

INVESTING IN NEW YORK

An Economic Analysis of the Early Care and Education Sector

A high quality child care system, just like roads and bridges,
is part of the infrastructure for economic development.



A report by the Cornell University Department of
City and Regional Planning for the New York State
Child Care Coordinating Council.



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Child Care:

A VITAL ECONOMIC SECTOR FOR NEW YORK

To most consumers, taxpayers and political leaders, child care means a vital service for families and often a meaningful experience for children. But **child care is also an important building block of the New York State economy, enriching our state in many different ways.** New York's child care industry supports businesses and workers, and contributes to economic activity through its own sectoral linkages. **The numbers on the child care industry tell the story of the economic importance of this sector.**

✓ 22,000 SMALL BUSINESSES

Child care is a significant small business sector in New York State. The sector includes not-for-profit and for-profit centers, Head Start and Pre-kindergarten programs and 11,000 family child care providers.

✓ 4.7 BILLION DOLLARS

The early care and education sector generates \$4.7 billion dollars annually in New York State. This includes parent fees and government investments in early education programs.

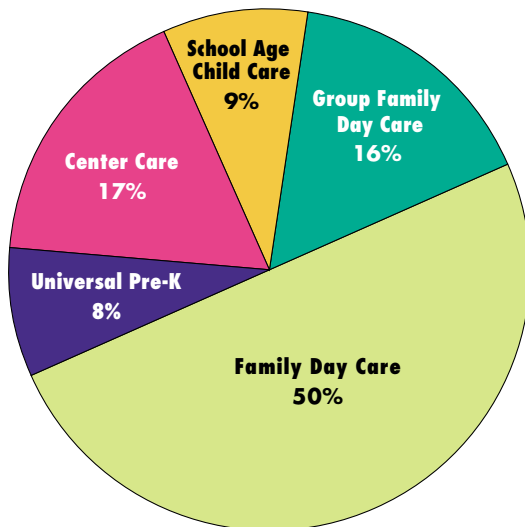
✓ 750,000 PARENTS

Child care is part of the social infrastructure that keeps New York working. By caring for children, the child care sector enables 750,000 parents to go to work. These working parents are estimated to collectively earn more than \$30 billion dollars.

✓ 119,000 WORKERS

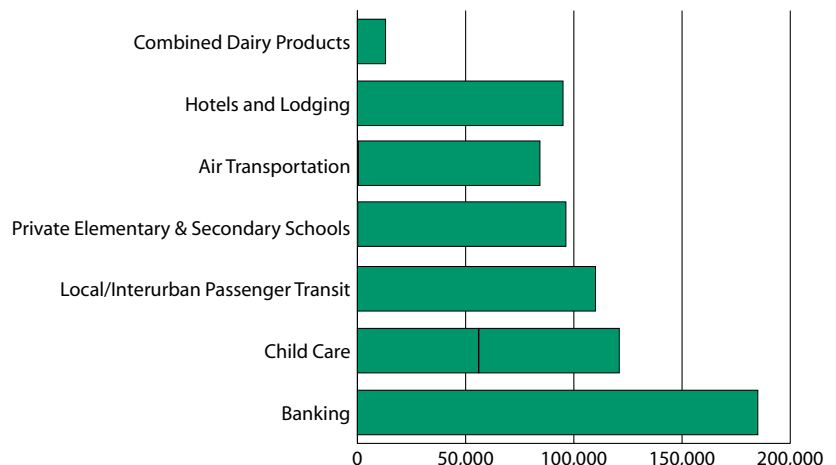
Early care and education teachers, aides and staff represent one of the fastest growing employment sectors in the economy. The child care sector is comparable in size to the local/interurban passenger transit system and the hotel and lodging sector.

Regulated Child Care Establishments
New York State



Source: OCFS Licensing Data
New York State Education Department, 2003

Employment Comparisons
for Selected Industries



Source: From IMPLAN based on ES 202 employment data, 2000; Child Care expanded numbers based on NYS OCFS estimates, 2002.

"Small businesses are the bedrock of the small-town economy and the growth engine of the new economy."

— Governor George Pataki

INVESTMENTS IN EARLY EDUCATION REAP LONG-TERM BENEFITS

Like roads and bridges, a high quality child care system is part of the infrastructure for economic development. Early care and education is important for brain development in children's earliest years, and it promotes school readiness.¹ And many studies have found that "high quality early learning and care is one of the most powerful weapons against crime."² Clearly, children offered high quality early education, social and emotional experiences have a strong foundation for later success in life.

BUILD THE FUTURE WORKFORCE

An investment in a high quality early care and education system promotes New York's long-term future, in part because good early education is the critical first step in preparing skilled workers to fuel the state's knowledge economy. Jobs in areas such as electronic manufacturing, software and computer-related industries are some of the nation's most important sources of growth, with average wages 73% higher than in the rest of the economy. Ranking eleventh nationally in the number of knowledge economy jobs, New York has strong reasons to use early care and education to maintain and strengthen its leadership in this area.

