

The Economic Impact OF THE Child Care Industry *in Minnesota*



The child care industry is integral to the vitality of Minnesota's economy. The industry:

- Enables businesses to recruit employees, reduce turnover and absenteeism, and increase productivity
- Ensures a strong economy in the future
- Is a significant income-generating, job-creating industry in its own right

To benefit every Minnesotan, all child care industry stakeholders — businesses, government and the child care industry — must work and plan together to reach innovative solutions to the barriers that the child care industry faces.

The child care industry enables businesses to *recruit employees, reduce turnover and absenteeism, and increase productivity.*

■ The vast majority of parents work. Labor force participation by parents has risen significantly over the past few decades (see figure 1).

- Almost one-third of Minnesota's workers have children under 18.
 - 76 percent of Minnesota's workers with children under 14 use non-parental child care.
 - 25 percent of Minnesota's working parents with children under five say child care problems have prevented their taking or keeping a job.
 - 22 percent of Minnesota's working parents say they have been late for work, left early, or missed work in the past six months due to child care problems.
 - 8 percent report losing work time "often" due to child care problems.
- In 2002, unscheduled absenteeism cost small businesses an average of \$60,000 and large companies an average of \$3.6 million.
- Quality, affordable, accessible child care reduces employee turnover, which is estimated to cost 1.5 times an employee's salary.
- Quality, affordable, accessible child care enhances recruitment of young professional families. At Carlson Companies, for example, 78 percent of parents who were hired since an on-site child care center was opened and who use the center reported that the benefit played a role in their decision to seek employment at Carlson.

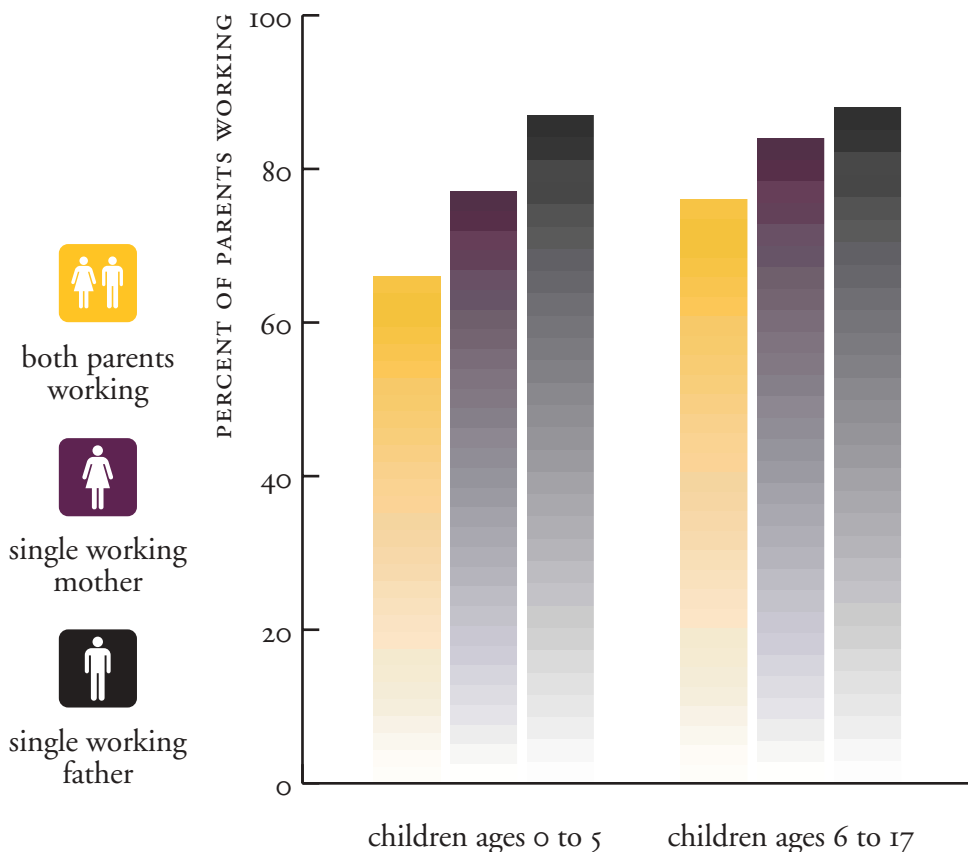


figure 1: LABOR FORCE PARTICIPATION RATES OF PARENTS

Preparing children for success: *quality matters*

- Employment and industry projections indicate increased need for a skilled labor force in Minnesota.
- The Minnesota Department of Education's School Readiness Assessment revealed that in only one of six developmental areas are a majority of Minnesota children "ready for kindergarten."
- Young children in high-quality pre-school settings show greater language development, mathematical ability, thinking and attention skills and fewer behavioral problems in kindergarten than children in lower quality care settings.

"In today's world, where education and skill levels determine future earnings, the economic and social costs to individuals, communities, and the nation of not taking action on early childhood education are far too great to ignore, especially when the benefits far outweigh the costs..."

The Business Roundtable and Corporate Voices for Working Families

Quality early education and care programs ensure a strong economy in the future.

