



Child Care: Work Place and Economic Development Supports



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Designing Work-Family Policies for Families, Employers and Gender Equity

Lessons From the US and Around the Globe

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<http://economicdevelopmentandchildcare.org>



The Economic Importance of Early Care and Education

Children - Human development

Parents – Labor mobilization, career ladders

Regions– Critical social infrastructure for economic development





Child Care Promotes Economic Development

- 80% of economic developers see lack of affordable quality child care as a barrier to economic development (NYS and WI surveys 2005-2006).
- 14% of local governments nationwide use loans, tax credits, business assistance to support child care (NLC/ICMA 2009 survey)
- 90% of planners see families with young children as critical to the economic sustainability of communities (APA 2008 survey)



Econ Dev Frame Strongest in US

High US female labor force participation

→ Employers recognize critical child care supply and affordability problems

→ 70 states and local teams have led studies of economic importance of child care

→ New economic development initiatives for child care (eg LA tax credits)

Beginning to see more local and market-based initiatives around the world (Parma, Italy)



What's wrong with the child care market?

- Parents lack effective demand – need subsidies
- Low profitability yields insufficient supply of affordable, quality care
- Hard to differentiate quality for providers and parents
- Fragile businesses – few economies of scale
- Recession reduces formal supply

Care Crisis: Recession will Reduce the Formal Care Sector

Most of the Iceberg Lies Below the Water Line

**1.7 million
paid workers**
(CPS 2000)

800,000 paid workers (BLS 2000)

900,000 additional paid workers (CPS 2000)

800,000 additional paid workers
(Burton, et al 2002)

2.4 million unpaid care workers
(93% unpaid relatives) (Burton, et al 2002)

Unpaid Parental Care
(12% of total U.S. Paid Work Time, 2005 ATUS:
Approx. 17 million worker equivalents)





What can be done?

Communities – Economic development and planning tools: business assistance – shared services, employer/community partnerships, coordinated planning, public entrepreneurship

Employers – Flexible Spending Accounts, On site Child Care, Parental Leave, Flexible Work Arrangements, Direct Taxation

State and National Government – Subsidies, Tax Credits, Quality Rating Systems with Tiered Reimbursement, Preschool, Workplace Policy



Flexible Spending Accounts

- Most commonly offered employer support – easy to administer, inexpensive for employers
- Low take up among parents due to restrictive program design (once a year sign up, reimbursement basis, use it or lose it, limited to \$5000)
- Recommendation – Raise limit to cover cost of care, Allow more flexible enrollment



Innovative Employer Programs

- **Cornell University Child Care Grant**
 - » Deposit into employee's FSA account
 - » Avr. award \$1370, range \$87-\$5000, allocated \$1.6 million to 882 families in 2009
 - » Reached lower & middle-income families (\$12,000-\$150,000)
- **Most Likely to Participate:**
 - Female, single-parent, hourly employees
 - Employees with greater child care needs
 - Employees who learned about program from personal interaction (Morrissey and Warner 2009)
- **Least Likely to Participate –**
 - Those with infants - Due to federal design restrictions



