

# Benefits For All:

## The Economic Impact of the New Jersey Child Care Industry INFANT/TODDLER, PRESCHOOL, AND OUT-OF-SCHOOL TIME PROGRAMS



Prepared by the National Economic Development and Law Center



The child care industry is integral to family and economic life in New Jersey. The child care industry (infant/toddler, preschool, and out-of-school time care and education programs) is significant because it:

- **Lays the groundwork for New Jersey's future economic success by preparing the next generation with life and learning skills through quality care and education programs.** Studies show that children who participate in high-quality child care have greater language and math skills, fewer behavioral problems that can lead to crime, increased high school graduation rates/higher education attainment and higher rates of workforce participation.
- **Provides working parents with economic opportunities that lead to self-sufficiency and participation in the economic growth of the state.** It also benefits all industries in New Jersey by enabling parents to work productively outside the home and/or participate in training and education programs.
- **Generates \$2.55 billion in gross receipts.** This is more than the scientific research and development industry, clothing stores and all farm commodities in the state.
- **Serves as an economic driver that supports more than 65,300 full-time jobs in New Jersey.** The number of employees is comparable to those in the insurance carrier industry, pharmaceutical manufacturing, transportation and warehousing, and building construction.

**Public/private partnerships between government, businesses and the child care industry must be developed to address 1) quality, 2) accessibility and affordability, and 3) a more coordinated and efficient system.**

# The child care industry enables *future economic success* in New Jersey

## HELPS PREPARE YOUNG CHILDREN FOR OPPORTUNITIES IN THE NEW ECONOMY...

- Data collected over the past six years show significant gains in the quality of New Jersey's Abbott preschool programs, which significantly improve the language (see Figure 1) and early literacy skills of participants (see Figure 2).
- Children's vocabulary development depends on their language experiences when they are between the ages of birth to three.
- Long-term studies of low-income children show that children who participate in high-quality child care have:
  - Greater language development,
  - Better mathematical ability, and
  - Fewer behavioral problems in kindergarten.
- As adults these children have:
  - Increased high school graduation rates,
  - Increased higher education attainment, and
  - Higher rates of workforce participation.
- Studies of out-of-school time programs show significant gains in school engagement, school attendance, academic performance and positive youth development. A cost-benefit analysis found that the financial benefits of these positive outcomes outweighed the costs.
- High-quality early childhood programs can also incorporate child abuse prevention strategies and serve as an effective "early warning system" to address risky situations.

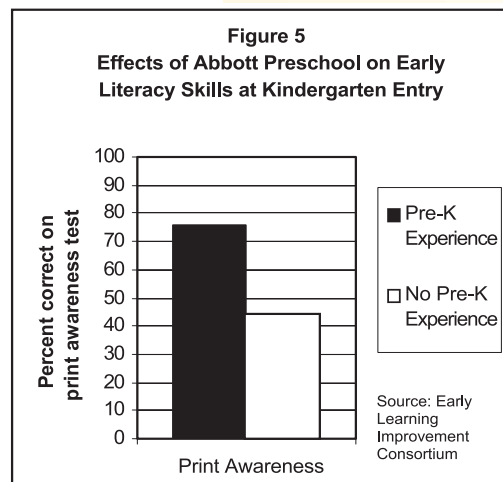
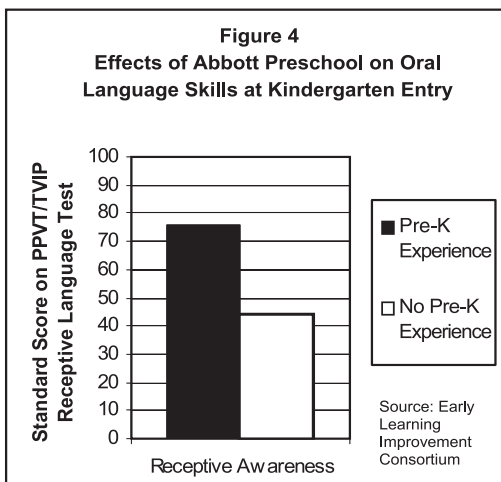
*“As the labor force shrinks, it’s more important than ever that quality child care be available... for current workers to remain on the job and to prepare the next generation for success in a demanding global marketplace.”*

Joan Verplanck, President  
New Jersey Chamber of Commerce

## PROVIDES A HIGH RATE OF RETURN ON INVESTMENTS...

- Longitudinal studies show that high-quality programs, particularly for low-income children, provide significant economic gains and decreased public expenditures on special education, delinquency, adult incarceration, health care and social services. This increases the quality of life of communities and reduces government spending.
- The Federal Reserve Bank in Minneapolis analyzed rates of return from investing in a model preschool program for low-income children. The bank found a 16 percent rate of return on investment – considerably higher than the long-term return from U.S. stocks of seven percent.

