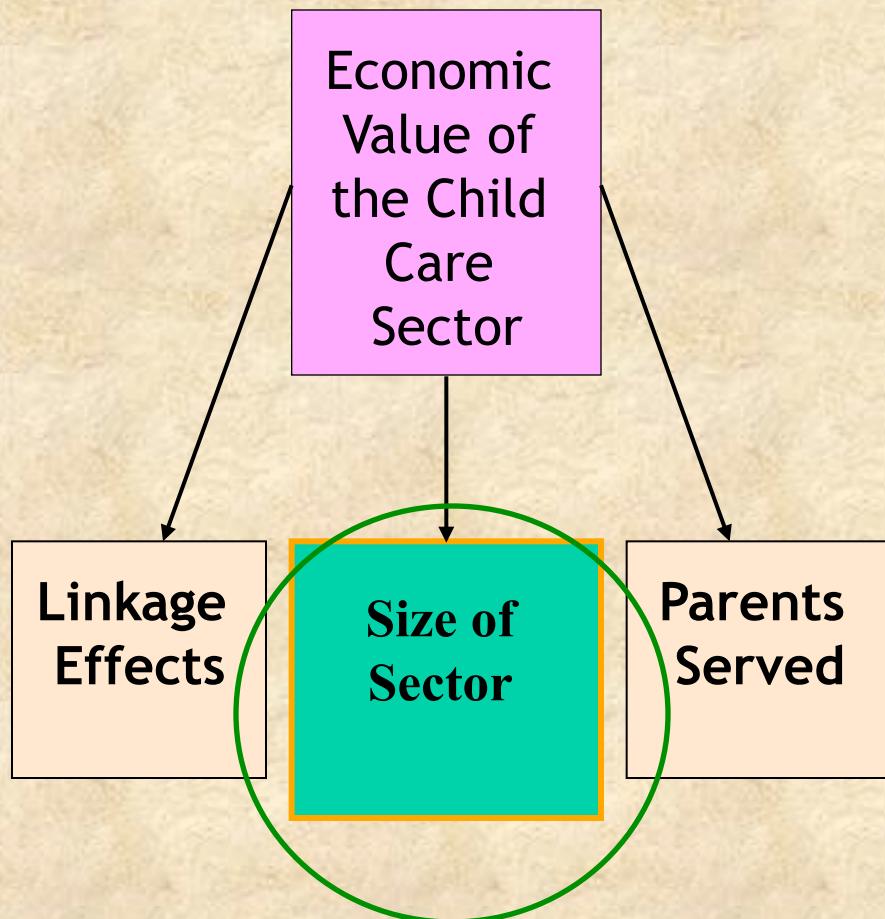


How to Move Forward?

- Define the Child Care Sector as an Industry
 - » # businesses, # employees, # children served, gross receipts
- Calculate its economic impact
 - » Linkage effects
- Become part of the economic development debate



Defining Early Care and Education as an Economic Sector



- Size of Sector
 - » Establishments
 - » Workers
 - » Children
 - » Gross Receipts
- Linkages
 - » Input / Output Analysis
- Parents Served



