
The
Economic Impact
of
Vermont's
Child Care Industry
Executive Summary



June 2002

Executive Summary

This report is a joint project of Windham Child Care Association and the Peace & Justice Center. It has been generously funded by the Child Care Services Division of the Vermont Department of Social and Rehabilitation Services (SRS) and the Autumn Harp Foundation.

Note: All information in this Executive Summary is also in the full report. For complete information on sources and methodology, please see the endnotes of the full report, found at: www.windhamchildcare.org

Child Care Contributes to the Economy

The child care industry is a growing part of the Vermont economy — pumping money into local communities by supporting working families, creating jobs and generating taxes through employment and the purchase of goods and services. Money spent on child care stays in Vermont communities, helping children, families and local businesses.

- The total economic impact of the child care industry in Vermont is approximately \$426 million annually (\$208 million in direct expenditures and an additional \$218 million in indirect spending).¹ This represents 2.5% of Vermont's 1999 Gross State Product.
- The child care industry employs 5,000 people in Vermont.² If these individuals worked for one employer, it would be larger than Fletcher Allen, IDX or C & S Wholesalers — three of the largest employers in the state.
- The child care industry also generates employment through the goods and services the industry and its employees purchase. At least 2,232 indirect jobs are also created and sustained by the child care industry.³
- There are an estimated 37,489 working parents who rely on child care services and are employed by over 11,000 Vermont businesses. These working parents earn over \$1 billion annually, or 13% of total wages in Vermont, and pay about \$100 million in state and federal income taxes.
- The total estimated annual earnings of all child care providers is \$120 million.⁴

Child Care Enables People to Work

Stagnant inflation-adjusted wages, the rising cost of living, and an increase in women-headed households have made child care part of the social infrastructure and an essential support for the labor market. And reliable, affordable child care is critical to low-income families entering the workforce as a result of welfare reform.

- Nationally 61% of married couples with children younger than six had both parents in the workforce in 2000.⁵
- In 1998, 80% of Vermont women with children younger than six years old were in the workforce.⁶
- An estimated half of all Vermont businesses have employees with children in child care — 11,595 businesses.
- There are an estimated 40,000 Vermont children under 12 in child care.⁷

Insufficient Supply of Child Care Impacts Economic Growth

An insufficient supply of reliable, affordable and accessible child care negatively impacts Vermont's economy. Parents who can't find or afford child care are less likely to enter the workforce, be productive at work, and remain employed. These problems are particularly acute for parents working in the retail and service industries — which comprise almost half of Vermont's total jobs, including a significant percentage of all low-wage jobs.

- The existing regulated child care system is meeting only 65% of the estimated need.⁸
- The shortage of child care is especially acute for parents working non-standard hours, mixed shifts and weekends. According to Vermont's Child Care Services Division, only 17% of the state's licensed centers are open before 7:00am; only 3% are open after 6:00pm 3% offer weekend or overnight care.⁹

The Quality of Child Care Affects the Future Workforce

There is a steadily-growing body of scientific evidence that the quality of children's social and environmental experience lays the groundwork for future success in school and life. Consistency of care is a determinant factor in high-quality early care and learning programs. Yet, the national turnover rate among child care providers is 40% annually and is due, in large part, to low wages and poor benefits.¹⁰

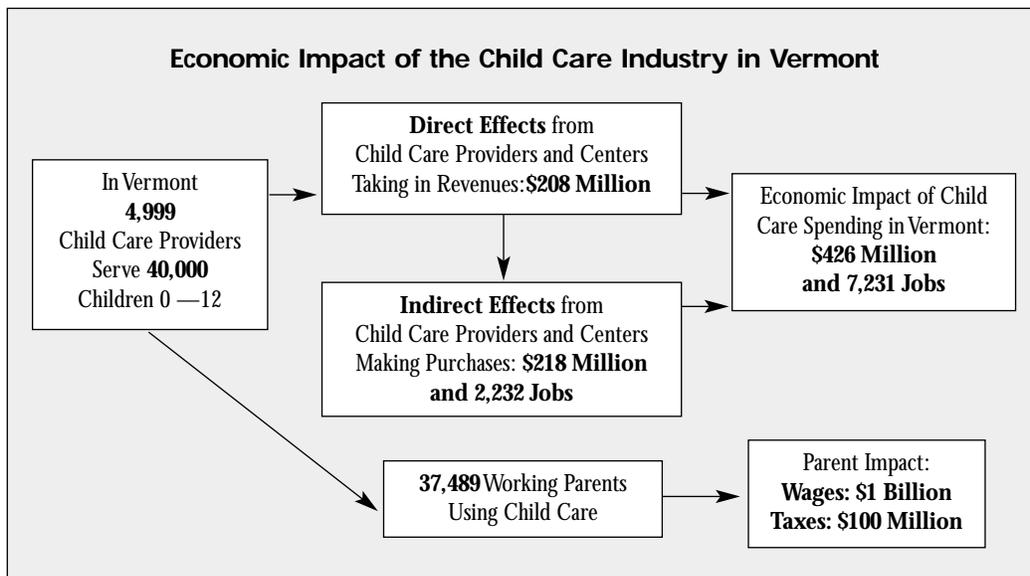
- High-quality child care enhances brain development and improves children's preparation for and performance in school. Research also indicates that failing to provide at-risk children with high-quality early care and learning programs reduces their lifetime earnings and increases the risk that they will engage in criminal activities.¹¹
- In Vermont, the median hourly wage for workers at licensed child care centers in 2000 was \$7.60, lower than that of short-order cooks and stock clerks.¹²
- Almost two-thirds of all family child care providers are unable to afford health coverage and therefore receive health coverage through the Vermont Health Access Plan (VHAP), an income-sensitive public assistance program.¹³

