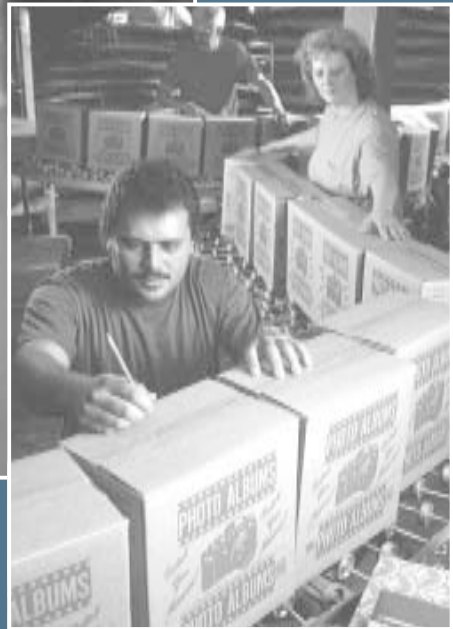


# The Economic Impact of the Child Care Industry in Maine

## Executive Summary



by Alex Hildebrand  
in partnership with **ACCESS/CITE**

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# Executive Summary

Child care is an income-generating, job-creating industry that is a critical component of Maine's economic vitality. Licensed child care facilities generate \$180.6 million annually in gross receipts and employ 8,824 Maine residents. The child care industry helps to sustain and stimulate other industries by purchasing goods and services from other industry sectors, and through its employees' wages which are spent throughout the economy. Through these indirect and induced effects, licensed child care supports an additional \$72.2 million annually in gross receipts and 3,134 jobs, representing a total annual contribution to the economy of \$253 million and nearly 12,000 jobs.

Like transportation, education, and public works, child care is a necessary and vital part of the economic infrastructure. The child care

industry supports the economy by enabling increasing numbers of parents to enter and remain in the workforce. Working parents in Maine who rely on licensed child care earn \$854 million annually. Reliable child care also improves workforce productivity and reduces employee absenteeism, boosting the overall output of Maine's workforce. Moreover, child care provides an early, yet critical, investment in the development of Maine's future workforce.

This *Economic Impact of the Child Care Industry* report measures the extent of the child care industry's integration with Maine's economy and demonstrates how policies and investments to strengthen and expand the child care infrastructure will support the growth of the economy as a whole.

## The Economic Impact of Child Care in Maine

<b>2002 Revenues Supported by Licensed Child Care .....</b>	<b>\$253,000,000</b>
Child Care Centers .....	\$114.7 million
Family Child Care Homes .....	\$56.7 million
Federal child care food assistance .....	\$9.2 million
Indirect and Induced Revenues in other industries .....	\$72.2 million
<b>2002 Employment Supported by Licensed Child Care .....</b>	<b>11,958</b>
Direct Employment .....	8,824
Indirect and Induced Employment .....	3,134
<b>2002 Earnings of Working Parents that Rely on Licensed Child Care .....</b>	<b>\$854,224,295</b>

### Child Care Contributes to a Healthy Economy

While the child care industry today is comparable in size to other significant industries like farming and fishing, the importance of child care to a healthy economy has gone largely unrecognized. Child care has a dual economic impact of generating revenues and jobs on its own and also allowing other industries to thrive by caring for the children of workers.

Parents are now participating in the workforce in numbers never before seen; in 2000, 73 percent of women with children were in the labor force, including 72 percent of those with children 3-5 years old and 61 percent of those with children under the age of 3. By the year 2010, it is estimated that 85 percent of the labor force will consist of parents. In a 1998 survey of the child care needs of working parents in America, 43 percent of parents indicated that

a lack of acceptable child care had prevented either them or their spouse from taking a job they wanted.

This report provides a tool to better understand the dynamics of the child care industry in light of the changing needs of working families and the economy. With a clearer sense of the characteristics of the child care field and its importance to the economy, policymakers, planners, and civic leaders will be able to create partnerships and identify resources necessary to optimize the provision of child care services in a way that promotes both economic vitality and positive outcomes for children, families, and communities.

