



The Economic Importance of Early Care and Education

Presented to

**Achieving Equity for Women:
Policy Alternatives for the New Administration**

Institute for Women's Policy Research

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What is the Economic Importance of Child Care?

- » Children – Long Term: Human development (cognitive and social skills)
- » Parents – Medium Term: career ladders, labor productivity
- » Regions – Short Term: regional economy - social infrastructure for economic development





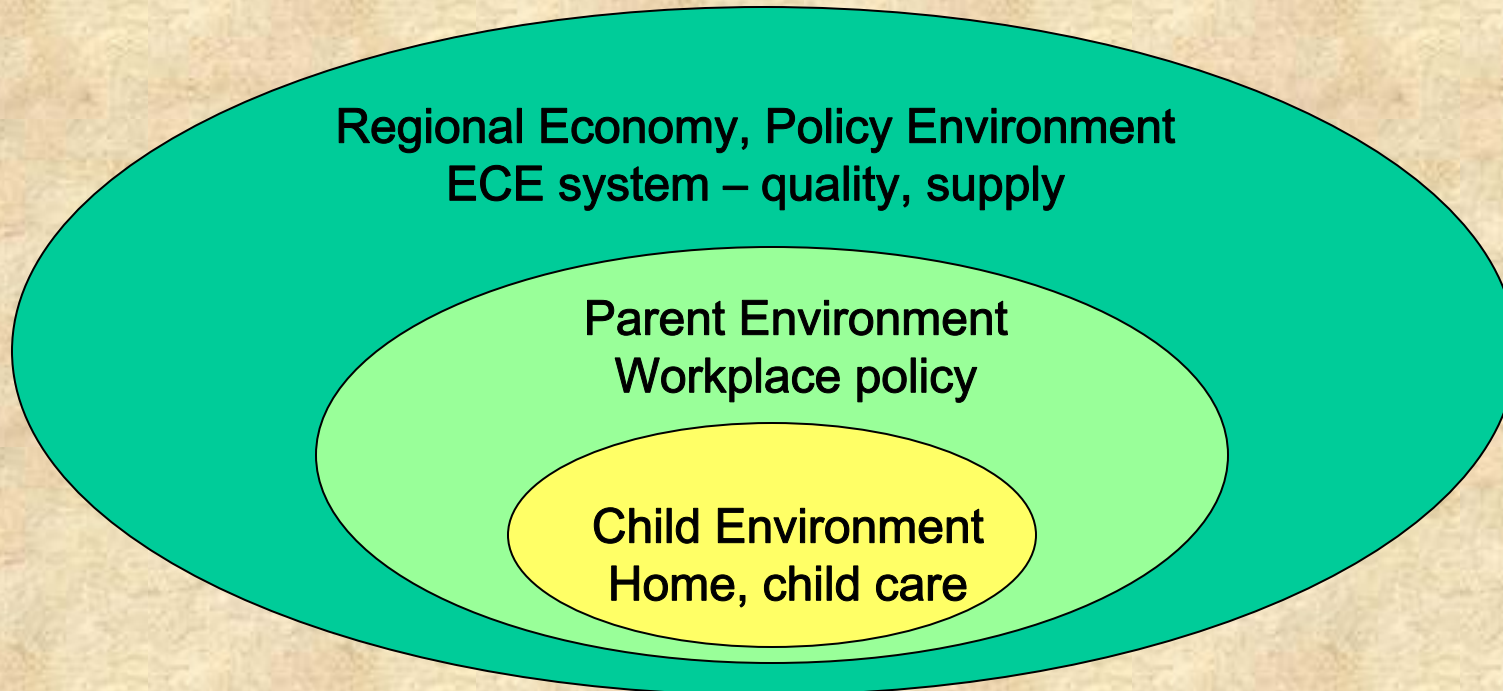
Long Term: Impact on Children

- Early Care and education promotes cognitive social and emotional development of children
- Economists are reinterpreting expenditures (-) as investments (+).
- Concerns:
 - » Too much emphasis on preschool and high returns from model programs
 - » Ignores child care and the context of parents who work, undervalues women's contribution
 - » Long term focus does not motivate short term policy response



Need a More Comprehensive View

Quality child care is provided in the *home*, in the *market* and in *public preschool*. We need a comprehensive system that supports all three.



