



## Supporting New York State's Economic Development Efforts by Expanding Access to Quality Child Care

While many other states—and New York—have directed limited economic development dollars toward child care, there is an opportunity here for New York to become the first in the nation to make investing in quality child care a key economic development strategy. Investing in child care is a sound economic development strategy because quality child care reduces barriers to employment, and improves the productivity and the quality of the workforce in the short and long-term. Directing significant economic development dollars to the State's child care system would not only enable more New York families to access quality child care, it would also recognize and embed child care as an economic development strategy.

### Shortage of quality, affordable child care harms New York families and children.

With the average cost of center-based child care in New York edging over \$14,000 annually for toddlers (even more for infants),<sup>1</sup> the shortage of child care subsidies causes significant economic hardship to working New York families from all walks of life—middle class and working class, families of all races and ethnicities, families who live upstate, downstate, in our rural communities, cities and suburbs. And, the 2017-18 New York State Budget worsened the shortage by cutting child care subsidies for low-income families by \$7 million, even though the program was already desperately underfunded—serving less than 20% of families making less than 200% of poverty. Studies show that lack of access to child care causes many parents—overwhelmingly women—to drop out of the workforce for longer periods of time, sharply reducing family income for the period the caregiver is out of the workforce, and lowering future earnings and retirement savings.<sup>2</sup> Child care expenses are also a leading contributor to family poverty.<sup>3</sup>

### Shortage of quality, affordable child care harms New York businesses and economy.

In the short term, the lack of access to affordable, quality child care causes businesses to suffer decreased productivity as a result of employee absenteeism and higher rates of turnover.<sup>4</sup> Companies in the United States lose over \$3 billion annually as a consequence of child care related issues, predominately absences due to a lack of accessible child care.<sup>5</sup> Moved by evidence like this, the U.S. Chamber of Commerce Foundation recently issued a compelling report making the business case for expanding access to quality child care, and calling upon business leaders to champion investment.<sup>6</sup>

Investment in child care removes barriers to employment, and increases employee productivity and businesses' ability to recruit talent. In a survey conducted by the American Business Collaboration in New York, employees reported that 63% experienced increases in productivity associated with quality dependent child care.<sup>7</sup> Another study of New York businesses concluded that businesses' ability to recruit employees improves when a supply of high-quality child care exists.<sup>8,9</sup> Longer term, investing today in quality child care for young children is one of the best, most cost-effective ways to ensure that the workforce of tomorrow is prepared and productive. Seventy-five percent of brain growth and 85% of intellect, personality, and social skills develop before age five.<sup>10</sup> Well-evaluated studies have proven that children who receive high-quality early education for at least two consecutive years have much better school and life outcomes. They are less likely to drop out of high school, use welfare, or become an unplanned teen parent.<sup>11</sup>

## Child care brings a high return on investment.

High-quality early childhood programs bring considerable return on investment; economists agree that it is one of the most effective investments we can make.<sup>12, 13</sup> An updated study released this spring by Nobel laureate economist James Heckman demonstrates that every dollar spent on “high quality, birth-to-five programs for disadvantaged children” generates a 13% return on investment per year.<sup>14</sup> New York State recently recognized child care as an important driver of economic development when it awarded \$4.75 million to expand three early childhood initiatives in Rochester—including \$3 million for child care—as part of the “The Finger Lakes Forward” strategic plan to grow the economy.

## Policy Recommendation: Improve economic development with investment in quality child care.

Economic development is a top priority for New York State, which is reflected in the State’s budget. The 2017-18 Enacted Budget appropriated \$2.8 billion for economic development purposes.<sup>15</sup> By way of comparison, the State appropriated approximately \$252.5 million in State funds in the same budget for child care subsidies for low-income working families. To further the State’s economic development efforts and strengthen communities, New York should make a substantial investment in expanding access to quality child care for all New York families who need it, with a special focus on low-income working families, guided by the following principles.

- ▶ Economic development funds should be used to expand access to quality child care to significantly more New York families, and to support and strengthen the State’s child care system.
- ▶ Economic development dollars should be dedicated and sustained, rather than a short-term project-based allocation, reflecting that the need for child care is ongoing, and the high return on investment will continue.
- ▶ If allocated on a short-term basis, there should be an accompanying effort made to identify and develop a dedicated and sustainable funding stream.

