



The Economic Impact of the Early Care and Education Industry in *Ohio*



The early care and education industry is integral to the vitality of Ohio's economy. It:

- Generates \$1.95 billion annually and provides almost 57,000 jobs
- Benefits all industries in the state by enabling parents to work productively outside the home and attend higher education programs to update their skills
- Lays the groundwork for Ohio's future economic success by preparing future generations for success in school and in life, and by attracting business to Ohio's skilled workforce.

To benefit every Ohio resident, all early care and education industry stakeholders - businesses, government and the early care and education industry - must work and plan together to reach innovative solutions to the barriers that the industry and its consumers face.

Early care and education *is a significant industry* in Ohio

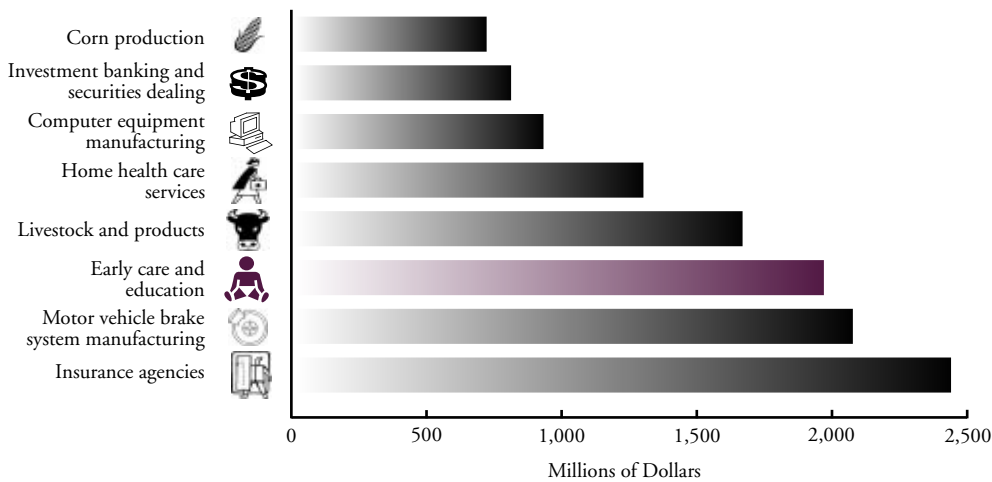


figure 1: GROSS RECEIPTS BY INDUSTRY

■ The early care and education industry generates \$1.95 billion annually in gross receipts, more than investment banking, securities dealing and corn production (see Figure 1).

■ The industry directly supports almost 57,000 jobs, employing almost as many people as insurance carriers and colleges and universities in the state, and more people than motor vehicle manufacturing (see Figure 2).

■ The formal early care and education industry currently has the capacity to serve approximately 527,000 children at any one time — approximately 25 percent of all children between birth and age 12, and 40 percent of all children with all parents in the labor force in Ohio.

