



# National Child Care Information Center

*A service of the Child Care Bureau*

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NCCIC

## **ECONOMIC IMPACT of CHILD CARE**

In recent years, researchers and policy-makers have begun to recognize the important contributions the child care sector makes to the regional economy in both the short and long term. Across the country, States and localities are using regional economic analysis to measure the economic contributions of the child care sector. The following is a sample of publications and organizations that have information about the economic impact of child care on State, local, regional, and national economies.

### **General resources on the economic impact of the child care sector**

■ “Framing Child Care as Economic Development: Lessons from Early Studies” (February 2004), by Louise Stoney, published by the Linking Economic Development and Child Care Research Project, Cornell University, reviews several recently completed child care economic impact studies and resource materials. This paper highlights the different approaches used by each research team and describes some of the challenges and opportunities of using an economic development frame for child care. This resource is available on the Web at <http://government.cce.cornell.edu/doc/pdf/FramingChildCare.pdf>. For additional information contact Mildred Warner at [mew15@cornell.edu](mailto:mew15@cornell.edu).

■ *Measuring the Regional Economic Importance of Early Care and Education: The Cornell Methodology Guide* (January 2004), by Rosaria Ribeiro and Mildred Warner, published by Linking Economic Development and Child Care Research Project, Cornell University, is designed to help State and local teams measure the size of child care as an economic sector. The challenges of analyzing child care as an economic sector and some of the opportunities a regional economic development framing can bring to the child care policy debate are described. The guide includes a basic set of tools for States and localities interested in conducting a regional economic analysis of child care. Specific examples are drawn from a local study (Tompkins County, New York), and two State studies (Kansas and New York). The importance of building a team of data experts, economic developers, and policy-makers to oversee the study process is emphasized. The size of the child care sector can be measured by the number of establishments, employees, and children served, and by gross receipts. Input-output analysis is described as a form of regional economic modeling, which economic development analysts typically use to assess the linkage effects of different sectors in the regional economy. The role of government investment in promoting access to child care and improving the quality of early care and education programs is discussed. It also explores how framing child care in terms of economic development can increase public and private support to the field. This resource is available on the Web at <http://government.cce.cornell.edu/doc/html/MethodologyGuide.htm>. For additional information contact Mildred Warner at [mew15@cornell.edu](mailto:mew15@cornell.edu).

■ *Early Childhood Development: Economic Development with a High Public Return* (March 2003), by Art Rolnick and Rob Grunewald, Federal Reserve Bank of Minneapolis, discusses the economic case for public funding of early childhood development. It cites studies that documented well-focused investments in early childhood development yielding high public and private returns. The authors propose that the Minnesota State government should create the Minnesota Foundation for Early Childhood Development to fill the gap between the funds currently available for early childhood family education, school readiness, and Head Start and the amount necessary to fully fund a high-quality program for all 3- and 4-year-old children living in poverty in Minnesota. In discussing economic impact, the report states:

While program participants directly benefited from their increase in after-tax earnings and fringe benefits, these benefits were smaller than those gained by the general public. Based on present value estimates, about 80 percent of the benefits went to the general public (students were less disruptive in class and went on to commit fewer crimes), yielding over a 12 percent internal rate of return for society in general. Compared with other public investments, and even those in the private sector, an Early Childhood Development Program (ECDP) seems like a good buy. This analysis suggests that early childhood development is underfunded; otherwise, the internal rate of return on an ECDP would be comparable to other public investments. (page 5)

This resource is available on the Web at

<http://minneapolisfed.org/research/studies/earlychild/earlychild.pdf>.

■ “Addressing the Affordability Gap: Framing Child Care as Economic Development” (Spring 2003), in *Journal of Affordable Housing and Community Development Law* Vol. 12, No. 3, by Mildred Warner, Rosaria Ribeiro, and Amy Erica Smith, describes some of the unique challenges of analyzing child care as an economic sector and some of the opportunities an economic development frame can bring to the child care finance debate. It notes that the child care industry must begin to present itself as a participant in the economic sector, and describes an effort in Tompkins County, New York, where a group of business, government, and community leaders used an economic impact analysis to help build support for a local subsidy fund that will help all families pay for child care. This resource is available on the Web at <http://www.cce.cornell.edu/restructuring/doc/pdf/Addressing%20the%20Affordability%20Gap.pdf>.