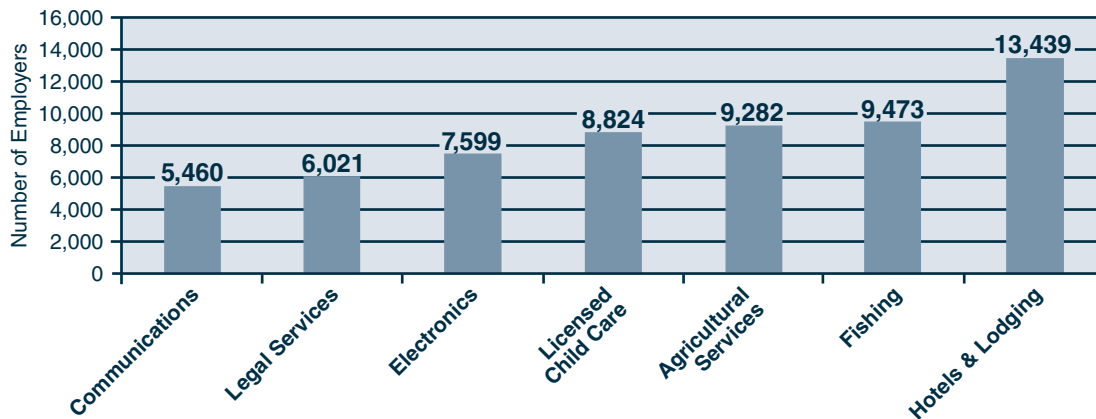
### Economic Growth Requires Investments in Child Care

Maine’s child care infrastructure is already straining to meet the child care needs of its residents and workforce; currently, there is only one licensed child care space for every four Maine children that need to be cared for while their parents are at work. The state’s shifting economic and demographic landscape, and the resulting increase in demand for care, will create further challenges for the child care industry. Adequate child care is essential to sustain the increasing numbers of men and women participating in the labor force and improve overall productivity.

Parents and child care providers cannot solve the problem of inadequate affordable child care services on their own. The federal government, states, local communities, and the private sector all stand to benefit from a larger role in investing in and planning for child care:

- Like transportation policies and investments that relieve traffic congestion, policies that support the child care industry improve Maine’s overall productivity and economic competitiveness.
- Targeted investments in child care supply-building can contribute to labor force participation gains among lower- and middle-income families in Maine. Such gains would directly increase output, personal income, business formation, and property and sales tax revenues.
- The child care industry captures over \$32.7million per year in federal child care subsidies for low-income working households in Maine. Federal and state expenditures for child care are growing, but remain well below the amount needed to serve all eligible families. The state’s capture of these subsidies is directly related to its ability to expand the infrastructure of subsidized child care centers and programs.
- Investments in high quality child care services reduce local public sector expenditures on other service categories, and increase the quality of life for Maine residents.

Licensed Child Care Employment vs. Select Other Major Industry Groupings in Maine, 2002



Source for non-child care data: U.S. Department of Commerce, Bureau of Economic Analysis

## Recommendations

While each community faces unique obstacles to the effective delivery of child care services, a number of common strategies have proven effective in investing in child care facilities in a manner that most effectively supports economic growth. The following are strategies that Maine jurisdictions and communities should consider undertaking to strengthen the child care infrastructure:

### 1. **Integrate child care into economic development planning**

Comprehensive plans and other long-range economic development plans managed by the State and local planning entities should include child care provisions that consider how child care fits into future economic and community development.

### 2. **Reduce land use and zoning barriers to child care facility development**

Land use and zoning requirements can be prohibitively restrictive or expensive for child care providers seeking to establish or expand their business. Streamlining the permit review process, reducing permit application fees, and ensuring that child care facilities are allowable in all appropriate zoning districts can be critical to reducing barriers to the development and maintenance of child care facilities.

### 3. **Ensure that Maine leverages all available federal and state funding to support affordable child care**

State and federal funding is critical to working families who could not participate in the workforce without help paying for child care. Federal and state child care expenditures are growing, but remain well below the amount needed to serve all eligible families.

### 4. **Explore new tax policies that encourage private sector investment in child care support programs or make child care more affordable for working families**

Tax deductions and credits are an important tool for stimulating business investment in initiatives that support the child care needs of their employees, and for defraying the cost of child care for working families. However, such tax policies are rarely leveraged, either because they are not effectively designed or because businesses and families don't know how to use them.

### 5. **Develop a child care facilities fund to offer low-interest loans and grants to child care providers seeking to preserve or expand their capacity to serve children.**

Child care providers often lack adequate technical expertise or resources to renovate, expand, or build facilities to meet the growing need for child care, and banks are often unwilling to lend to child care providers. A fund specifically tailored for child care businesses that provides training and technical assistance is vital for enabling the child care industry to manage its own growth.

These strategies for supporting the child care infrastructure benefit the child care industry, financing institutions, local government, and the business community alike. The collaborations that have been developed between entities previously disengaged from child care issues serve to educate all the stakeholders about the importance of a healthy child care infrastructure, and help to create cost-effective solutions to shortages in the supply of affordable, quality child care.

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For more information, please contact:

Judy Reidt-Parker, *Peoples Regional Opportunity Program* / 874-1140

Linda Elias, *Child Care Connections* / 871-7449