Subsidies

Demand Side Focus – Seen as alternative to direct government provision

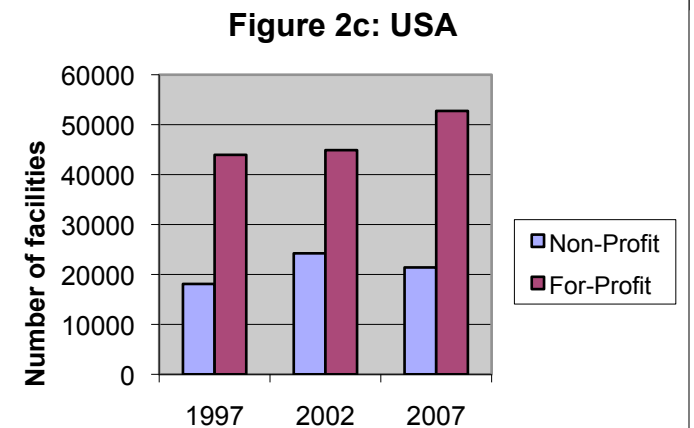
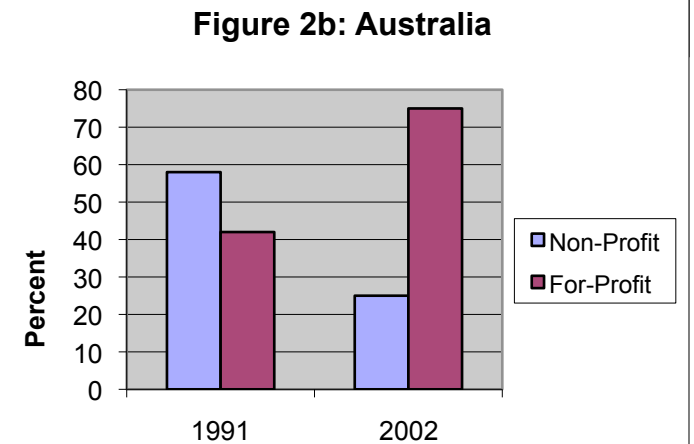
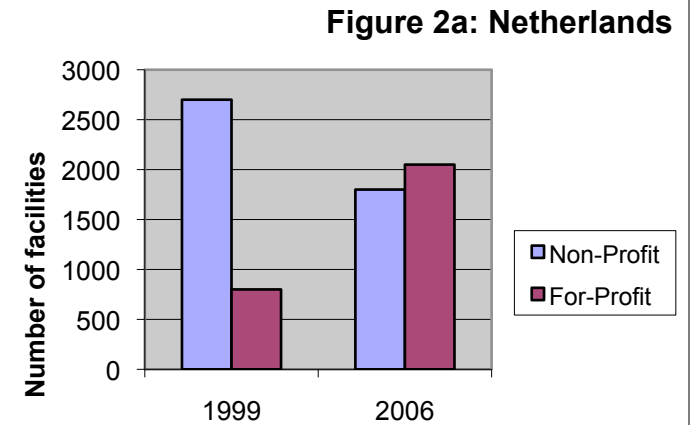
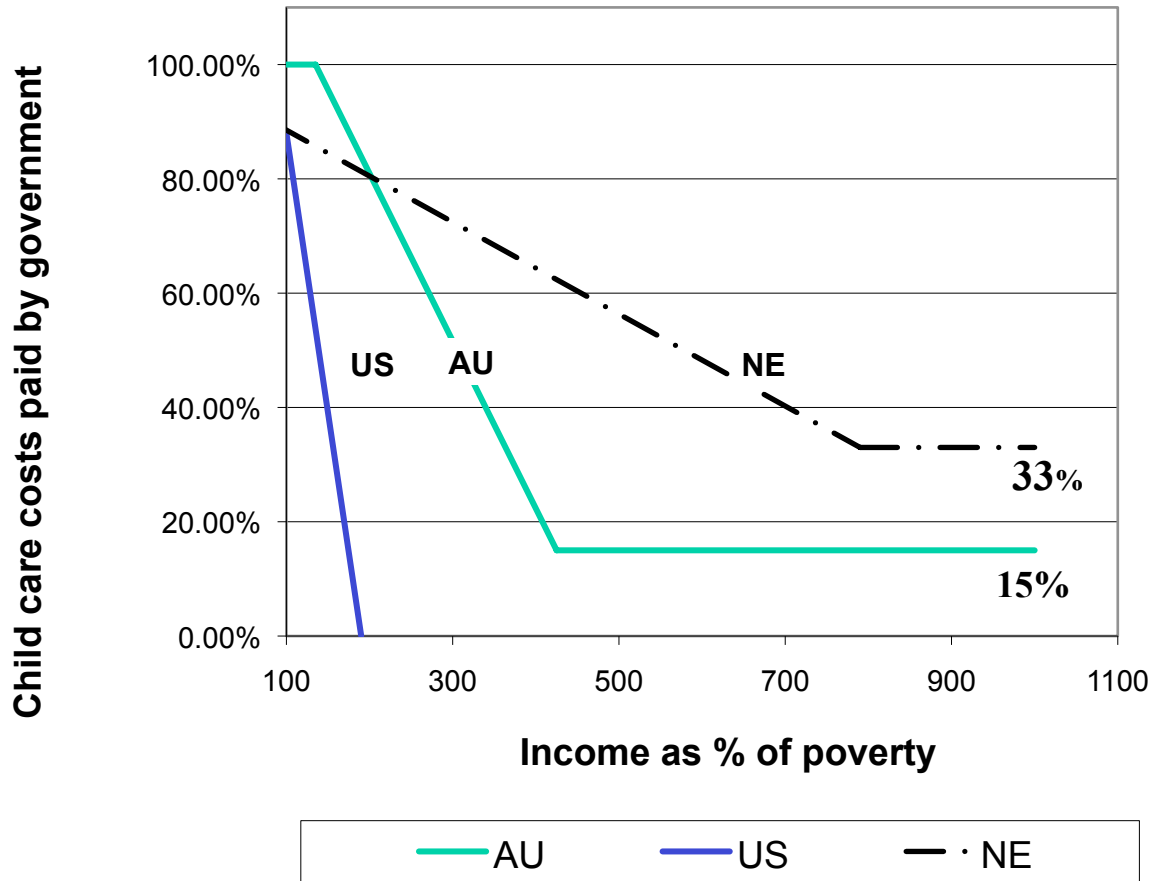
- Becoming more popular internationally
- US restricts subsidies to the poor, reimburses at lower rates, and gets a more limited market response than Australia or the Netherlands

Recommendation

- Don't limit to the poor
- Use tiered reimbursement to promote quality



More universal → more robust supply response
(Gradus and Warner, 2010)





Innovative Employer Programs

- **Working Parents for a Working New York**
- \$1.525 million in subsidies, 2007-2009
- 169 NYC subsidy-eligible health care workers (hospital, public school, home attendant)
- Results – Increased productivity and concentration at work, fewer missed days
- Labor management cooperation, dialogue with supervisors was key to beneficial results



Other Policies

Tax Credits: US - \$3000 per child, 28 states have tax credits – 13 are refundable, range from \$500-2300/year

- **Problem** – Credit level has not kept pace with cost of care. Avr cost of care 2-4 times level of credit.

Recommendation - Expand to cover the costs of care, index level and income eligibility to inflation, and make refundable.

Preschool –38 states have programs, 24 states cut back with recession.

- **Problem** - Only serves 24% of children nationwide, 3 hours a day does not mesh with working parents' schedules

Recommendation – Integrate with child care. Preschool as stable supply side subsidy to improve quality of child care



Future Challenges

- Too much focus on the demand side.
- Need more attention to supply side.
 - » New models of delivery – social cooperatives, family networks, shared services
- Need more attention to employer role
 - » Voluntary, or tax as in NE (0.34% of payroll)
- Informal Care – this is where the children are. Identify ways to improve quality
- Parental Care – need workplace flexibility, parental leave and care credits



Linking Economic Development and Child Care Project

A Collaboration of
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