■ *A Planning Guide: Linking Childcare to Economic Development* (2001), by Alex Hildebrand and Stephanie Upp, National Economic Development and Law Center (NED&LC), offers policy-makers the necessary tools to combine their efforts with the expertise of the economic development field to promote further investment in early care and education. It describes six major strategic impact areas that can have the greatest effect on economic development planning including:

- Chapter 1: “Changing Perceptions of Child Care,” provides information on how to gather and present information on child care;

- Chapter 2: “Leveraging Economic Development Resources,” provides information on how to find public and private land, acquire land for business purposes, and obtain any necessary zoning variances;
- Chapter 3: “Land Use Policies and Child Care,” provides information on land use policies currently used as incentives for economic development and information that can be used for promoting investment in child care;
- Chapter 4: “Child Care in the General Plan,” gives examples of communities that have successfully written child care into the General Plan for development;
- Chapter 5: “Financing of Child Care Facility Development,” discusses strategies for creating financing opportunities that are affordable and user-friendly for child care providers; and
- Chapter 6: “Technical Assistance for Child Care Facility Development,” describes some of the resources and strategies available to help child care providers with facility development, business management, and organization.

The full report can be purchased from NED&LC at 510-251-2600 or on the Web at <http://www.nedlc.org/>.

■ *A Methodology Guide: Creating an Economic Impact Report for the Child Industry*, (2001), by Alex Hildebrand and Stephanie Upp, National Development and Law Center (NED&LC), provides several guidelines for conducting a child care economic impact study. This report describes how to measure the size of the child care sector and its linkages to the broader economy. It also describes the steps and information needed to conduct an analysis of the child care demand and supply in the regional. The full report can be purchased from NED&LC at 510-251-2600 or on the Web at <http://www.nedlc.org/>.

### **Economic impact studies conducted by States and counties**

■ Summary of Child Care Economic Impact Studies, by the Linking Economic Development and Child Care Project, Cornell University, is a Web database of studies about the economic impact of child care. This database includes information on the Lead Agency conducting the study, date completed, contact person, links to resource materials available, and a link to the project Web site. The database allows users to search for studies by State or completion status for the following States:

- |               |                 |                  |                |
|---------------|-----------------|------------------|----------------|
| • California  | • Kentucky      | • Mississippi    | • Rhode Island |
| • Colorado    | • Louisiana     | • New Jersey     | • Texas        |
| • Connecticut | • Maine         | • New York       | • Vermont      |
| • Florida     | • Massachusetts | • North Carolina | • Washington   |
| • Illinois    | • Michigan      | • North Dakota   | • Wisconsin    |
| • Kansas      | • Minnesota     | • Oregon         |                |

This resource is available on the Web at

<http://government.cce.cornell.edu/?/doc/reports/childcare/matrix.asp>. For additional information, contact Mildred Warner at [mew15@cornell.edu](mailto:mew15@cornell.edu).

■ *The Economic Impact of Oklahoma's Child Care Industry* (January 2004), by Mark C. Snead, prepared by the Oklahoma State Econometric Model, College of Business Administration, Oklahoma State University, describes the economic impact of Oklahoma's child care industry. Approximately one in four Oklahoma children (aged 12 years and under) will use the services of a licensed child care facility in 2003. The total number of licensed facilities has nearly doubled from 3,510 to 6,322 since 1990. In FY 2003, subsidy payments made to facilities on behalf of qualifying parents are projected to total \$131.3 million, or approximately one-third of the gross receipts of all licensed facilities. The State's child care facilities, with revenues of \$410 million in 2003, provide jobs for an estimated 25,569 workers. Because of low wages, meeting the projected future demand for full-time child care workers presents a significant long-term challenge for the industry. This resource is available on the Web at <http://economy.okstate.edu/papers/okchildcareimpact2003.pdf>.