Measuring the Size of the Child Care Sector

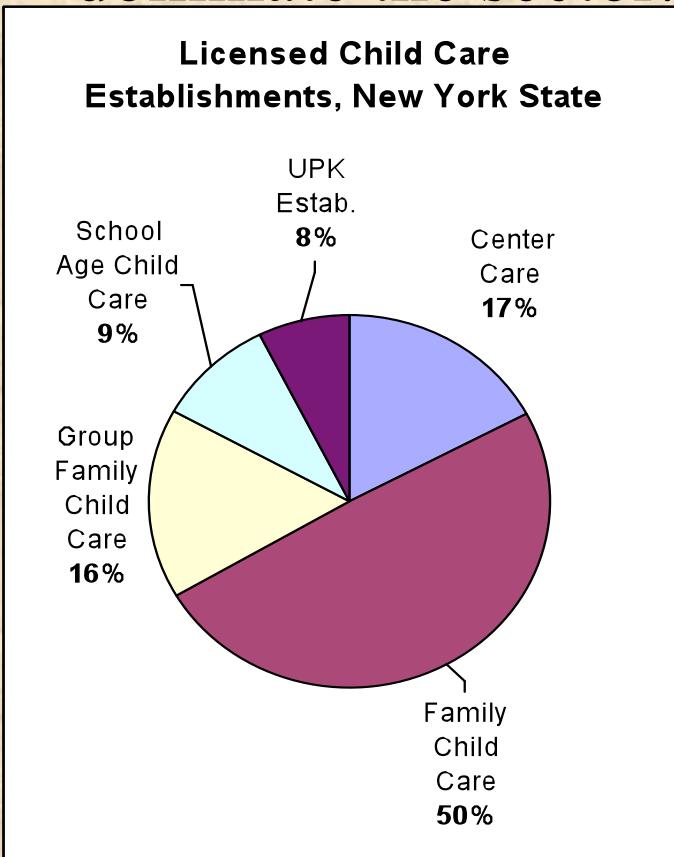
In New York State:

- **Businesses**: There are 22,000 small businesses providing child care
- **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
- **Parent Market**: 750,000 working parents use paid care.

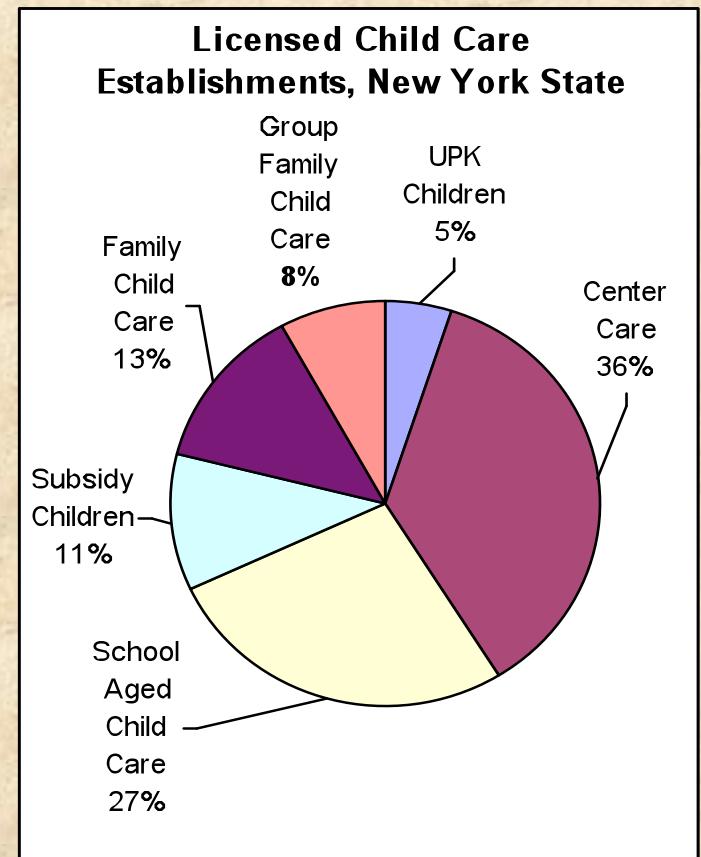


Structure of the Sector in NYS

Small, family-based providers dominate the sector.