Meeting labor force shortfalls

- Labor force projections by the Department of Employment and Economic Development indicate a labor force shortfall by the end of this decade (see figure 2). Increasing labor force participation, attracting and keeping young professional families in the state, and increasing productivity will be necessary to maintain Minnesota's economic vitality.

Reducing future government spending

- Long-term studies of child-focused quality education intervention programs for low-income children show significant improvements in participant's employment, educational attainment, public subsidy needs, and home ownership compared to peers who did not participate in these programs.

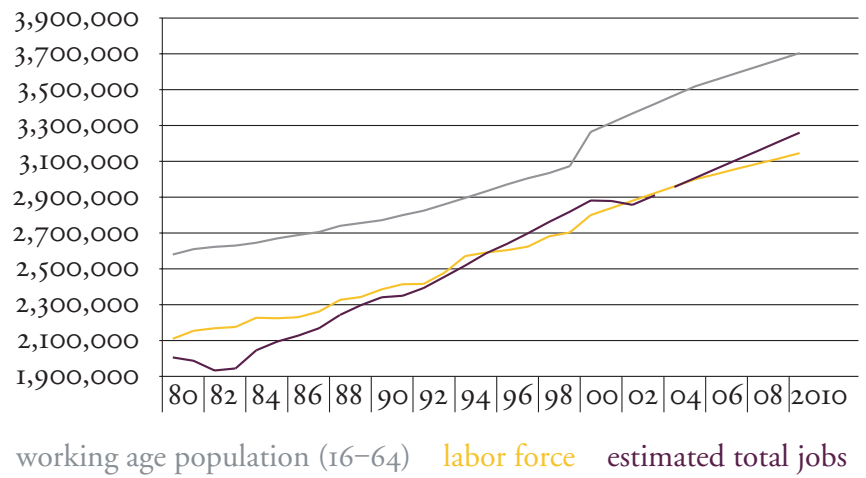


figure 2: MINNESOTA'S WORKING AGE POPULATION AND LABOR FORCE

- A recent analysis by the Federal Reserve Bank in Minneapolis found that quality early childhood programs for low-income children generate an overall 16 percent rate of return on investment, 12 percent of which is a public rate of return.

Source: U.S. Census population data, BLS labor force data, Minnesota Planning population projections, and Minnesota Department of Economic Security labor force and job projections.

Child care is a significant industry in Minnesota.

- The licensed child care industry currently has the capacity to serve 265,700 children at any one time—30 percent of all children in Minnesota and 40 percent of the children with working parents.
- Licensed child care in Minnesota has gross receipts totaling \$962 million annually, including \$433 million for family child care homes and \$529 million for center-based care. Parents pay the vast majority of these dollars. The gross receipts of licensed child care are 77 percent of the size of the corn industry, for which the state ranks third nationwide in crop production (see figure 3).
- The child care industry directly supports 28,050 full-time equivalent (FTEs) jobs. There are more FTEs in child care than there are elementary school teachers, or employees in legal services, business services, or health insurance (see figure 4).
- The state and federal governments spent a total of \$288.6 million in state fiscal year 2002 towards assisting low-income families with licensed and unlicensed care and quality improvements — \$155.2 million from the state and \$133.3 million from the federal government. Only a portion of these public dollars are included in the \$962 million gross receipts of the licensed child care industry.