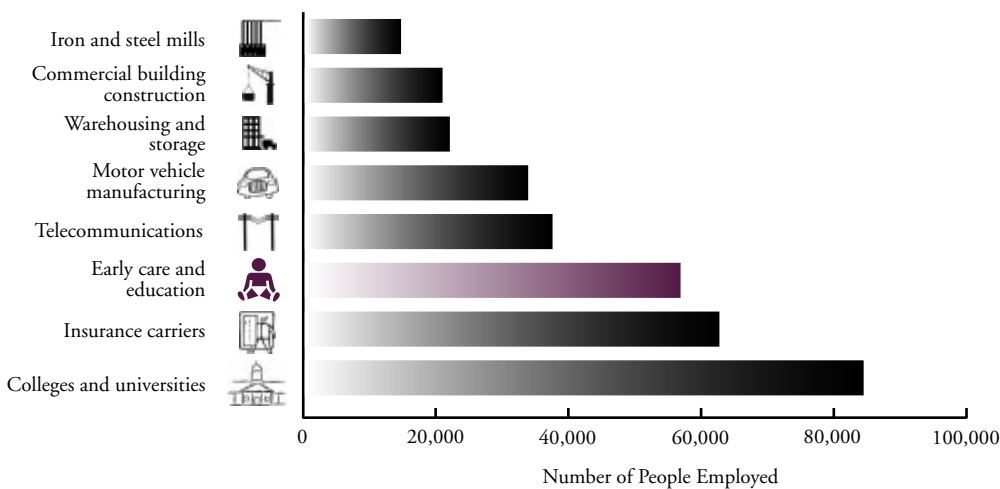


figure 2: EMPLOYMENT BY INDUSTRY

Enables parents to be part of Ohio's workforce and upgrade their skills

- One in four workers in Ohio has a child and lives in a household where all parents work. Together these working parents earn \$38.8 billion every year.
- Average center-based early care and education costs for an infant make up more than 31 percent of the median income for a retail salesperson in Ohio, making it unaffordable for many families and preventing some parents from working.
- Five out of ten occupations with the most projected openings from 2000 to 2010 paid an average wage of less than \$10 per hour in 2001. An affordable, quality early care and education system is essential to fill these jobs and increase family economic self-sufficiency.
- Projections indicate a 23 percent growth in demand for high-skilled professional employees. Strengthening early care and education benefits for parents to attend educational programs would enable workforce development and benefit Ohio's economy.

The early care and education industry *is an economic driver in the state*

Supports employee productivity in Ohio industries

- PNC Financial Services Group, a 6,000 employee company with offices in Cincinnati, found a 91.7 percent return on investment from a newly implemented back-up early care and education program.
- Unscheduled absences cost small businesses an average of \$60,000 annually and large companies an average of \$3.6 million. Nearly one-quarter of unscheduled absences are due to family issues, including early care and education needs.
- In a survey of Procter & Gamble employees using a near-site child care center in Cincinnati, 84 percent reported that the center improved their productivity and 94 percent reported that the center added to their general job satisfaction.
- Employee turnover is estimated to cost 1.5 times an employee's salary. In a survey of businesses in Northeastern Ohio, nearly 75 percent reported that programs aimed at helping families balance work and family responsibilities have a positive impact on recruitment and retention.
- In a survey of working women in Ohio in 2000, 83 percent reported that they don't have early care and education benefits.
- Quality, accessible early care and education is a critical component of Ohio's quality of life, attracting businesses and young professionals to the state.

“Cincinnati Children's Hospital provides child care at two locations for our employees and those of the Procter & Gamble Company. Both corporations have found that high quality child care translates into positive employee relations. Users of the programs develop heightened loyalty to the companies and having long-term employees is part of our strategic goals.”

– Ronald B. McKinley, Ph.D., Vice President of Human Resources, Cincinnati Children's Hospital Medical Center

The early care and education industry enables future economic success in Ohio

Helps prepare young children for opportunities in the new economy

- Young children in high-quality preschool settings show greater language development, mathematical ability, thinking and attention skills and fewer behavior problems in kindergarten than children in lower quality care settings.
- Long-term studies of child-focused quality education programs for low-income children show significant long-term improvements in employment, educational attainment, public subsidy needs, and homeownership compared to peers who did not participate in these programs.
- Research also shows that high quality preschool programs may be cost effective for children in most income brackets. One-third of middle-income children and one-fourth of upper-middle income children lack key pre-literacy skills when they enter kindergarten. Also, 12 percent of middle-income children are held back at some point during school and 11 percent drop out before graduating high school.
- One of the main strategies of Ohio's Third Frontier Project states that in order to create a world-class workforce: "Every child (in Ohio) must start school ready to learn."