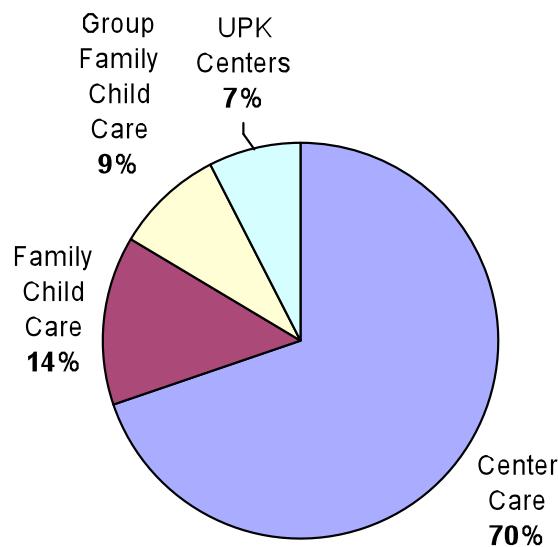
But, most children are served in centers.





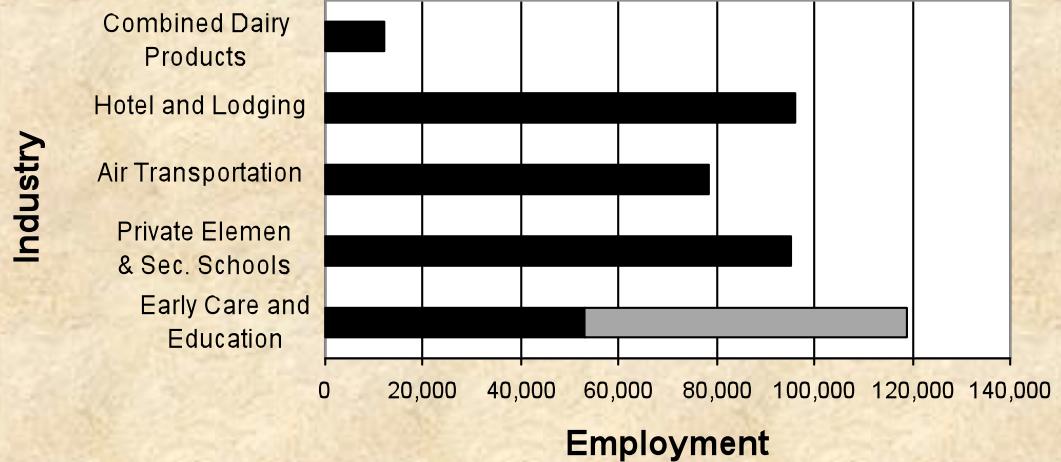
Structure of the Sector in NYS

Child Care Workers, New York State



The Child Care Sector employs 119,000 workers, mostly in centers.

Employment comparison for selected industries



Source: IMPLAN data based on ES 202 employment data, 2000; Child Care expansion based on NYS Office of Children and Family Services estimates, 2002.