■ *The Economic Impact of Child Care in Florida* (2003), by the Florida Children's Forum, Inc., is intended to engage the business, financial, and governmental sectors in a discussion about generating funds and policies that support the child care industry. It provides policy-makers and child care administrators with information to quantify the economic impact of the child care industry in Florida and recommendations to guide the development of innovative systems for child care. This resource is available on the Web at [http://www.flchild.com/uploads/economic\\_report.pdf](http://www.flchild.com/uploads/economic_report.pdf).

■ *The Economic Impact of the Child Care Industry in Minnesota* (October 2003), by Saskia Traill and Jen Wohl, National Economic Development and Law Center (NED&LC), informs policy-makers, the business community, and the child care industry of the economic value that child care brings to Minnesota by enabling businesses to recruit new employees, decrease absenteeism and turnover, and increase productivity; ensuring a strong economy in the future by preparing children for academic success; and generating more than 28,000 jobs and \$962 million in gross receipts annually. It provides recommendations for strengthening the child care industry to maximize the benefits to the Minnesota economy. A link to this resource is available on the Web at [http://www.nedlc.org/mneir\\_registration.htm](http://www.nedlc.org/mneir_registration.htm) (registration required).

■ *The Economic Impact of Rhode Island's Child Care Industry* (April 2003), by Charles J. Quigley and Elaine M. Notarantonio, for Options for Working Parents, utilized currently existing data to answer critical questions about the impact of the child care industry on the State economy in Rhode Island in order to inform the business community and policy-makers about the importance of supporting child care as a vital component of the State's economic development plan. This resource is available on the Web at <http://www.optionsforworkingparents.com/Economic%20Impact%20Study.htm>.

■ *Investing in the Child Care Industry: An Economic Development Strategy for Kansas* (April 2003), by Louise Stoney, Mildred Warner, David Kay, James Pratt, Thor Snilsberg, Adrienne E. Woolley, and Abby Thorman, published by Mid-America Regional Council (MARC), discusses the direct effects of the child care industry—its income and number of employees—as well as quantifying how strongly the purchases and spending of the child care industry affect other sectors of the Kansas economy. A third component, the impact of parents' earnings, is also analyzed. The report examines the impact of publicly funded child care, and discusses child care investment as an economic development strategy. It concludes with recommendations for effective strategies for maximizing investment. This resource is available on the Web at

[http://www.cce.cornell.edu/restructuring/doc/pdf/KCCIS%20FINAL%20REPORT%205\\_30\\_03.pdf](http://www.cce.cornell.edu/restructuring/doc/pdf/KCCIS%20FINAL%20REPORT%205_30_03.pdf).

■ *The Economic Impact of the Child Care Industry in Mariposa County* (June 2002), by Sue Overstreet, for the Mariposa County, California, Local Child Care Planning Council, examines child care industry output or gross receipts, direct employment in child care, indirect and induced employment, and information on child care industry subsidies. It is estimated that the child care industry generates \$1,956,861 each year in Mariposa County. Some of this money is in the form of State and Federal child care subsidies that flow into the County rather than coming directly from its residents. The child care industry provides a social infrastructure that is critical to the County's overall economic vitality and its quality of life. Child care services will continue to be in high demand. There is a high demand for subsidized care because of the lower than average income and the higher than average unemployment rate. Quality child care affects the economic growth of the community through improved employee performance. Investment in high quality, licensed child care reduces local public sector expenditures in other categories (e.g., criminal justice, welfare and social services). This resource is available on the Web at

<http://www.mariposa-lpc.org/docs/EconomicImpact.pdf>.