- The average annual cost of incarcerating someone in New Jersey is \$28,000. As The Honorable Robert D. Bernardi, Burlington County prosecutor, notes, “When we invest wisely in crime prevention, we save taxpayers' money. For example, children who participate in high-quality child care programs learn good behavior so they'll say no to crime later on in life.”



# The child care industry is *an economic driver* in New Jersey

## ENABLES PARENTS TO BE PART OF NEW JERSEY'S WORKFORCE AND UPGRADE THEIR SKILLS...

- Almost one in five workers in New Jersey has a child between birth and age 13 and lives in a household where all parents work. Together these working parents earn \$20.2 billion every year.
- College students using on-campus child care have higher graduation rates, are more likely to remain in school, graduate in fewer years and have higher grade point averages than their campus counterparts.

## SUPPORTS EMPLOYEE PRODUCTIVITY...

- New Jersey companies that address the child care needs of their employees find benefits to their businesses as well:
  - PNC Financial Services Group, a 6,000-employee company with offices in New Jersey, found a 91.7 percent return on investment from a newly implemented back-up child care program and received positive feedback from parent-employees, their coworkers and their managers who reported less distraction and more loyalty.
  - In Newark, Horizon Blue Cross Blue Shield New Jersey offers on-site child care in an effort to attract the best employees. As Deborah Gingher, director of Human Resources, notes, "Horizon BCBSNJ feels providing child care services for its employee base makes good business sense and helps working parents balance the everyday challenges of work/life."
  - Novo Nordisk, a pharmaceutical company with offices in Princeton, offers subsidized child care for their employees at a near-site child care center. Stephen Chinn, director of Compensation and Benefits, highlights the cost-effectiveness of this benefit, "Since implementing the child care benefit we have seen a significant boost in employee morale and attendance, creating a win-win situation for the employer and the employee."
- Unscheduled absenteeism in 2004 cost businesses nationally an average of \$610 per employee. Nearly one-quarter of all unscheduled absences is due to family issues, which include child care breakdowns. On-site child care and emergency back-up child care are two of the top three most effective work-life programs that reduce unscheduled absenteeism.

- The benefits of child care affect employees without children too. More than three-quarters of employees in a national survey indicated that their work environment would improve if their co-workers' child care needs were addressed.

*The biggest issue that employers in New Jersey face is how to attract and retain skilled employees. Employers of all sizes therefore recognize the importance of child care as it relates to enabling their employees to work and remain with their employer.*

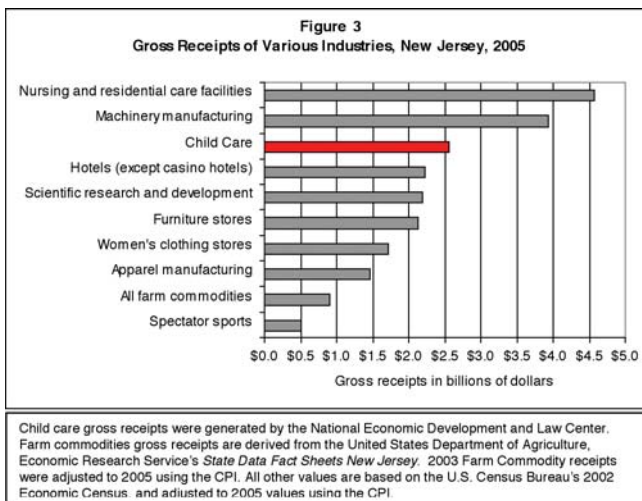
Arthur Maurice  
New Jersey Business and  
Industry Association

## SHORTAGES OF HIGH-QUALITY, AFFORDABLE AND ACCESSIBLE CHILD CARE MAY REDUCE ECONOMIC PRODUCTIVITY...

- The average annual rate for full-time, licensed, center-based infant child care is more than \$9,385 in the state, which is 17 percent of the median family income in New Jersey.
- Nearly 4,800 income-eligible children are currently on waitlists for subsidized child care in New Jersey.
- Nearly one-fourth of all part-time students in colleges and universities in New Jersey indicates that finding child care is a "major problem."
- New Jersey experiences shortages of high-quality facilities, qualified child care teachers and administrators, and infant/toddler programs.