Morrissey, Taryn and M.E. Warner 2007. “Why Early Care and Education Deserves as Much Attention, or More, than Prekindergarten Alone” *Applied Developmental Science*, 11(2): 57-70.



Economic Importance of ECE: *Medium Term: Parents*

- Promotes labor mobilization of parents as workers
- Improves worker productivity
 - 30% report breakdowns in child care, on average 5-9 days missed/yr
- Reduces turnover
 - Turnover costs 75-150% of annual wage. Costs business billions
- Enhances choice and career ladders, especially for women.
 - Earnings differential is a *Mommy Gap* more than a gender gap.
- Attention to parents' needs must be part of workforce policy

Sources: APA 2004, Carillo 2004, Shellenback 2004, Gornick and Meyers 2003,



Employer and Government Responses

- Employers have expanded work-life policies
 - » Parental leave, child care supports, flex time
- Complementary Government Policy is Stagnant
 - » Dependent Care Tax Credits
 - 1982: \$2400 on child, \$4800 two children
 - 2002: \$3000 one child, \$6000 two children
 - If indexed for inflation 2002: \$4600 one child, \$9200 two children
 - Should be refundable
 - » Flexible Spending Accounts
 - Dependent Care limited to just \$5000 regardless of number of children – never raised, not indexed to CPI.
- Should reflect the cost of quality care.
- These are the only programs for the middle class!



Economic Importance of ECE: *Short Term: Regional Economy*

- Child Care is Social Infrastructure for Economic Development
 - » Surveys of economic developers show over 80% believe child care should be part of economic development policy (NY, WI)
 - Recognize inadequacy of supply, problems with affordability
 - » Survey of planners finds over 90% see families as critical to viable communities
 - Link child care to transportation, housing, business development
- Federal Government still sees child care from a welfare frame
 - » Underfunds, focuses only on the poor