■ *The Economic Impact of Vermont's Child Care Industry* (June 2002), a project of the Windham Child Care Association and the Peace & Justice Center, illustrates how investments in the child care infrastructure can positively affect Vermont's economy. The report presents findings on relationships between child care supply and the health of the State's workforce and economy. Topics include child care contributions to the economy, the relationship between child care availability and the workforce, economic growth impacts due to child care supply, effects quality child care has on future workforce, and the relationship between subsidies and the workforce. Key findings indicate: (1) 7,231 Vermont jobs are a result of child care; (2) 37,489 working parents, who are employed by 11,595 businesses, rely on child care services; (3) the annual economic impact of the child care industry in Vermont is estimated to be \$500 million; (4) child care problems negatively affect the workforce; (5) a shortage of high-quality child care for working parents exists; (6) due to low wages and insufficient benefits, the turnover rate for child care workers is high; thus negatively affecting child care quality; and (7) in 2000, Vermont's spent \$27 million on child care subsidies; however, State contribution to child care has declined 38 percent since 1996. This resource is available on the Web at

<http://www.windhamchildcare.org/pdf/wcc-book.pdf>.

■ *The Economic Impact of Child Care in California* (2001), sponsored by the National Economic Development and Law Center (NED&LC), estimates the degree to which the child

care industry generates revenues, creates jobs, and generates substantial productivity gains. To analyze how the child care industry impacts State economy, the Local Investment in Child Care Project (LINCC) expanded its 1997 study and assessed the effects of licensed child care on the state of California. Industry earnings, employment, and productivity were measured based on data from a 1999 child care Market Rate Survey and county reports. Californians spent between \$4.7 and \$5.4 billion on licensed child care, resulting in more than 209,000 jobs, over half of which were directly employed in the child care industry. Licensed child care made three primary contributions to labor productivity, enabling Californians to earn approximately \$13 billion annually: (1) increased labor force participation; (2) high incomes; and (3) lower absenteeism and turnover rates. By increasing parental workforce participation, public sector spending was reduced. It was concluded that child care was an income-generating, job-creating industry that made a vital contribution to the State's economy. The study finds that without adequate child care infrastructure, the State's economic prosperity would be threatened and its growth would be slowed. A summary and policy recommendations of *The Economic Impact of Child Care in California* is available on the Web at [http://www.nedlc.org/eir\\_registration.htm](http://www.nedlc.org/eir_registration.htm). The full report can be purchased from NED&LC at 510-251-2600 or on the Web at [http://www.nedlc.org/full\\_report.html](http://www.nedlc.org/full_report.html).

■ *Public Funding of Childcare Services: Subsidy or Human Capital Investment?* (May 1999), by Smart Start of San Antonio, Texas, describes the economic and social benefits of child care services on the local economy. It also provides a cost-benefit analysis including direct and indirect economic effects, local fiscal impacts, and returns on investment. This resource is available on the Web at <http://www.sanantonio.gov/betterjobs/pdf/chldcareecostudywhy.pdf>.

## County Initiative

■ **Early Education Partnership, Tompkins County, New York**

609 West Clinton Street

Ithaca, NY 14850

607-273-0259

World Wide Web: <http://www.daycarecouncil.org/EEP/index.htm>

The Tompkins County Chamber of Commerce, the Day Care and Child Development Council of Tompkins County (DCCDC), the Department of Social Services, area businesses and banks, philanthropic interests, Ithaca College, and Cornell University have joined to form the Early Education Partnership. The Partnership is working to build a community fund that will provide a single point of entry to make financial assistance universally accessible to all families in Tompkins County.

The DCCDC Web site provides examples of how to assess the local and regional economic impact of the child care sector. It also provides examples of how the Early Education Partnership in Tompkins County, New York, is using this approach to increase private sector support for child care. A section on research and innovative approaches describes what other communities are doing and what the experts say. Research assistance for the Partnership has been provided by Cornell University students in Mildred Warner's workshop classes in spring 2000 and 2002. The following resources provide an analysis of the economic benefits for Tompkins County, New York, from investment in early childhood care and education:

- “Changing the Terms of the Debate” (Spring 2002), discusses language that can be useful in reframing child care as a community issue, and cautions against certain pitfalls;
- “How Does Child Care Impact the Tompkins County Economy?” (May 2002) which summarizes the findings in a one-page brief;
- “New Visions for Welfare Policy” (May 2002), argues that subsidies are economic development; and
- “Fill the Gap” (May 2002), describes the potential impact on the Tompkins County economy if all children eligible for subsidies were able to receive them.