Child Care SHOULD BE PART OF NEW YORK'S ECONOMIC DEVELOPMENT STRATEGY



CHILD CARE KEEPS NEW YORK'S BUSINESSES RUNNING:

Employers need child care to support their parent workers. Despite New York's strong knowledge economy, most of the state's job growth is in the service sector. Service jobs are important entry points for young workers and those transitioning from welfare, but these jobs are vulnerable to global competition and its downward pressure on wages. Child care subsidies help keep working parents in the labor market by making low-wage jobs pay for them, and help keep service industries competitive. Employers also find that parents with child care services they trust are more productive and dependable workers.

NEW YORK LEADS THE NATION IN CHILD CARE TAX RELIEF, BUT WE STILL HAVE MORE TO DO TO ENSURE THAT FAMILIES HAVE ACCESS TO HIGH QUALITY CARE:

Quality child care is expensive, but New York has had the vision to do more than any other state in making it affordable through the state's refundable child and dependent care tax credit. New York's employers also help with tax-free flexible spending accounts that allow workers to pay child care expenses with pre-tax dollars. These job-creating tax breaks could be even more powerful with increased outreach to encourage their use. Similarly, although New York has made the wise investment of subsidies to more than 183,000 children, only an estimated 25% of children eligible for the subsidies receive them, indicating that this crucial source of help could be expanded.

CHILD CARE IS AN IMPORTANT SECTOR IN ITS OWN RIGHT:

Child care businesses and their employees are a significant sector of New York's economy. Just as New York makes investments to strengthen business management practices, job retention rates and economic efficiency in other sectors, the state should target economic development investments to its vital child care sector.

¹ Shonkoff, Jack and Deborah Phillips, ed. From Neurons to Neighborhoods: The Science of Early Childhood Development. Washington, D.C.: National Academy Press, 2000.

² Brown, Jen, "The Link Between Early Childhood Education and Crime and Violence Reduction," www.econop.org/ECELinkToCrimeReduction.htm.

*"Our children are our greatest resource."
— Sheldon Silver, Speaker of the NYS Assembly*

INVESTMENTS IN THE CHILD CARE SECTOR PROMOTE REGIONAL ECONOMIC DEVELOPMENT:

Regional economic impact analysis shows that in New York State each dollar invested in child care generates a total of \$1.52 - \$2.00 in the state economy as a whole.

EACH DOLLAR OF STATE INVESTMENT LEVERAGES MORE THAN \$3.50 IN FEDERAL FUNDS:

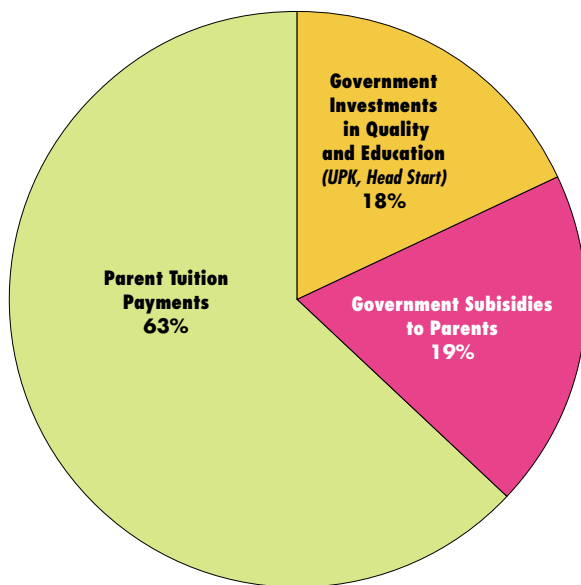
The federal government invests \$1.3 billion in the early care and education sector in New York. For every one of these federal dollars, more than \$2 is generated in the state economy, resulting in a \$2.7 billion regional economic impact. The combined impact of these leverage and linkage effects is more than \$7 for every state dollar spent.

The majority of revenues to child care providers come directly from parents. Unlike higher education where tuition represents only 35% of total costs (Mitchell et al., 2001), parent tuition costs represent the largest portion of the gross receipts of the child care sector. Estimates for New York show that parent tuition accounts for 63 percent of the gross receipts of the child care sector, and government investment in quality early education and subsidies for low-income parents account for the rest.

Child care should become an integral part of New York State's economic development plans. **Investment in child care will benefit the state's economy, support businesses and workers, improve the quality of life in our communities, and prepare our future workforce.**



NYS Estimate of Gross Receipts of the Child Care Sector by Source
NYS Gross Receipts of the Child Care Sector: \$4.7 Billion



Source: NYS Office of Children and Family Services, 2002

