Research shows that early childhood education has a strong rate of return on investment. How do economists quantify the rate of return? Research shows that disadvantaged children who attend high-quality early childhood programs are less likely to start kindergarten behind, need special education, repeat a grade and are more likely to graduate from high school. They also tend to have higher earnings, pay more in taxes, and commit less crime.

Moderator
- Julie Poppe, NCSL

Speaker
- Rob Grunewald, Federal Reserve Bank of Minneapolis
The Benefits and Costs of Child Care

Rob Grunewald
Community Development, Federal Reserve Bank of Minneapolis
Rob.Grunewald@mpls.frb.org

*The views expressed here are those of the author and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.*
Child care market participants

Parents
(primarily those with children under age 6)

Businesses that hire employees

Government and taxpayers

Child care providers
Parents: Decision to trade off parental care for child care

- Parental care vs. work preferences
- Wages, benefits, and job conditions offered in labor market
- Quality child care threshold (reliability and child development)
- Cost of child care (including transportation)
U.S. Children Under Age 6 Living with Two Parents, Mother, or Father

Total: 23 million

- Two Parents: 65%
- Mother: 27%
- Father: 8%

U.S. Children Under Age 6, Percent of Parents in Labor Force by Living Arrangement

U.S. Children Under Age 6 by Poverty Level

- Below 100% Poverty: 22%
- 100% to 185% Poverty: 38%
- 185% to 300% Poverty: 20%
- Over 300% Poverty: 19%

Federal Poverty Levels (family of four):
- 100%: $25,750
- 185%: $47,638
- 300%: $77,250

Businesses: Decision to provide support for employees to access child care

- Availability of workers with specified skills willing to work at certain wage levels
- Share of working age population with young children
- Non-wage costs to recruit employees
- Non-wage costs to retain employees (avoid employee turnover)
- Employee productivity (avoid child care-related distractions or absenteeism)
- Value of long-run labor force availability and quality (15 to 25 years in the future)
Government and taxpayers: Decision to subsidize access to and supply of high-quality child care

§ Increased employment and family self-sufficiency

§ Increased school readiness and subsequent school performance.
§ Reductions in costs related to remedial education, grade retention, crime, social assistance; increased tax revenue; and higher workforce productivity.
Child care provider (licensed centers and home-based programs, informal family, friend, and neighbor care)

Revenue minus costs relative to other employment or business opportunities

For FFN providers also any non-paid benefit from supporting child or family
Early care benefits that cut across parents, businesses, and government/taxpayers

- Child care access
- Child development impact
- Child care reliability
Early care benefits that cut across parents, businesses, and government/taxpayers

§ Child care access

§ Child development impact

§ Child care reliability
Time and Effort At Work

As a result of child care (age 0-2) problems have you ever:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Left work earlier than normal</td>
<td>63%</td>
</tr>
<tr>
<td>Been late for work</td>
<td>56%</td>
</tr>
<tr>
<td>Missed a full day of work</td>
<td>55%</td>
</tr>
<tr>
<td>Been distracted at work</td>
<td>54%</td>
</tr>
<tr>
<td>Missed part of the work shift</td>
<td>32%</td>
</tr>
</tbody>
</table>

Productivity and Performance at Work

As a result of child care (age 0-2) problems have you ever:

- Had problems participating in work-related education/training: 25%
- Been reprimanded by a supervisor: 20%
- Had your pay or hours reduced: 13%
- Been let go or fired: 8%
- Been demoted or transferred to a less desirable position: 7%

Source: Belfield (2018)
### Career Pathways

As a result of child care (age 0-2) problems have you ever:

<table>
<thead>
<tr>
<th>Event</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced your regular work hours</td>
<td>25%</td>
</tr>
<tr>
<td>Turned down further education/training</td>
<td>25%</td>
</tr>
<tr>
<td>Turned down a new job offer</td>
<td>25%</td>
</tr>
<tr>
<td>Turned down a promotion/reassignment</td>
<td>16%</td>
</tr>
<tr>
<td>Changed from full-time to part-time work</td>
<td>15%</td>
</tr>
<tr>
<td>Quit a job</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Belfield (2018)
Based on the parent survey results, a model generates the following annual average cost estimates:

§ Working parents lose $37 billion (lost earnings and extra costs of job search)

§ Businesses lose $13 billion (lost revenues and extra costs to rehire)

§ Taxpayers lose $7 billion (lower income tax and sales tax)

Source: Belfield (2018)