

ECONOMIC DEVELOPMENT LINKS

How do we use child care economic impact studies to help craft new approaches to public policy? How can we increase public investment using these arguments?

Background¹

Increasingly, states, counties, and municipalities have begun to understand the value of child care to the regional economy. As part of this effort, policymakers and researchers are using economic development methods to broaden public support and develop innovative financing solutions for the child care sector.

The economic importance of early care and education has three components: its effect on places (the regional economy), its effect on parents (social infrastructure supporting workers and their employers), and its effect on children (investing in human development and education for the future workforce). The educational impact on children has been the primary focus of most child care policy. This is probably the most important effect of the child care industry in the long term by helping children be ready for school and lead healthier, more productive lives. Long-term studies have found high societal returns from investments in early education (Rolnick and Grunewald, 2003; Barnett, 1995). However, these long-term effects are not measured in regional economic impact models nor have they been the subject of state and local economic development policy.



Times are changing. Economists and planners are recognizing the important contributions the early care and education sector makes to the economy in both the short and long terms (Warner et al 2003). Across the country, states and localities are using regional economic analysis to estimate the size of the early care and education sector and its linkage effects in the broader regional economy. To date, more than two-dozen studies have been completed (9 states and 21 counties) and more than a dozen additional studies are underway (7 more states and 6 counties).

The child care industry is comprised of many small businesses that contribute directly to growth in jobs and income, and stimulate broader linkage effects in the regional economy. Child care providers contribute to economic development by forming part of the social infrastructure that enables the economy to function. Just as roads, airports, and bridges enable people to get to work and businesses to get their supplies, child care enables parents to work.

¹ Drawn from *Measuring the Regional Economic Importance of Early Care and Education: The Cornell Methodology Guide*, available at <http://economicdevelopment.cce.cornell.edu>

Strengthening employment and economic development is a concern of business and community leaders throughout our nation, and a goal that is clearly understood by the American public. Making the case for child care in these terms could help to broaden support for the field.

Though parents and providers are traditionally considered the primary beneficiaries of child care policy, an economic development frame extends the beneficiaries to include employers, local governments and economic developers. Drawing in new partners is crucial to opening up new ideas for public policy and new approaches to finance.

Framing child care as economic development is an entirely new approach for most early childhood leaders, who typically do not think of child care as an economic sector. Early care and education experts involved in these studies report that framing child care as economic development and measuring the size of the sector has resulted in new awareness of the importance of the sector to local and state economies. State teams now recognize the importance of consistent, economically oriented data on the child care sector and the need to address economic challenges of the sector such as management and marketing. In addition, the economic development perspective has resulted in exploration of new policy approaches to child care finance.

What is the Child Care Industry?

Regional economic analyses typically include data on all full and part-day child care and early education programs, including: child care centers, Head Start, pre-kindergarten, nursery schools, after-school programs and family child care homes. (Most studies have excluded unregulated home-based care because it is difficult to count.) In New York State, these programs represent:

- **22,000 small businesses**
- **119,000 employees**
- **a \$4.7 billion dollar industry**
- **750,000 working parents, who collectively earn over \$30 billion annually**

Discussion Questions

- 1) What is the economic importance of child care? Is it only the long-term impact? Is it only enabling parents to work? Or does it also stem from the fact that child care is an economic sector that generates economic activity and makes a meaningful contribution in its own right?

- 2) If we agree that child care is an economic sector, then we must also acknowledge that it is a *service* sector focused on meeting *local* demand. As such it provides the social infrastructure for economic development. How do we assess the importance of the field in relation to other sectors in the regional economy? Do we deserve attention -- and public support -- like more export oriented sectors such as manufacturing? Or like other small businesses? What kinds of supports are most appropriate?

- 3) How do we accurately count the size of our sector: number of establishments and employees? How do we better assess our customer market of parents and children? What new approaches to policy might result from an economic development framing of the child care sector's importance to the regional economy?

Suggested Resources

Barnett, W. Steven. (1995). Long-Term Effects of Early Childhood Programs on Cognitive and School Outcomes.

The Future of Children: Long-Term Outcomes of Early Childhood Programs, 5(3): 25-75.

The David and Lucile Packard Foundation: Los Altos, CA.

Cornell Linking Child Care and Economic Development Project: fact sheets, powerpoint presentations, background info & methodology guide

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

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Ribeiro, Rosaria and Mildred Warner 2004.

Measuring the Regional Economic Importance of Early Care and Education: The Cornell Methodology Guide

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

Rolnick, Art and Rob Grunewald. (March 2003).

“Early Childhood Development: Economic Development with a High Public Return.”

<http://minneapolisfed.org/pubs/fedgaz/03-03/earlychild.cfm> .

Stoney, Louise (forthcoming).

Framing Child Care as Economic Development: Lessons from Early Studies. Cornell Linking Child Care and Economic Development Project.

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

Warner, Mildred E., Ribeiro, Rosaria, & Smith, Amy Erica (2003).

“Addressing the Affordability Gap: Framing Child Care as Economic Development”.

Journal of Affordable Housing and Community Development, 12(3): 294-313.