These resources and others resources are available on the Web at

<http://www.daycarecouncil.org/EEP/index.htm>.

For additional information, contact Mildred Warner at [mew15@cornell.edu](mailto:mew15@cornell.edu).

## **National Organizations**

### ■ **Alliance on Early Childhood Finance**

World Wide Web: <http://www.earlychildhoodfinance.org>

The Alliance on Early Childhood Finance is dedicated to seeking more rational financing of early care and education in the United States through inquiry, analysis, and communication among early care and education policy activists. Its Web site serves as a link to new resources, ideas, meetings, and online discussions on a variety of topics related to early care and education finance.

### ■ **Department of City and Regional Planning, Cornell University Linking Economic Development and Child Care Research Project**

215 W. Sibley

Ithaca, NY 14853

607-255-6816

World Wide Web: <http://government.cce.cornell.edu/doc/reports/childcare/>

The Linking Economic Development and Child Care Research Project is funded by Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services to build a new policy framework for child care that addresses the sector’s importance from an economic development perspective and to develop a better theoretical and empirical model to analyze the economic contributions of the child care sector.

■ **Federal Reserve Bank of Minneapolis**

90 Hennepin Avenue  
Minneapolis, MN 55401  
612-204-5000

World Wide Web: <http://www.minneapolisfed.org>

The Early Childhood Development section of the Federal Reserve Bank of Minneapolis Web site provides links to several resources and publications with information about the economics of early childhood development. This resource is available on the Web at <http://www.minneapolisfed.org/research/studies/earlychild/>.

■ **The National Economic Development and Law Center (NED&LC)**

2201 Broadway, Suite 815  
Oakland, CA 94612  
510-251-2600

World Wide Web: <http://www.nedlc.org>

NED&LC is a nonprofit organization that specializes in community economic development. The center views child care as a key contributor to building sustainable local economies. NED&LC's Child Care Program, supported principally by the David and Lucile Packard Foundation, is implemented at the neighborhood, community, county, and State levels to enhance the supply of quality, affordable child care and early childhood programs and services in poor communities.

NED&LC has developed a model of economic analyses of the early care and education industry that demonstrates the link between child care and economic development, and provides child care advocates empirical evidence on child care's contribution to the economy. NED&LC has produced county-level child care economic impact reports in California since 1997. In 2001 NED&LC produced a Statewide report for California that estimated that licensed child care contributes between \$4.7 and \$5.4 billion to the State's economy. In May 2002, NED&LC developed a plan to bring its work on the Child Care Economic Impact Reports (CCEIR) to scale by producing them in other States across the nation based upon geographic diversity, strong child care data collection capability, strength of the internal child care infrastructures, leadership in the national child care arena and strong child care legislators. Additional information is available on the Web at [http://www.nedlc.org/divisions\\_cyf\\_childcare\\_impact.htm](http://www.nedlc.org/divisions_cyf_childcare_impact.htm) or contact Jen Wohl at [jen@nedlc.org](mailto:jen@nedlc.org).

■ **National League of Cities (NLC)  
Institute on Youth, Education, and Families (IYEF)**

1301 Pennsylvania Avenue NW, Suite 550  
Washington, DC 20004

World Wide Web: [http://www.nlc.org/nlc\\_org/site/](http://www.nlc.org/nlc_org/site/)

NLC provides a wide range of programs and services to strengthen the ability of city officials to serve their communities. NLC has also focused research, technical assistance, and publications with the aim of expanding NLC's capacity to provide resource and information to local officials. IYEF, launched by NLC in January 2000, helps municipal leaders take action on behalf of the children, youth, and families in their communities. The following resource has information on economic impact:

- *Examples Database: Early Childhood Success* (posted August 19, 2002) gives program descriptions, selected from the Examples of Programs for Cities database, that illustrate how cities are building quality communities by investing in early childhood success. The examples listed are specifically from cities engaged in the Municipal Leadership for Early Care and Education City Network hosted by NLC's Institute for Youth, Education, and Families (IYEF). This information is available on the Web at [http://www.nlc.org/nlc\\_org/site/newsroom/nations\\_cities\\_weekly/display.cfm?id=0CDA1058-21D3-4961-84F2BE805A639C68](http://www.nlc.org/nlc_org/site/newsroom/nations_cities_weekly/display.cfm?id=0CDA1058-21D3-4961-84F2BE805A639C68).