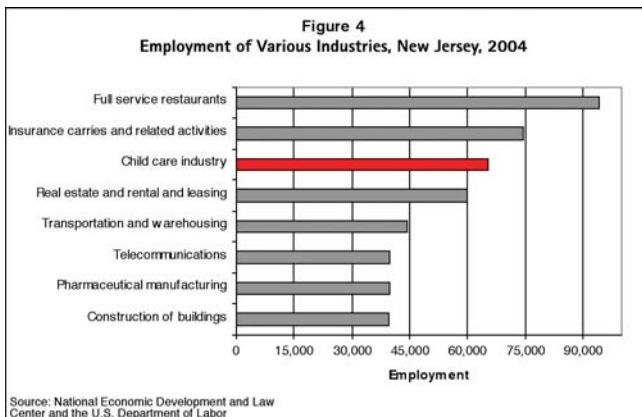
# Child care is *a significant industry* in New Jersey

- The child care industry generates \$2.55 billion annually in gross receipts, which is more than scientific research and development, clothing stores and all farm commodities in the state (see Figure 3).
- The industry directly supports more than 65,300 full-time jobs in New Jersey. The number of jobs is almost as large as the number of employees in the insurance industry. It also employs more than pharmaceutical manufacturing, transportation and warehousing, and building construction. Also, the industry is almost 70 percent the size of full-service restaurants (see Figure 4).
- The child care industry can serve approximately 378,000 children at any one time, and demographic research shows that there is room for expansion now and in the future.
- The child care industry consists of a variety of for-profit, nonprofit and public programs that serve infants, toddlers, preschoolers and school-age children.



*To ensure a sufficient number of child care facilities (in New Jersey), communities must develop a comprehensive workforce development strategy that includes a plan for the financing of child care facilities. The plan should include the participation of many partners, including the government, the private sector and the community.*

Nora Fitzpatrick  
Office of Regional and Community Affairs  
of the Federal Reserve Bank of New York





# The child care industry is *vital to New Jersey businesses* and the overall economy.

Strengthening a comprehensive and integrated high-quality child care system will support long-term and positive economic growth for the state.

## WHAT BUSINESSES CAN DO:

Increase employee retention and reduce absenteeism by:

- Offering cost-effective, family-friendly policies for employees, including back-up child care, resource and referral services, on- or near-site child care and/or full or partial reimbursements for child care costs.
- Forming a consortium among small businesses to provide child care benefits in a scaleable way.

Give employees the tools they need to find quality child care by:

- Advocating for the development of a quality rating system for child care providers.

Improve the quality of child care programs so that there is a strong future workforce in New Jersey by:

- Advocating for additional funding to expand quality infant/toddler care, higher standards for infant/toddler licensing guidelines, an infant/toddler credential and additional college-level course work for prospective infant/toddler teachers.
- Advocating for expanding access to high-quality preschool throughout the state with the provision of public resources.
- Advancing statewide child care policy initiatives.

Advance an integrated systems approach to child care by:

- Supporting policy solutions that will make all components of the child care industry a state priority, reduce bureaucracy, streamline funding sources, and increase collaboration and coordination between state departments.

## WHAT THE PUBLIC SECTOR CAN DO:

Work toward a fully integrated child care system by:

- Making all components of the child care industry a state priority, reducing bureaucracy, streamlining funding sources, and increasing collaboration and coordination between state departments.
- Implementing an on-going comprehensive research agenda for the entire child care industry for data collection and evaluation.

Raise the quality of child care by:

- Implementing a voluntary quality rating system and supporting accreditation.
- Creating a long-term child care professional development system that includes financial and educational incentives and increased compensation for educational attainment so that eventually all child care teachers have bachelor's degrees and specialized training in early childhood.
- Supporting child care policy initiatives.
- Developing an infant/toddler credential and additional college-level course work for prospective infant/toddler teachers.

