

ECONOMIC RETURN ON EARLY CHILDHOOD AND SUSTAINING GAINS



11 a.m.-12:15 p.m. | 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



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**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

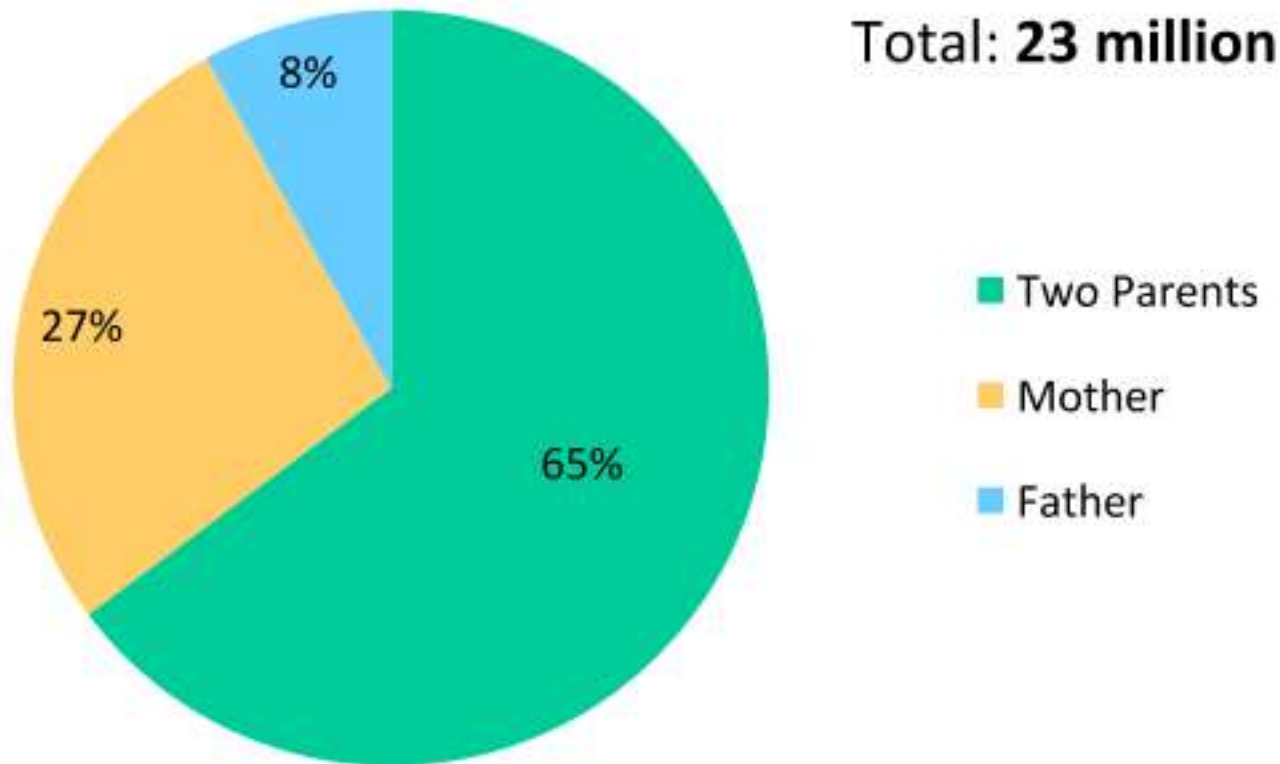
Government and
taxpayers

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)

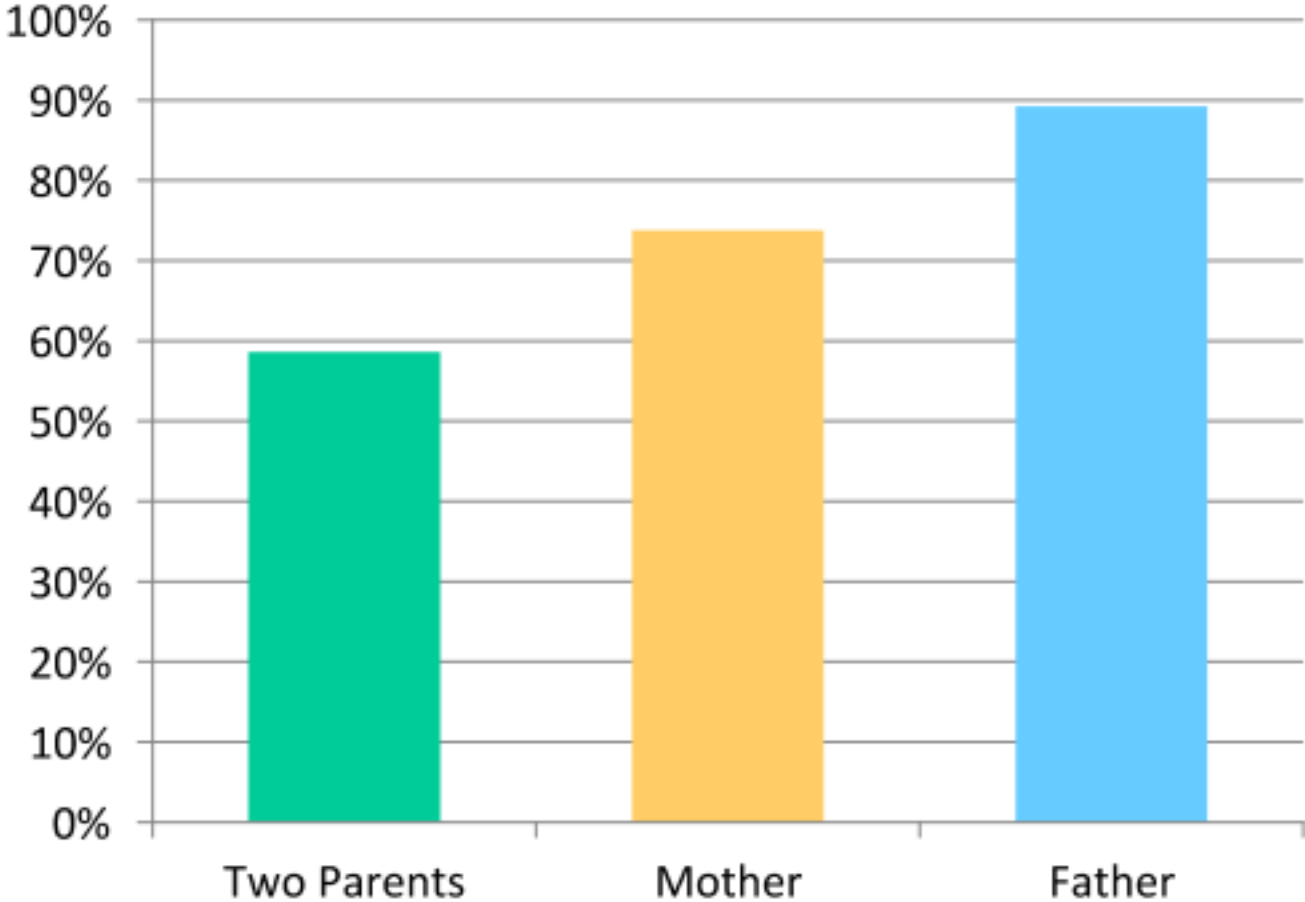
U.S. Children Under Age 6 Living with Two Parents, Mother, or Father