Taking a Market View

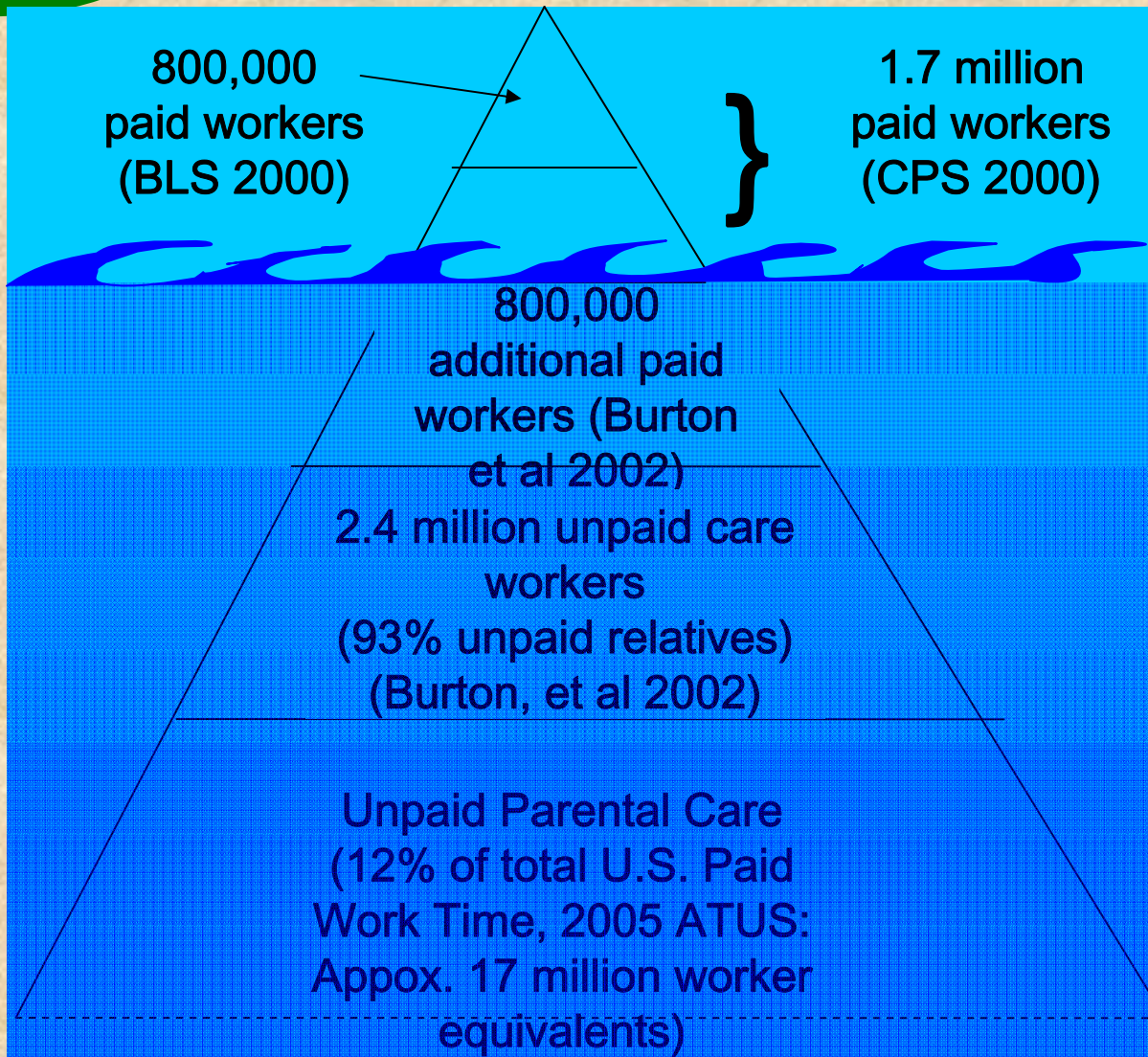
State and local teams of business and ECE leaders study the economic impact of the child care sector.

- » Focus on supply, demand and economic linkage
- » Multiplier effects give us the stimulus benefits
 - For every new dollar invested in ECE, the statewide economic benefit is \$2.00
 - For every new job created in ECE, the statewide economic impact is 1.5 jobs
 - These multipliers are higher than for infrastructure, retail or tourism.

Recession will reduce the supply of quality formal child care



Iceberg: Most child care is outside the formal market



Formal Market Care
Economic Development
and Educational Policy

*Parents substitute
between formal care,
informal care, unpaid
care and parental care*

Parental Care
Workplace and Tax
Policy



Economic Development Challenges and Responses

- Child care sector needs increased investment now
 - » *Lack Economies of Scale – High Turnover – Low Profitability*
 - Small business management and investment - Shared services, new business and finance models
 - » *Skill Upgrading*
 - Workforce development - Tax credits and supplements
 - » *Information Problems (supply and demand side)*
 - Quality rating systems
 - » *Lack of Effective Demand*
 - Subsidies to parents and providers, tax credits
 - » *Lack of Infrastructure Support*
 - Link to transportation & planning
- Economic Incentives vs Regulatory Sticks



A Comprehensive Solution

- **Institutional Support for ECE Programs** to ensure quality.
- **Publicly Funded Infrastructure** to ensure ECE professional development, program monitoring, consumer education and data collection
- **Financial Aid for Families** to ensure access to quality.
- **Work Place Policies** (e.g. paid parental leave, flexible work schedules with full benefits) to ensure parents can pursue careers *and* have time to nurture their children.

Stoney, Mitchell and Warner 2006. Smarter Reform: Moving Beyond Single Program Solutions to an Early Care and Education System, *Community Development: The Journal of the Community Development Society* 37 (2): 101-115



Linking Economic Development and Child Care Project Reports

can be found at

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