## Endnotes

<sup>1</sup> *Economic Policy Institute*. (2016, April). Child care costs in the United States. <http://www.epi.org/child-care-costs-in-the-united-states/#/NY>

- <sup>2</sup> Doerer, K. (2016, June 21) “How much does it cost to leave the workforce to care for a child? A lot more than you think.” *PBS News Hour*. <http://www.pbs.org/newshour/making-sense/how-much-does-it-cost-to-leave-the-workforce-to-care-for-a-child-a-lot-more-than-you-think/>
- <sup>3</sup> Mattingly, M. J. and C. T. Wimer. (Spring 2017). Child Care Expenses Push Many Families Into Poverty. Carsey Research, National Fact Sheet #36. *University of New Hampshire, Carsey School of Public Policy*. <http://scholars.unh.edu/cgi/viewcontent.cgi?article=1303&context=carsey>
- <sup>4</sup> Elswick, J. (2003, Jun. 15). More Employers Offer Back-Up Care. *Employee Benefit News*.
- <sup>5</sup> Ibid.
- <sup>6</sup> Stevens, K.B. (2017, Jun.). Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare. *U.S. Chamber of Commerce Foundation Center for Education and Workforce*. [https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%20Workforce%20of%20Tomorrow%20Report\\_0.pdf](https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%20Workforce%20of%20Tomorrow%20Report_0.pdf)
- <sup>7</sup> Warner, M., Adriance, S., Barai, N., Hallas, J., Markeson, B., Morrissey, T., & Soref, W. (2004). Economic development strategies to promote quality child care. Linking Economic Development & Child Care Research Project; *Cornell University*. [http://planning.rctlma.org/Portals/0/hearings/pc/2008/pc120308\\_agenda/econ\\_dev\\_strat\\_6.2.pdf](http://planning.rctlma.org/Portals/0/hearings/pc/2008/pc120308_agenda/econ_dev_strat_6.2.pdf)
- <sup>8</sup> *Cornell University College of Architecture, Art, and Planning*. (2006). Cultivating Connections...Between Economic Development & Child Care: New York State Survey on Economic Development and Child Care. [http://mildredwarner.org.s3.amazonaws.com/2012/09/20/brief\\_nys\\_survey-e333b8ac.pdf](http://mildredwarner.org.s3.amazonaws.com/2012/09/20/brief_nys_survey-e333b8ac.pdf)
- <sup>9</sup> Warner, M., Adriance, S., Barai, N., Hallas, J., Markeson, B., Morrissey, T., & Soref, W. (2004). Economic development strategies to promote quality child care. Linking Economic Development & Child Care Research Project; *Cornell University*. [http://planning.rctlma.org/Portals/0/hearings/pc/2008/pc120308\\_agenda/econ\\_dev\\_strat\\_6.2.pdf](http://planning.rctlma.org/Portals/0/hearings/pc/2008/pc120308_agenda/econ_dev_strat_6.2.pdf)
- <sup>10</sup> *Schuyler Center for Analysis and Advocacy*. (2013, September). Investment in High-Quality Early Childhood Programs Supports Business. [http://www.scaany.org/wp-content/uploads/2013/07/invest\\_quality\\_earlylearning\\_sept2013.pdf](http://www.scaany.org/wp-content/uploads/2013/07/invest_quality_earlylearning_sept2013.pdf)
- <sup>11</sup> *Coalition for Evidence-Based Policy*. Social Programs That Work: Abecedarian Project. <http://evidencebasedprograms.org/1366-2/abecedarian-project>, & <http://evidencebasedprograms.org/1366-2/65-2>
- <sup>12</sup> Rolnick A & Grunewald, R. (2007). The Economics of Early Childhood Development as Seen by Two Fed Economists. *The Federal Reserve Bank of San Francisco; Community Investments*. [http://www.frbsf.org/community-development/files/community\\_investments\\_fall\\_2007.pdf](http://www.frbsf.org/community-development/files/community_investments_fall_2007.pdf)
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- <sup>15</sup> *Office of the NYS Comptroller. Report on the State Fiscal Year 2017-2018 Enacted Budget*. (2017, May). pp. 27-31. <https://www.osc.state.ny.us/reports/budget/2017/2017-18-enacted-budget-report.pdf>