Source: American Community Survey, 2013–2017 5-Year Estimates



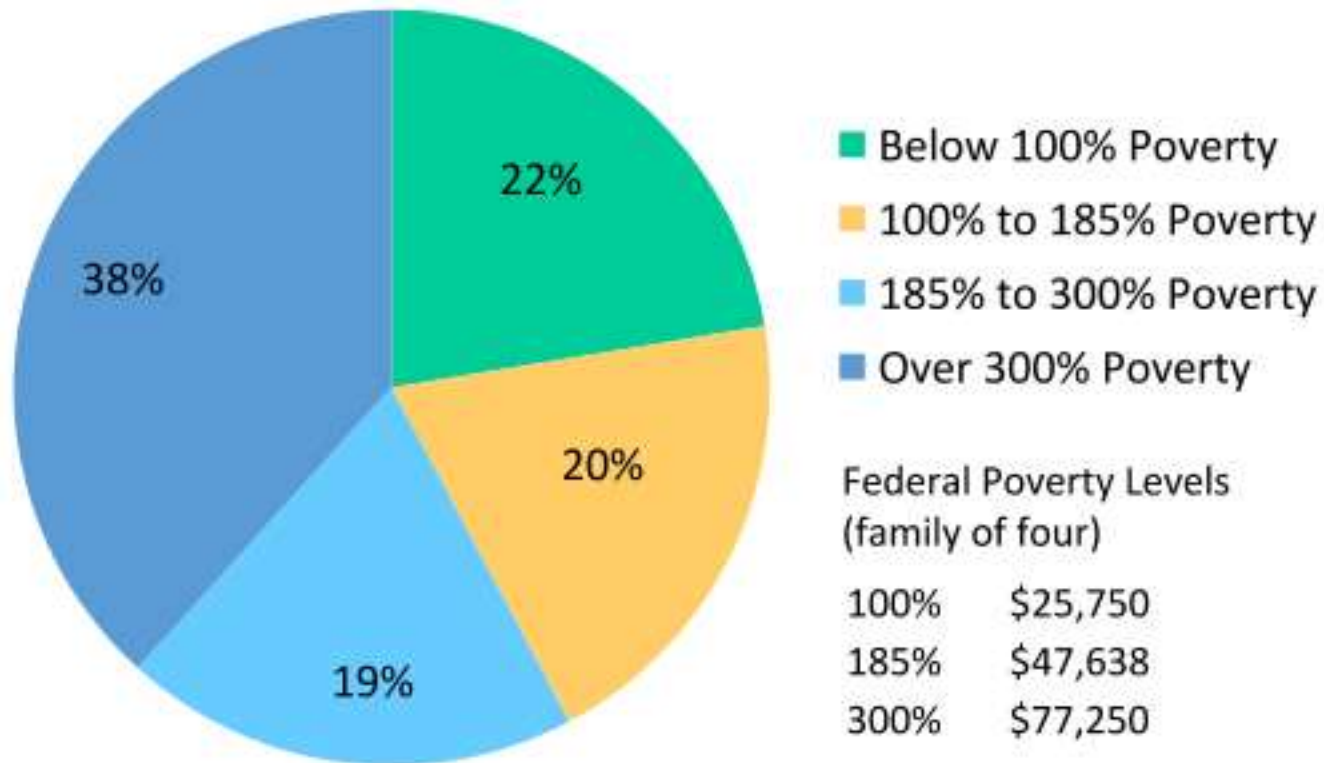
U.S. Children Under Age 6, Percent of Parents in Labor Force by Living Arrangement



Source: American Community Survey, 2013–2017 5-Year Estimates



U.S. Children Under Age 6 by Poverty Level



Source: American Community Survey, 2013–2017 5-Year Estimates



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:

Left work earlier than normal

63%

Been late for work

56%

Missed a full day of work

55%

Been distracted at work

54%

Missed part of the work shift

32%

Productivity and Performance at Work

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



Source: Belfield (2018)

Career Pathways

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



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)