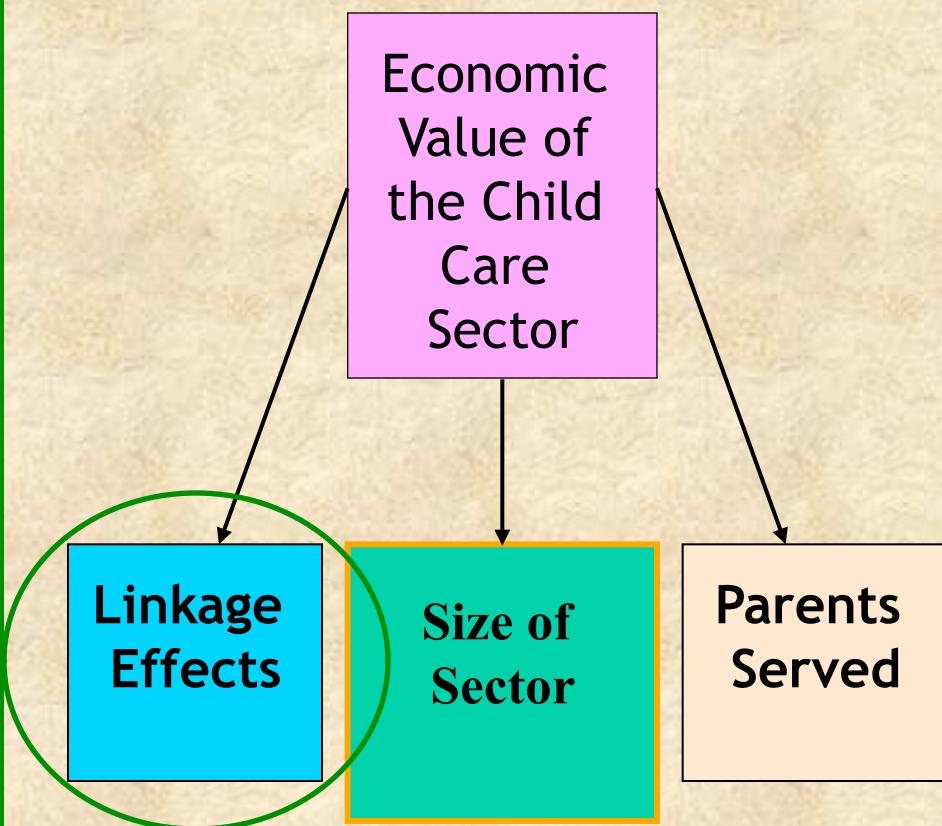


Wide Range in Employment Estimates (ex. NYS)

- Employees:
 - 52,940 (CBP Employers 2000)
 - + 49,047 (Census Non employers 2000)
 - 101,987
 - 119,000 (State estimate based on staff ratios)
- Establishments:
 - 49,047 (self employed providers)
 - 14,648 registered family homes
 - 34,399 estimate of unregistered family providers



Defining Early Care and Education as an Economic Sector



- Size of Sector
 - » Establishments, Workers
 - » Children, Gross Receipts
- Linkages
 - » Input / Output Analysis
 - » Child Care stimulates other industries
- Parents Served



Understanding Linkage Effects

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

Direct Effects: Child care centers take in revenue.

1

Indirect Effects: Centers make purchases.

?

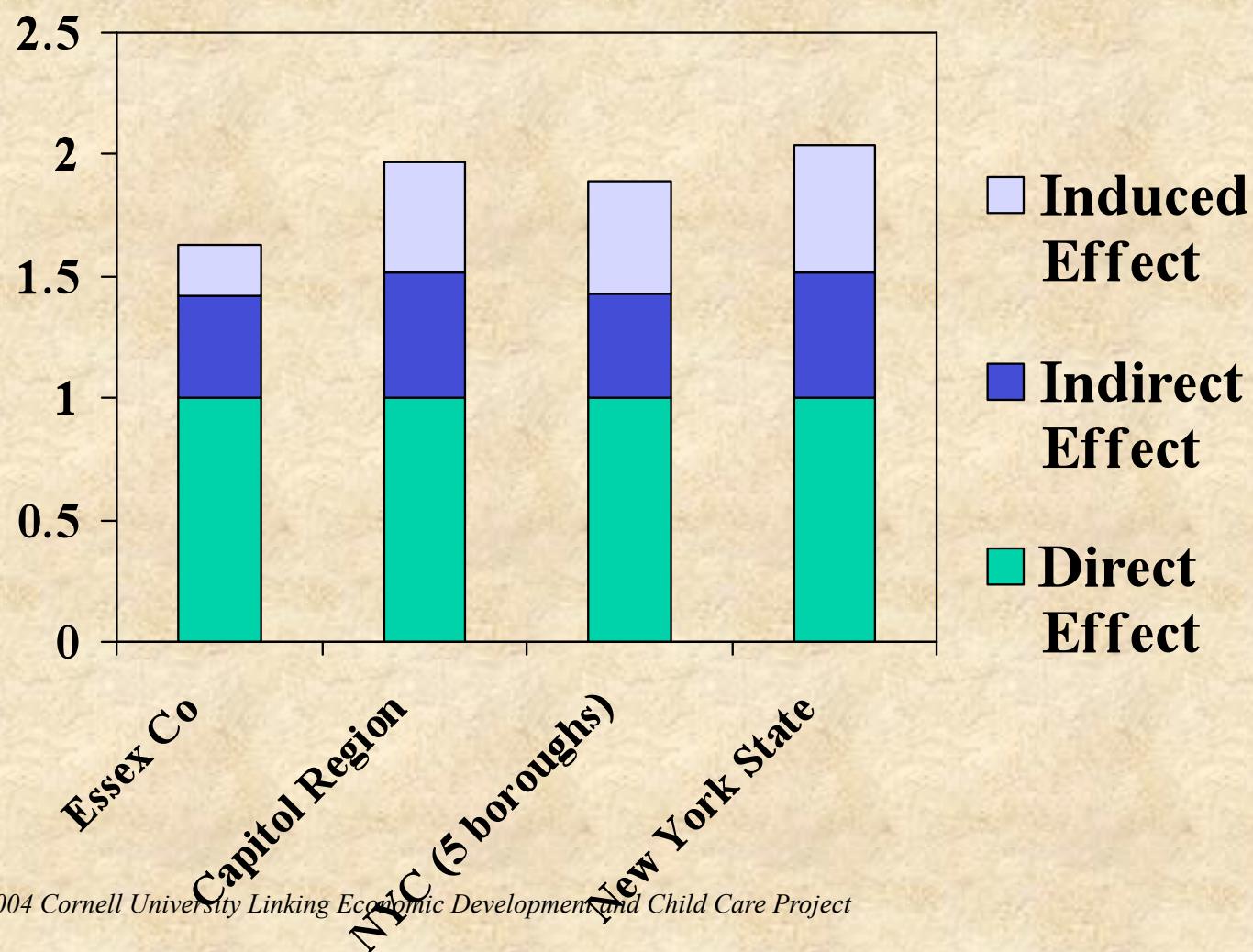
Induced Effects: Centers pay worker wages.

