

## **Overview: Articulating the Economic Importance of Child Care for Community Development**

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Child care is typically conceptualized as human development or social welfare rather than in an economic development frame. Although economists have recently discovered the importance of early education to long-term human development (Heckman & Masterov, 2004; Lynch, 2004), most policy is still focused on either expanding preschool for four year olds (Committee for Economic Development, 2002) or using child care subsidies to promote work among low income mothers as part of welfare reform (Mezey et al., 2002). The importance of child care for children, workers, and for broader economic development is vastly more significant than can be acknowledged within these limited education and welfare policy frames.

The Cornell Linking Economic Development and Child Care project has used the symbol of the three petals of a trillium flower to represent the three most distinctive dimensions of the economic importance of child care: its implications for child development, parental labor force mobilization, and regional economic development. See Figure 1. Child development researchers are concerned with the impact of early care and education (ECE) on long-term cognitive and social skills. Labor researchers are concerned with the labor mobilization and labor productivity of parents afforded by quality child care. Regional economists are concerned with the employment and output contributions to the regional economy of the child care sector and the strength of economic linkages between child care and other sectors. Work in these three arenas has rarely intersected. However, the impacts on children cannot be segregated from the welfare of parents; the impacts on parents cannot be divorced from the health of the economy in which they live; and the health and sustainability of the economy cannot be separated from the prospects for its children.

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**Figure 1. Trillium: Threefold Economic Importance of the Child Care Sector**



Community development practitioners and researchers must consider the connections between children, parents, and local economies as they address the ECE sector. The papers in this issue collectively sketch out a more comprehensive and integrated perspective of the importance of child care in our economy, and its implications for community development.

### **Child Care's Place in the Regional Economy**

The article by Warner chronicles a groundswell of interest in the regional economic importance of child care as over fifty-eight state and local teams have come together since 2000 to measure the size and linkages of their child care sectors. Her article demonstrates the many conceptual and methodological challenges faced by these teams. Current data systems seriously undercount care sector work—in part because of the large number of micro-enterprises and informal providers that characterize the care sector. This structure makes it difficult for economists to measure the sector accurately. For child care, the difficulty also stems from gender bias in our economic counting systems and a privileging of exporting industries over local services. Pratt and Kay challenge this export orientation in regional economic analysis pointing to the large and growing importance of service sectors in the U.S. economy and the need to look at total linkages, both backward and forward, as a better measure of the contributions of service sectors such as child care. They demonstrate the use of an alternative modeling approach, hypothetical extraction, and show how it elevates child care from 20<sup>th</sup> to 4<sup>th</sup> in a ranking of 41 similarly-sized sectors in the New York State economy. The implications for regional economic development practice are exciting.

By addressing the conceptual challenges raised by the child care sector, we raise implications for economic development investments in other locally serving sectors that are likely to have a larger and more lasting impact on community development. The “export tilt” and the bias against local service investment, especially services that meet the needs of workers, families, and women, are challenged as anachronistic. These two papers provide the intellectual basis for adequately measuring investments in strengthening the child care sector and give specific examples of policies community developers could use to address the market failures child care faces as both a public and private good (for additional information on strategies, see Warner et al., 2004).

The conceptual modeling problems run even deeper, however. Folbre challenges us to recognize that child care encompasses both market work and family care. While our regional economic models focus on flows of commodities in the market, we also must look inside the household and note the flows in time and money that parents invest in child rearing. The estimated value of this non-market household work ranges from one third to one half of GDP depending on the study and method of valuation used (Abraham & Mackie, 2005). It is critically important that community developers acknowledge the linkages between market and family work. Regional economic development and workplace policies must be sensitive to the spillovers between market and family work. Traditionally thought of as substitutes, Folbre uses recent time use data (from the Panel Survey of Income Dynamics – Child Development Survey and the American Time Use Survey) to show that market and family care are actually complements.

## **Child Care and Parents**

The majority of children are in some form of paid care in America (Sonenstein et al., 2002), but the articles by Kimmel and Meyers and Jordan show that the type, quality, and costs of non-parental care used by parents have varied systematically and persistently over time. Center care is more likely to be used by families of high socioeconomic status. Despite greater use of relatives and other lower cost care by low income families, they end up paying a higher proportion of their earnings, up to 25% of income, on child care (Johnson, 2005). Kimmel notes that formal center care exhibits relatively high price elasticity; with family care, informal care, and unpaid relative care serving as substitutes as parents move between market and non-market forms of care. This may help explain why communities sometimes face vacancies in centers built to meet projected demand-supply gaps in the local supply of care. Many rural and inner city areas host thin markets of formal care providers. To accommodate the nonstandard work hours of many parents and the lack of formal center care, community developers may focus on strengthening and formalizing family care arrangements or on strategies to increase economies of scale (Stoney, 2004).

Meyers and Jordan point out that these differentials in child care choice reflect socially constrained choice, and may not reflect differences in preference. Child care is deeply embedded in social structures and relationships that influence both preferences and the scope of perceived options. Parents get most of their information about the location, supply, and quality of child care options filtered through their existing networks of social contacts. Because these networks are highly stratified by location, race, and class, child care choices tend to reflect this stratification as much as they do unconstrained preferences. When enhanced public support is provided and societal recognition of the value of early education is realized, these gaps can disappear, as occurred with the expansion of universal kindergarten in the 1980s. Community developers should be sensitive to access, affordability, and quality concerns, as well as the information sources that structure parent preferences. Family diversity requires a varied approach.