Low-Wage Working Parents Require Child Care Subsidies

Enter and Stay in the Workforce

Many Vermont businesses do not pay wages that are high enough to cover the cost of child care. By helping these families purchase the child care they need to go to work, Vermont is also providing financial assistance to thousands of small businesses in the state, who can't operate without working parents. In short, for many Vermont small businesses, publically-funded child care is employer-supported child care.

- The market price for child care is, on average, \$5,487 a year — a hefty bite out of the average annual wage of \$28,920 (2000 figure).¹⁴
- The number of families that seek help from the Vermont Child Care Services Division to pay for child care has increased by a dramatic 190% since 1975 (and will likely hit 230% when FY 2002 figures are complete).
- The average subsidy per child in FY01 was \$3,157, which is only 58% of the average market price (\$5,487).¹⁵ Even with a subsidy, a family earning \$28,000 with a four year old child in full-time child care has a shortfall of between \$130-\$200/month, depending on whether they use a licensed center or a registered family child care home.
- Despite state and federal funds spent on child care subsidies, parents still pay 60% of all the money spent nationally for child care. The federal and state governments pay 39%; the private sector pays only 1%.¹⁶



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Notes

1 Direct Expenditures = 40,000 children in child care x avg. market cost of child care (\$5,487); Indirect Spending was calculated using multipliers supplied by the U.S. Commerce Department (RIMS II) for Vermont and adjusted for inflation. Indirect spending occurs when child care providers and centers purchase goods and services like furniture, paper goods, food and utilities. The money spent on these things circulates through the economy, multiplies and creates jobs.

2 The Child Care Services Division of Vermont's Agency of Human Services funded a comprehensive survey of all child care providers last year. [*Vermont Child Care: A Study of Wages, Credentials, Benefits and Market Rates*, Mills & Pardee, July 2000]. The response rate for the survey exceeded 70% of all licensed child care centers and registered family care providers. Mills & Pardee found 3,565 people working in the field as either employees or sole proprietors. If we assume the profiles of the centers and family providers that did not respond are similar to those that did, the total number of workers and sole proprietors would be approximately 4,999 – more than twice the DET estimate.

3 The number of indirect jobs was calculated using multipliers supplied by the U.S. Commerce Department (RIMS II) for Vermont and adjusted for inflation.

4 This number is for both regulated and unregulated child care providers. "Regulated" child care is all non-parental, non-relative child care, including licensed centers and family child care providers that are regulated by the Child Care Services Division of the Vermont Agency of Human Services. They have met health and safety requirements of the State.

5 U.S. Census Bureau, Current Population Survey (CPS).

6 "The State of Our Children, 2001 Data Book" The Vermont Children's Forum, 2001.

7 This number includes children in both regulated and unregulated care. However, staff at the state Child Care Services Division believe this number is quite conservative. Although CCSD staff do not have data on the number of children in unregulated care, staff believes that up to as many as 10,000 more children are cared for through the unregulated system. Using CCSD estimates of the number of children in unregulated care would bring the total number of children in regulated and unregulated care up to 50,000.

8 26,000 registered child care slots divided by 40,000 (estimated) number of children needing care.

9 *The State of Child Care*, An Executive Summary of the March 2001 report by the Vermont Child Care Services Division, Agency of Human Services.

10 Center for the Child Care Workforce, Whitebook et al., 1989 & 2001.

11 The High/Scope Perry Pre-School Project (longitudinal study begun in 1962), High/Scope Educational Research Foundation.

12 Vermont Department of Employment and Training, 2000.

13 *Vermont Child Care: A Study of Wages, Credentials, Benefits and Market Rates*, Mills & Pardee, July 2000.

14 Vermont Department of Employment and Training, Labor Market Information, Covered Employment and Wages, 2000.

15 Costs based on the average of rural and urban fees for both child care centers and family providers. Urban data (Chittenden Co.) from Child Care Resource and rural (rest of the state) from Child Care Services Division.

16 A. Mitchel, L. Stoney, and H. Dichter (1997). *Financing Child Care in the United States: An Illustrative Catalog of Current Strategies*, Ewing Marion Kauffman Foundation.