?

Total Value of Local Economic Linkages



Output Multipliers Tend to be Larger in Larger Economies



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Output and Employment Multipliers

Each new child care job generates a total of 1 1/2 jobs in the wider economy. Each new dollar of final demand for child care generates a total of almost \$2.00 in the wider state economy.

	Employment Type II	Output Type II
New York City	1.46	1.89
New York State	1.52	2.04



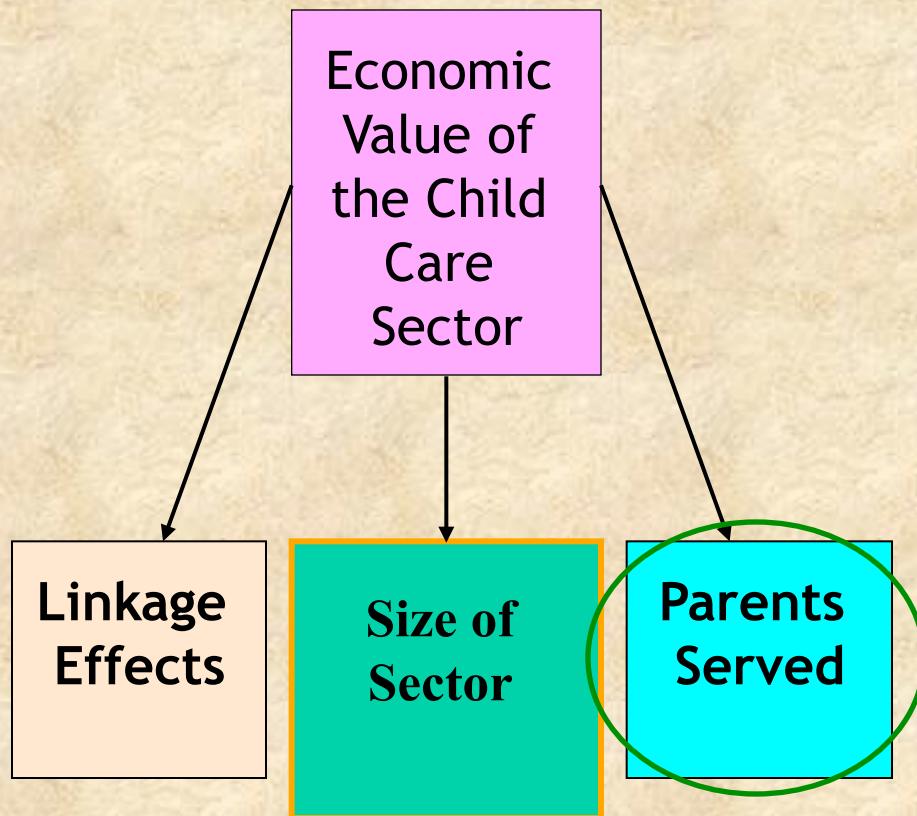
Multipliers Allow Comparison to Other Sectors