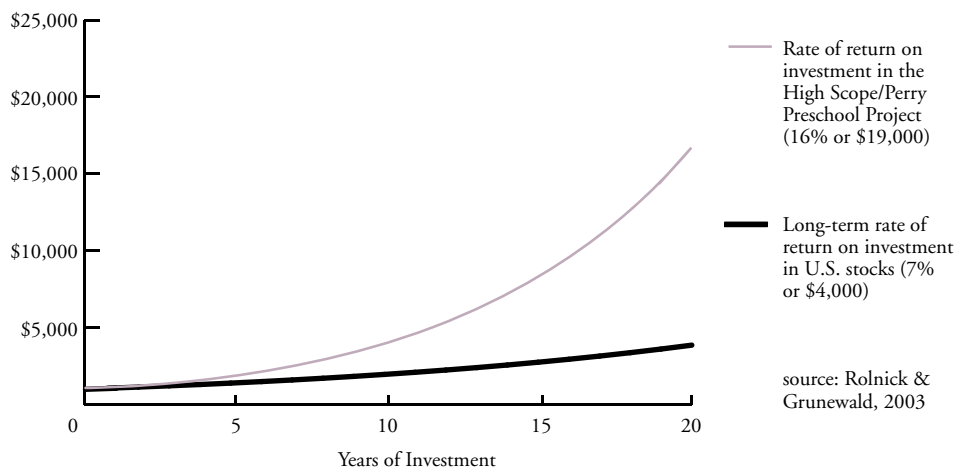


figure 3: RETURN ON A \$1,000 INVESTMENT, HIGH SCOPE/PERRY PRESCHOOL PROGRAM VS. U.S. STOCKS

"Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, well-focused investments in early childhood development yield high public as well as private returns."

**- Art Rolnick and Rob Grunewald,
Minneapolis Federal Reserve Bank**

Provides a positive rate of return on investments

- Long-term studies show that quality programs, particularly for low-income children, decrease the following future negative outcomes: likelihood of special education enrollment, juvenile delinquency, adult incarceration, and welfare participation. This increases the quality of life for all citizens and reduces government spending.
- A recent analysis by the Minneapolis Federal Reserve Bank found that a model early childhood program for low-income children generated an overall 16 percent rate of return on investment. This is considerably higher than the long-term return on U.S. stocks, which is 7 percent (see Figure 3).
- Tom Streicher, Cincinnati Chief of Police, recognizes the importance of early care and education programs for fighting crime, "By investing now in our most vulnerable youth, we can guarantee they never grow up to become our most wanted adults."

RECOMMENDATIONS

Now is the time for government, business, the early care and education industry, and the general public to work together to ensure that:

- **The early care and education industry is a vital part of the state's economic development, workforce development and overall education system.**
- **All children in early care and education programs in Ohio receive high quality care and education to benefit children and the state's future economy.**
- **Early care and education programs are accessible and affordable to all families in Ohio who want and need them.**

Business strategies

- Offer early care and education benefits to employees. Two options include reimbursements or direct payments to nearby or on-site quality establishments and/or offer pre-tax flexible spending accounts that include early care and education.
- Advocate for policies that include resources for quality, accessible early care and education, and for policies that make it a component of workforce and economic development initiatives.
- Offer early care and education providers access to training sessions on budgeting, computer usage, and management techniques.
- Establish partnerships with government to create innovative funding mechanisms that leverage private sector dollars for funding for quality enhancement or expansion.
- Invest in local initiatives that enhance the quality of care.
- Earmark corporate charitable giving funds as investments in early care and education services and quality improvement initiatives.

Government strategies

- Make early care and education programs a priority in the Capital Budget and the Two Year Operations Budget.
- Incorporate early care and education into strategies designed to improve Ohio's education system.
- Provide resources and incentives to improve quality by implementing a voluntary quality rating system and supporting accreditation.
- Create special incentives for businesses operating in or wishing to relocate to Ohio that provide early care and education benefits.
- Improve the quality of the workforce by expanding the T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood® Ohio scholarship model statewide.
- Fund programs to enhance teacher's wages, increase education and reduce turnover, such as implementing a Child Care Wage\$® program in Ohio.
- Increase the number of Ohio institutions of higher learning offering Early Childhood Development degree programs.