For additional information on NLC's involvement in early childhood success, contact Kirsta Millar at IYEF at 202-626-3004 or e-mail [millar@nlc.org](mailto:millar@nlc.org).

### **Additional Resources**

■ *Child Care as Economic Development: Theoretical and Empirical Challenges* (April 2003), by Mildred Warner and Louise Stoney, presented at the Child Care Bureau Research Meeting, explores what economic development is, how contributions of the child care sector can be counted, and how an economic development frame can be used to increase public and private support for child care. This resource is available on the Web at [http://www.cce.cornell.edu/restructuring/doc/powerpoint/ccb%20research%20mtg%20april%202003I\\_files/frame.htm](http://www.cce.cornell.edu/restructuring/doc/powerpoint/ccb%20research%20mtg%20april%202003I_files/frame.htm).

■ *How Can We Frame Investment in Early Care and Education as Economic Development?* (January 2003), by Mildred Warner and Shelly Waters-Boots, presented at the Smart Start Conference on Early Care and Education Finance Reform, suggests that investment in early care and education should be framed as economic development. Topics include: (1) "What is Economic Development?" (2) "Counting the Economic Impact of Child Care," (3) "Multiplier Effects," and (4) "Uses of Impact Studies—Welfare as Economic Development." In addition, the paper lists ways to bring in additional financial resources for child care. This resource is available on the Web at <http://smartnet.smartstart-nc.org/national/financing/economicnotes.doc>. The *Issue Paper* is available on the Web at <http://smartnet.smartstart-nc.org/national/financing/framinginvestment1.doc>.

■ *The National Economic Impacts of the Child Care Sector* (Fall 2002), by the National Child Care Association, describes three significant contributions child care makes towards the national economy: (1) child care directly supports over 2.8 million jobs and generates \$9 billion in tax revenues; (2) child care grants parents the capability to work, enabling Americans to earn more than \$100 billion annually and indirectly impacting the national economy by engendering over \$580 billion in total labor income, \$69 billion in tax revenues, and supporting over 15 million jobs; and (3) child care's economic benefits significantly exceed costs by reducing special education expenses, school drop-out rates, criminal activity, and poverty risks. Over the next decade, a continual increase in child care demands is expected. Therefore, an increase in child care accessibility and affordability is recommended to maintain the national economy's health and prosperity. This resource is available on the Web at <http://www.nccanet.org/NCCA%20Impact%20Study.pdf>.

■ *Child Care Finance as Economic Development* (August 1, 2002), presented by Mildred Warner at the 2002 State Child Care Administrators Meeting, sponsored by the Child Care Bureau, has information about how the concept of economic development can be used to frame the discussion to increase public and private support for child care. In order to become part of the economic development debate, the child care sector must be considered an industry. Data must be gathered about the number of businesses and the number of employees. The economic impact is calculated by measuring the direct effect on spending and employment and the indirect effects. This presentation can be viewed on the Web at <http://www.cce.cornell.edu/restructuring/doc/reports/childcare/>. For additional information, contact Mildred Warner at [mew15@cornell.edu](mailto:mew15@cornell.edu).

■ *The Economic Rationale for Investing in Children: A Focus on Child Care (Final Report)* (September 2001), by Diane Paulsell, for Mathematica Policy Research, Inc., summarizes a conference convened by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) to engage a multidisciplinary group of economists, developmental psychologists, child care researchers, and policy analysts in a dialogue about the rationale for public investment in quality child care. This resource is available on the Web at <http://www.mathematica-mpr.com/publications/PDFs/econrationale.pdf>. For additional information contact Mathematica Policy Research, Inc. at 609-799-3535.

The National Child Care Information Center does not endorse any organization, publication, or resource.

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