- In New York, Child Care has output multipliers (2.04) similar to other social infrastructure sectors
 - » job training (1.91),
 - » elementary and secondary schools (1.97),
 - » colleges and universities (1.92).
- larger than other physical infrastructure sectors
 - » local interurban passenger transit (1.76),
 - » water supply and sewer systems (1.73).

NYS Type II output multipliers, Implan 2000



Defining Early Care and Education as an Economic Sector



- Size of Sector
 - » Establishments, Workers
 - » Children, Gross Receipts
- Linkages
 - » Input / Output Analysis
- Parents Served
 - » # working parents served



Child Care Enables Parents to Work

Number of
NYS Parents
using Paid
Child Care:
750,000*

x

Average
Wages in
NYS
\$40,658

=

**Parent
Earnings:**
\$30.5 billion

This is the market child care serves.

*Child and Dependent Care Tax Credit data, NYS 2000

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Measuring the Parental Market for Care

- No established method to measure this.
- Simply count the number of parents and their median or average wage and STOP.
- Count all working parents with children in care.
- Do not attribute parent labor productivity to child care. Only a small portion of parent productivity can be attributed to quality child care.



Infrastructure for Economic Development

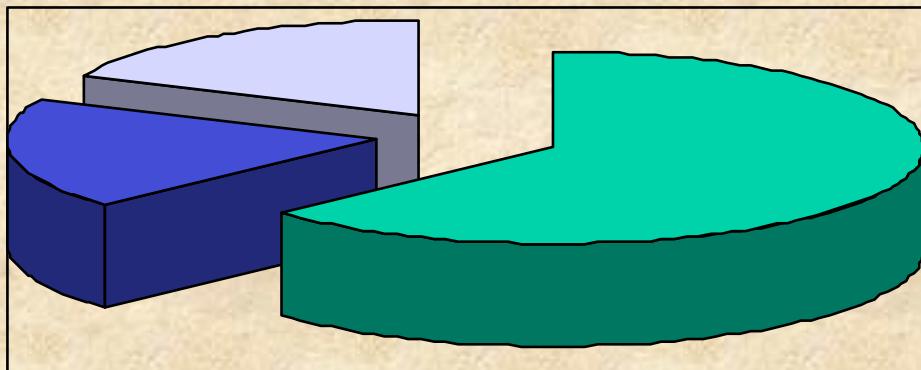
- Roads, airports, and buses enable people to get to work and businesses to get their supplies.
- Child care supports parent workers.



- Transportation receives significant public investment.
- Parents pay most of the cost of child care.



Gross Receipts of the Child Care Sector: \$4.7 Billion (63% Parent Fees)



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



Economic Importance of Child Care in New York State

Linkage Effects:

1.52 - 2.04 output (\$)

1.26 – 1.52 jobs

Size of Sector:

\$4.7 billion

119,000 jobs

22,000 businesses

Parent Market

750,000 Parents

\$30 billion wages

Economic Importance of Child Care



Be Part of a New Definition of Economic Development

- Quantify the economic contributions of the child care sector.
- Get child care in your county/state economic development plan.
- Build partnerships with the business and education communities, providers, foundations and government.