Early Care and Education Industry strategies

- Educate policymakers, businesses, the public, and early care and education providers about the economic advantages of a high quality early care and education system.
- Develop and participate in public and private partnerships to create funding streams for affordable, quality, early care and education programs for Ohio families who want and need them.
- Inform parents of the elements of quality early care and education and its importance.
- Demonstrate to businesses and government that more public and private investment is needed to reap the short- and long-term benefits of quality early care and education.
- Seek opportunities for early care and education program directors and owners to serve on Chambers of Commerce, Workforce Development Boards, and Economic Development Commissions.

The Economic Impact OF THE Early Care & Education Industry in *Ohio*

The National Economic Development and Law Center (NEDLC), with a grant from the W.K. Kellogg Foundation, is working with states across the nation to produce reports and recommendations on the economic impact of the early care and education industry. The economic impact reports articulate early care and education in economic development terms and quantify the ways in which the industry is critical to the state's economy. In addition, the reports help to build local partnerships aimed at increasing the industry's capacity to respond to the shifting early care and education needs of America's families. For the Ohio report, NEDLC partnered with Build Ohio. Build Ohio is an alliance of groups and individuals working collaboratively on behalf of young children and their families to ensure that policies, programs, and services are responsive to the needs of Ohio families, careful in the use of public and private resources and effective in preparing our youngest citizens for a successful future. An Ohio Advisory Board of statewide leaders in the fields of business, government, early care and education, and economic development helped shape this report.

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

NEDLC is a research and consulting non-profit organization that uses community and economic development strategies to improve the economic and social status of low-income persons. NEDLC's mission is to develop and maintain the economic security of low-income persons and communities. With a budget of over five million dollars and a diverse funding base, including support from foundations and fee-for-service revenue, NEDLC works in partnership with hundreds of organizations around the country. Our partners include non-profit organizations, government agencies, business, labor organizations and the philanthropic community. Working together, we develop local capacity and improve and transform systems important to the lives of low-income people across the nation.

2201 BROADWAY, SUITE 815 OAKLAND, CA 94612 PH: (510) 251-2600, FAX (510) 251-0600 WWW.NEDLC.ORG



ACKNOWLEDGMENTS

This publication was written by NEDLC Child Care Program staff Brentt Brown, Program Specialist; Ellen Johnson, Intern; Saskia Traill, Senior Program Specialist; and Jen Wohl, Program Manager. Other NEDLC contributors include:

Roger Clay, President

Carolyn Hayden, Vice-President

Esther Polk, Administrative Assistant

Other report contributors include the Ohio Advisory Board

Daryl D. Davis, City of Trotwood

Teena Davis, Trotwood Board of Education/ Home care provider

Sharon Gartley, Ohio Child Care Resource and Referral Association

Doug Garver, Ohio Department of Development

Ellen Gow, Ohio Department of Education

Terrie Hare, Ohio Department of Job and Family Services

Reverend Larry Harris, Mt. Olive Missionary Baptist Church

Robin Harris, Ohio United Way

Barbara Haxton, Ohio Head Start Association

Denise Hewitt, Cincinnati Federation of Teachers

Margaret Hulbert, United Way of Greater Cincinnati

Mary Jo Kilroy, Franklin County Board of Commissioners

James R. Klein, Ohio Community Development Finance Fund

Amy K. Kuhn, Ohio Department of Development

Robin Lynch, Crane Plastics Siding

Doris Mahaffey, Ohio Department of Taxation

Roger McCauley, Corporation for Ohio Appalachian

Development

Lori McClung, The Center for Community Solutions

Sandy Miller, Ohio Department of Education

Gretchen Moore, Ohio Association of Child Care Providers

Chris Stoneburner, Build Ohio

Kimberly Tice, Ohio Association for the Education of Young Children

Samantha Cowne, Office of State Senator Ron Amstutz

Lynn Wood-Stevens, Office of Ohio Senator George Voinovich

This publication was made possible through the generous financial support of the W. K. Kellogg Foundation, Ohio Department of Job and Family Services, Ohio Department of Education and Build Ohio.

For a full copy of this report, please visit www.nedlc.org, www.build-ohio.org or www.communitysolutions.com