Incorporate child care into economic development by:

- Establishing a capital fund for child care facilities improvements.

Improve the accessibility and affordability of child care programs by:

- Allocating funding to increase the maximum reimbursement rate for subsidized child care and reduce the waiting list for New Jersey Cares for Kids, while maintaining current income-eligibility requirements and parent co-payments.

## WHAT THE CHILD CARE INDUSTRY CAN DO:

Raise the quality of child care by:

- Advocating for the development of a quality rating system.
- Supporting child care policy initiatives.

Incorporate child care into economic development by:

- Increasing business skills training opportunities for child care providers by partnering with new stakeholders.
- Partnering with local economic development planners to find out about new commercial and residential developments to ensure that child care facilities are included.

Increase the number of businesses that offer child care benefits and advocate for child care by:

- Partnering with human resources departments at businesses to offer child care solutions.
- Creating a toolkit of child care options for businesses and disseminating this information to business leaders and parents.
- Developing a clear communications strategy that educates and engages business leaders about the return on investment from high-quality, affordable child care.

Improve accessibility and affordability of child programs by:

- Identifying which geographic areas have an inadequate number of quality early childhood programs and advocating for expansion in those areas.

Support an integrated child care system by:

- Increasing collaboration and coordination between for-profit, nonprofit and public programs.

# Who we are...

## The New Jersey Child Care Economic Impact Council

was created in August 2004 for the purpose of commissioning and assisting in gathering data for an economic impact study of the child care industry. Through the leadership of the John S. Watson Institute for Public Policy, the Council established a steering committee to design a plan for the selection and hiring of a firm that would conduct the study. In June 2005, the National Economic Development and Law Center (NEDLC) from Oakland, California, was hired based on its expertise through the successful completion of child care economic impact studies in seven states and 20 counties throughout the United States. The John S. Watson Institute for Public Policy has also provided leadership in the fundraising and coordination for the project.

**The John S. Watson Institute for Public Policy** of Thomas Edison State College offers forward-looking solutions to practical issues affecting New Jersey's citizens. Established in April 1991 as the Trenton Office of Policy Studies, the Institute was renamed to honor the memory of the late Assemblyman John S. Watson,

the nation's first African American to chair an appropriations committee of a state legislature. The Watson Institute assists decision-makers in enacting public policy in the interest of New Jersey's residents, through deepening the analysis around critical public policy challenges and broadening the range of policy ideas, perspectives and options.

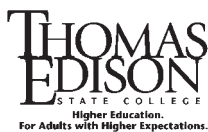
The Institute has a "Praxis" orientation that enhances its ability to translate policy to multiple constituencies and stakeholders. It is considered a "think and do tank" versus a traditional "think tank." By turning "lessons learned" into more informed policy perspectives and mandates, the Institute develops long-term strategic partnerships that will effectuate the greatest level of change. Furthermore, it utilizes a holistic approach to policy development that is integrated across six thematic policy-based centers: The Center for Leadership Development, the Center for the Urban Environment (CUE), the Center for Health Policy Development, the Education Policy and Practice Initiative (EEPI), the Technical Assistance and Support Service Center (TASSC), and the Center for the Positive Development of Urban Children.

## The National Economic Development and Law Center

(NEDLC), is a national research and consulting organization dedicated to building economic health and opportunity in vulnerable communities. It works in partnership with a diverse range of colleagues to develop innovative strategies and programs that result in systemic change and help people become—and remain—economically secure.

NEDLC believes that creating access to affordable, quality early education and care is a key strategy in building sustainable local economies. NEDLC is working with states and regions across the nation to produce reports and recommendations that quantify the direct economic effects of the child care industry on the economy. The reports help to build local, state and national partnerships aimed at increasing the industry's capacity to respond to the shifting early care and education needs of America's families. For more information, visit [www.nedlc.org](http://www.nedlc.org)

**To obtain additional copies** of the executive summary and full report, call (609) 777-4351 ext. 4290, or toll free (888) 442-8372 ext. 4290; or visit [www.tesc.edu](http://www.tesc.edu)



New Jersey Department of Human Services