Economic Development Approaches

- Establishments - Improve business management, promote economies of scale?
- Workers - Improve wages, retention in the field, education qualifications?
- Children and Parents Served – Better match supply with demand by time, location, price?
- Gross Receipts of the Sector – How important is child care to the overall economy?
- Government Funding – How can we show this as an economic investment in the *short* term?



Recast Child Care as Economic Development

- Investments in the Child Care sector promote improved quality, employment and business sustainability.
- Child care subsidies support parent workers and the industries where parents work.
- State investments in child care leverage federal investments in your state's economy. These investments have similar regional economic effects as export income.



Leverage Effects of Government Funding

- In NYS, we determined that each state dollar spent on ECE leverages roughly \$3.66 Federal dollars.
- Each Federal dollar generates a total of \$2.04 (the output multiplier) in the wider New York State economy.
- This results in a total leverage and linkage effect of more than \$7.00 for each state dollar invested.
- Federal dollars represent a source of external demand – promoting economic development in the *short* term.



Subsidies Are an Economic Development Investment

- Effect of Subsidies on New York State Economy

Direct Effects: \$876.4 million
(state and federal funds)

Indirect Effects:
\$455.7 million
(state and federal funds)

Induced Effects:
\$379.6 million
(federal funds)

**Total Linkage
Effect of Subsidies
on New York State
economy:
\$1.7 billion**



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



Importance of the Service Sector

- The service sector is the primary source of employment growth in the US, accounting for 80% of all employment nationally.
- 63% of US final demand is from consumers, only 9% from exports.

Child Care is an important social infrastructure for economic development.



Don't Households Count?

- What about Households?
 - » Child care demand is primarily local – demand from households.
 - » Some economists think we should not count household effects – they would have spent their money on something else anyway
 - » Other economists recognize local (consumer) demand is important in economic development



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
- Quality of Life
 - » Once considered a product of economic development, it is now considered a *precondition* for it. (R. Florida, Creative Economy)