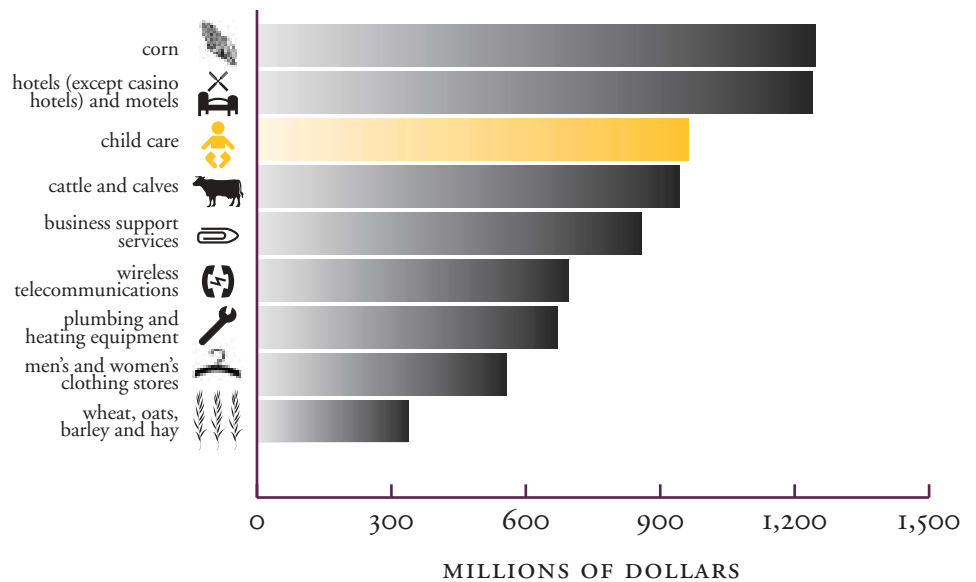


figure 3: GROSS RECEIPTS BY INDUSTRY

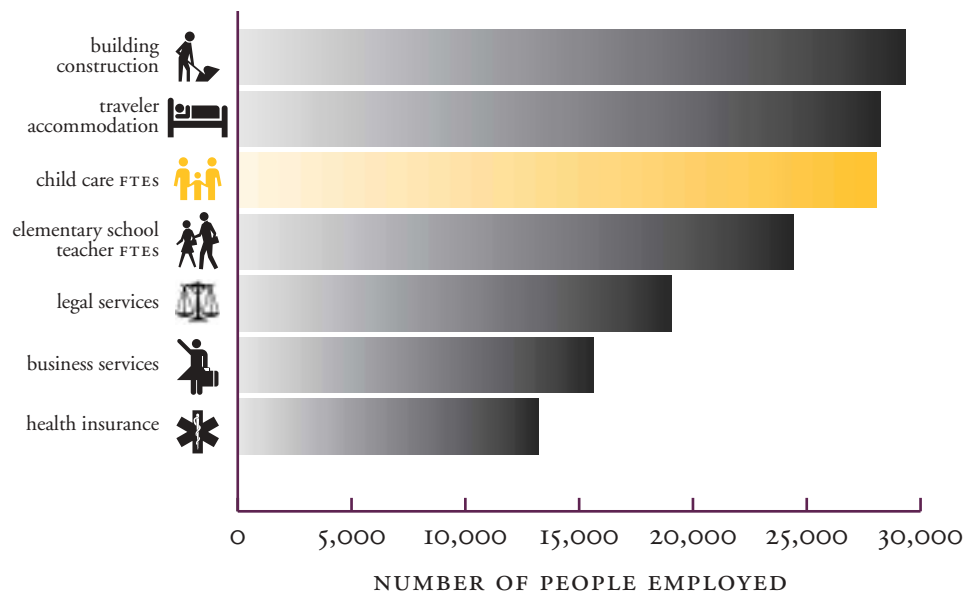


figure 4: EMPLOYMENT BY INDUSTRY

RECOMMENDATIONS

To benefit every Minnesotan, all child care industry stakeholders — businesses, government and the child care industry — must work and plan together to reach innovative solutions to the barriers that the child care industry faces.

BUSINESS STRATEGIES

- Demonstrate to other businesses, government, and child care professionals that the child care industry is vital to the state's economic vitality.
- Enlist Chambers of Commerce's support in promoting the link between child care and economic development.
- Create a child care business task force to advocate for child care with businesses and government.
- Leverage public economic development dollars with private support to create loan funds and other resources for the child care industry.
- Offer improved child care benefits to employees.

CHILD CARE INDUSTRY STRATEGIES

- Work with businesses that have successful child care programs to create advocates within the business sector.
- Collaborate with Small Business Development Corporations and the Small Business Administration to help child care providers access technical assistance, training, loans, and other resources.
- Introduce strategies to state and local government and businesses that incorporate child care into economic development planning.
- Expand efforts to educate parents about the benefits of quality child care.
- Work with school systems to ensure a smooth transition to kindergarten, which, in turn, leads to future academic success.

STATE & LOCAL GOVERNMENT STRATEGIES

- Examine the linkages between child care and economic development.
- Incorporate child care into state and local planning.
- Provide incentives for business investment in the child care infrastructure.
- Create loan funds and resources using public/private dollars to enhance child care sustainability.
- Increase funding for equal access to quality early education programs.
- Establish standards and incentives for quality child care programs.
- Improve wages and benefits for skilled providers.

When stakeholders work together to improve quality, integrate child care into economic development, engage business, and build a coordinated system of early care and education, they set up a win-win situation:

- Businesses win when they improve their bottom line
- State and local governments win when they save money and improve quality of life
- Child care wins when the industry is stable and meets the demands of Minnesota's working families
- Minnesota wins when the economy is healthy and children are ready to succeed

The Economic Impact OF THE Child Care Industry *in Minnesota*

The National Economic Development and Law Center (NEDLC), with a grant from the W.K. Kellogg Foundation, is working with states across the nation to produce reports and recommendations on the economic impact of the child care industry. The Child Care Economic Impact Reports articulate child care in economic development terms and quantify the ways in which the child care industry is critical to the state's economy. In addition, the reports help build local partnerships aimed at increasing the child care industry's capacity to respond to the shifting child care needs of America's families. For the Minnesota report, NEDLC partnered with the Minnesota Child Care Resource and Referral Network, www.mnchildcare.org to form an Advisory Board of Minnesota statewide leaders in the fields of business, government, child care, and economic development.

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

The National Economic Development and Law Center, established in 1969, is a non-profit public interest law and planning organization that specializes in community economic development. It works in collaboration with community organizations, private foundations, corporations and government agencies to build the human, social, and economic capacities of low-income communities and their residents. NEDLC helps to create both strong, sustainable community institutions that can act as "change agents" and an effective local infrastructure for their support.

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