Mothers' employment is responsive to child care availability and Kimmel points to declining labor force participation rates of women with young children as a warning that community developers need to pay more attention to affordable, quality child care. She argues that child care should become a core element of a workforce retention policy. Currently, because of inadequate community development support for child care, motherhood truncates career paths and creates an extra care burden that undermines economic equality for women (Crittenden, 2001).

Meyers and Jordan remind us that parents face dual roles as earners and care givers and must negotiate complex family, social, and gender issues in balancing employment and care giving. When quality child care is affordable and reliable, it promotes employment and workforce readiness. Parents get flexibility from three sources—family and social networks, child care arrangements, and work flexibility (Emlen, 1998). The less flexible the work situation, the more flexibility in care is needed. One role for community developers is to give parents more flexibility and refocus economic development policies to support the dual roles faced by parents. This might include expanded after-school programs, transportation plans that include child care as part of journey to work, siting child care in industrial parks, encouraging flexible work-life policies among employers, and supporting social networks for parents.

## **Child Care and Child Development**

There has been considerable enthusiasm among economists in the potentially large returns to long-term human development offered by quality ECE. Barnett and Ackerman's paper offers a careful overview of related research on the three most well-known long-term studies, Abecedarian, Chicago Parent Child, and Perry Preschool. With benefit cost ratios ranging from 4 to 17, they caution that returns will depend on the role of person, process, and context. Although many model programs focus on the most disadvantaged, research also shows significant gains for middle income children (Gormley et al., 2004). Teacher education and staffing ratios vary significantly among programs, and these quality differences help explain why returns from model programs may not be found in the ECE sector at large. Policy that ignores findings about program quality (care giver qualifications and teaching practices, class size, teacher/child ratios, and curriculum) is unlikely to yield intended benefits. Differences in context are critical in explaining differences in longer-term education performance of children. Baseline social conditions, peer effects, proximity to tipping points, and similar factors all mediate the impacts of any given program intervention.

Community developers should be cautious of over-optimistic projections of returns when model programs are brought to scale. Although public investors will want to ensure that their dollars are well spent, Barnett and Ackerman caution against targeting programs and against testing as a means of performance measurement, points echoed by Stoney et al. in their policy recommendations. Returns to child care investments are linear with income and because the majority of children are in the middle income ranges, universal programs make economic sense. They argue that Americans invest too little in preschool education, but that increased quantity will not necessarily give higher returns. Returns depend on the intersection of person, place, and context.

## **Challenges for Policy**

A recurrent theme in all these papers is that U.S. society invests too little in ECE. Our regional economic development policies privilege export-based industries over endogenous sources of growth such as child care. Our employment policy penalizes parents and adds to family stress. Our human development policy focuses primarily on the human development impacts of preschool and fails to recognize the significant private investment parents make in children, and the complementary role family care plays in the economy. This focus on marginal returns of specific program interventions fails to acknowledge the foundational investment that child care (parental, other non-market, and market) makes in our economy. We need an accounting stance for early care and education that simultaneously addresses both the market and non-market aspects of care. Folbre reminds us that non-market family care provides the foundation for market work. But the market can destroy the altruism on which non-market care is

based. U.S. workforce policy, compared to other advanced industrialized countries, is the least supportive of the dual earner/caregiver roles played by parents (Gornick & Meyers, 2003). Although recent economic attention to the human development impacts of child care recognizes children are a public good, we must acknowledge that too much of the financial burden of raising children is borne by parents. Redistribution of resources is necessary, and this will require increased public and private investment.

The final paper by Stoney, Mitchell, and Warner discusses principles for these investments. If our nation is to reap the benefits of early learning, we need a whole new approach. We need to build systems that not only tap but also effectively connect the resources of business, government, communities, and families. This isn't about a program. It's about creating a system. They argue that child care policy reform should rest on five key principles:

- Systemic reform—not limited, targeted funding focused only on some programs for children of specific ages, but a commitment to the system as a whole,
- Universal access—affordable, high-quality early education and care should be available to *all* children and families, and the returns are high,
- Improved quality and accountability—based on performance measures that support continuous program improvement and reflective teaching, rather than individual test scores,
- Respect for the value of children and support for the families who raise them—including financial supports for families with young children, and
- Increased investment—both public and private, in recognition that child care is both a public and private good.

Their program of systemic reform calls for institutional support to strengthen ECE programs, financial aid for families, support for non-market family care (through parental leave and more flexible workplace policy), and publicly-funded infrastructure to strengthen the ECE sector—including professional development, program monitoring, and data collection.

Community developers are in a unique position to facilitate a broader dialogue that ensures attention to the full range of issues the child care sector raises. We need a comprehensive approach that explores the complex dynamics between children, parents, educators, employers, and the broader economy. Simple solutions will not address the need, and community developers can help ensure that no single voice, single frame, or narrow accounting stance dominates debates about how to move forward in strengthening the early care and education sector. We hope this special issue will provide some guidance in building that broader frame and crafting a comprehensive community development response.

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