Build Public Private Partnerships

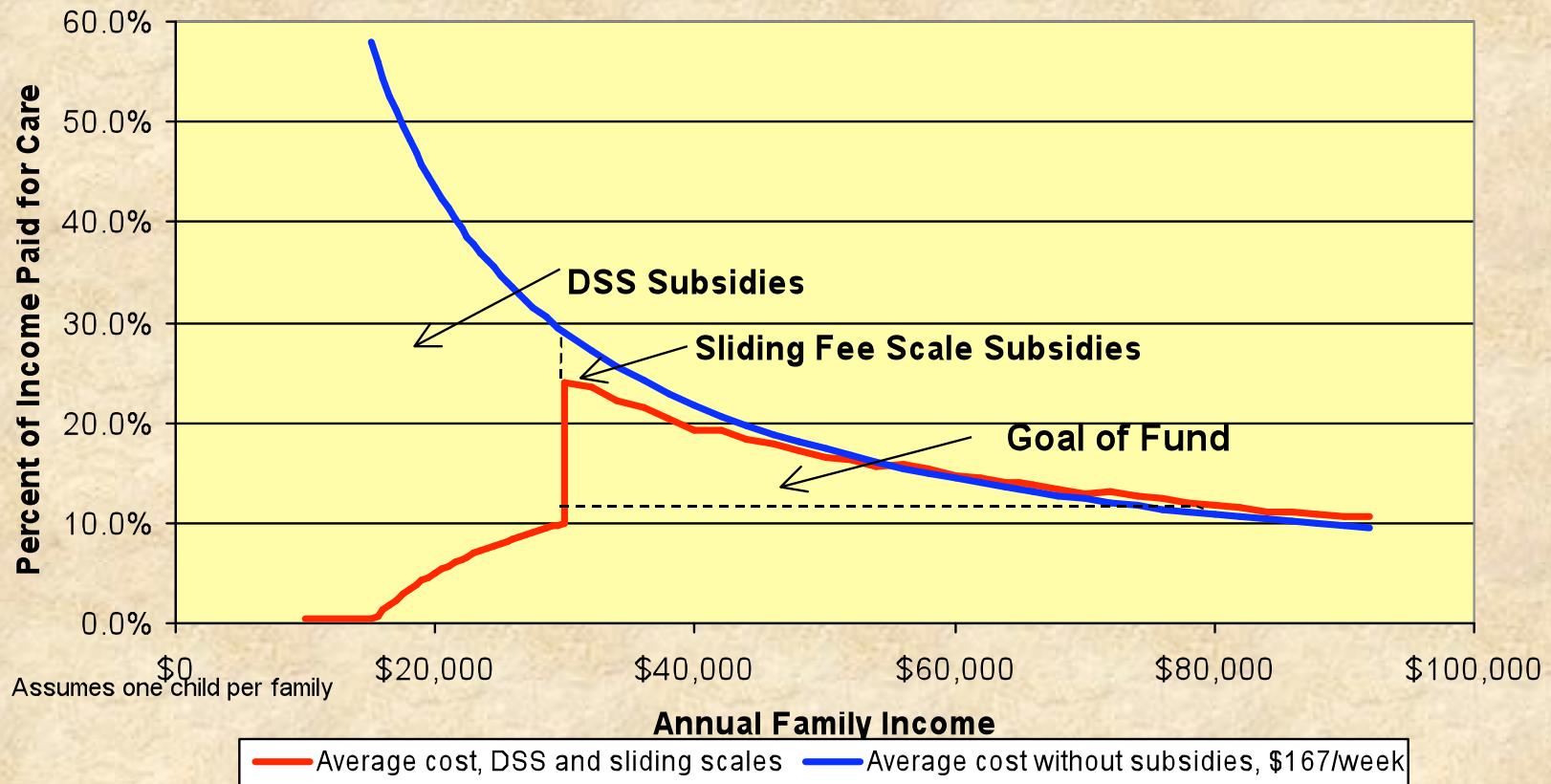
- Tompkins Co. Early Education Partnership
 - » Led by Chamber of Commerce - includes banks, employers, foundations, government
 - » New voice for child care, new solutions
 - » Goal: Community Fund for Child Care
 - Universal access to affordable quality care for all families. Coordinate public and private funding.



Universal Subsidy Fund

Tompkins County Early Education Partnership

Continuum of Existing Subsidies & Goal of Fund



Quality child care affordable to all

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Encourage Employer Support

- Tompkins County's largest employer, Cornell University, introduced a new child care benefit for its employees - \$600,000
 - » Ran program through employer-sponsored flexible spending accounts - up to \$5,000 per family
 - » One third of the way toward meeting our annual estimated gap.



Address Affordability

- » Human resource managers advertise subsidies, tax credits and FSAs to employees .
- » CPAs encourage firms to offer Flexible Spending Accounts (employers save 8% in Soc. Sec. and Medicare taxes).
- » Promote family-friendly workplace policies.
- » Business community can advocate for
 - full funding of government subsidies,
 - raising level of FSA or Tax Credit - not raised in 20 years! Would be 50% higher if indexed for inflation.



Increase Use of Tax Credits

- Average Dependent Care tax credit claimed in NYS in 2000 was \$580 for single household heads, \$390 for married couples filing jointly
- \$1440 is the maximum credit a family with two dependents could claim
- We need to increase utilization of the program, esp. among low income families



Promote Provider Profitability

- » Encourage providers to think of themselves as businesses
- » Provide training in business management
- » Explore new business models for child care management
- » Promote use of subsidies for providers (CACFP, small business supports)



Make Early Care and Education a Community Responsibility

- 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.
- Economic development itself is now being framed in broader terms - sustainability, human development, choice and quality of life.



For more
information visit
the
Linking Economic
Development and
Child Care
Web Site



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