



**Connecticut's Early Care
and Education Industry:**

An Engine for Economic Development



Early Care and Education (ECE) is not only an essential service for children and young families, but also a significant contributor to Connecticut's economy.

Each year the Connecticut ECE industry generates over \$920 million in gross state product, is responsible for over 29,000 jobs, and makes it possible for over 160,000 employees to participate in the labor force.

Early Care and Education...

- Purchases \$460 million worth of goods and services nationwide and spends \$306.7 million of those dollars here in Connecticut
- Brings in \$789.4 million in revenue – mostly through parent fees
- Allows 160,000 employees to work – 10% of Connecticut's entire labor force
- Directly employs more workers than Connecticut's pharmaceutical industry – 15,000 teachers, secretaries, medical and mental health professionals, managers, and janitors
- Pays \$321 million in wages

Who Benefits from Connecticut's ECE Industry?

- Connecticut employees and employers – in both the public and private sectors
- Connecticut children, parents and extended family members
- Connecticut school districts and communities

What are the Economic Benefits?

Both the **quantity** and the **quality** of Connecticut's private and public sector workforce rise

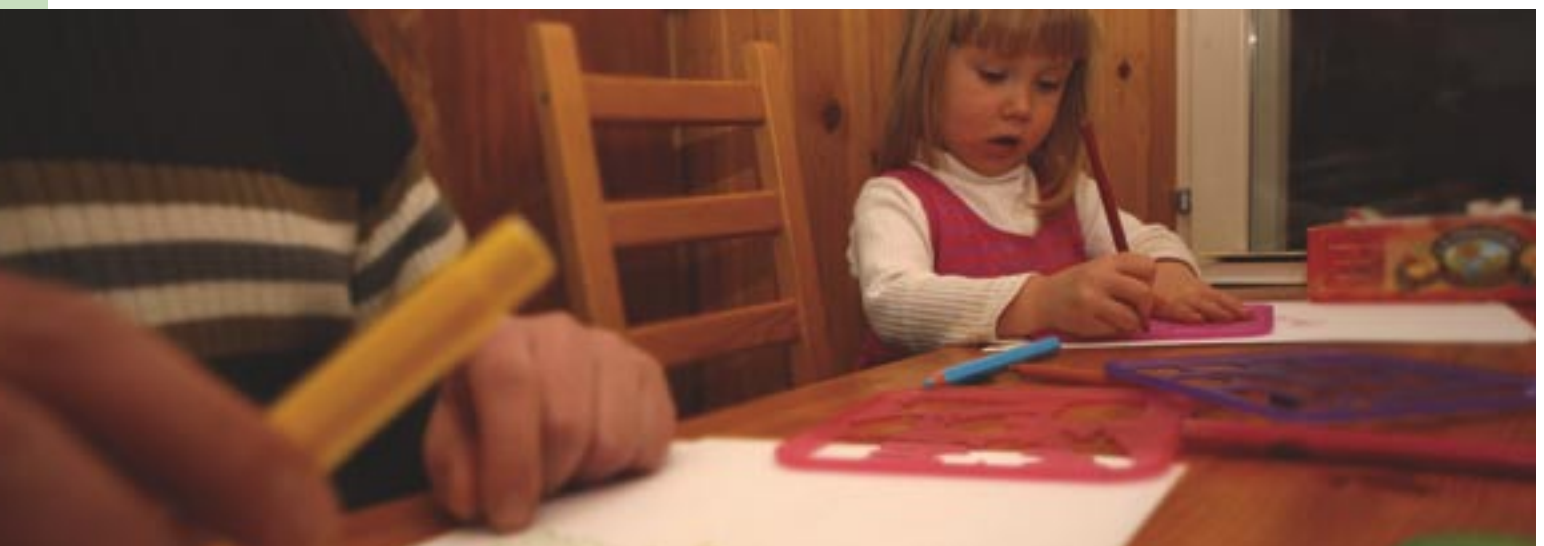
- Over 148,000 households with children younger than 12 years old rely on the ECE industry. The industry makes it possible for adults in these households to work, receive training and participate in education programs.

Both **output produced** and **income received** by Connecticut's private and public sectors and their workers rise

- The 15,000 ECE workers themselves, as well as the families who use ECE, buy goods and services and pay income and sales taxes. In addition, the businesses that produce these goods and services employ an additional 14,000 workers who buy more goods and pay taxes. Finally, state and local governments use the added taxes to make purchases and to provide social and educational services to Connecticut residents. In the end, \$920 million in gross state product is generated.

Both **long-term economic benefits** and **averted economic costs** accruing to Connecticut's children rise

- Children who receive high quality ECE are better prepared for school, more likely to perform at a higher level, more likely to graduate from high school and to attend college, and more likely to find a high paying job. In addition to the economic value-added of these positive outcomes, there are the averted costs of welfare dependency, health care, and prison confinement. ⁽¹⁾



Investing in the ECE Industry: A Good Deal for Connecticut Business

High quality early childhood education provides an annual return of 16%, significantly greater than many other uses of public (or private) monies. ⁽²⁾

And, a good deal left to be done...

Families don't have enough quality child care choices

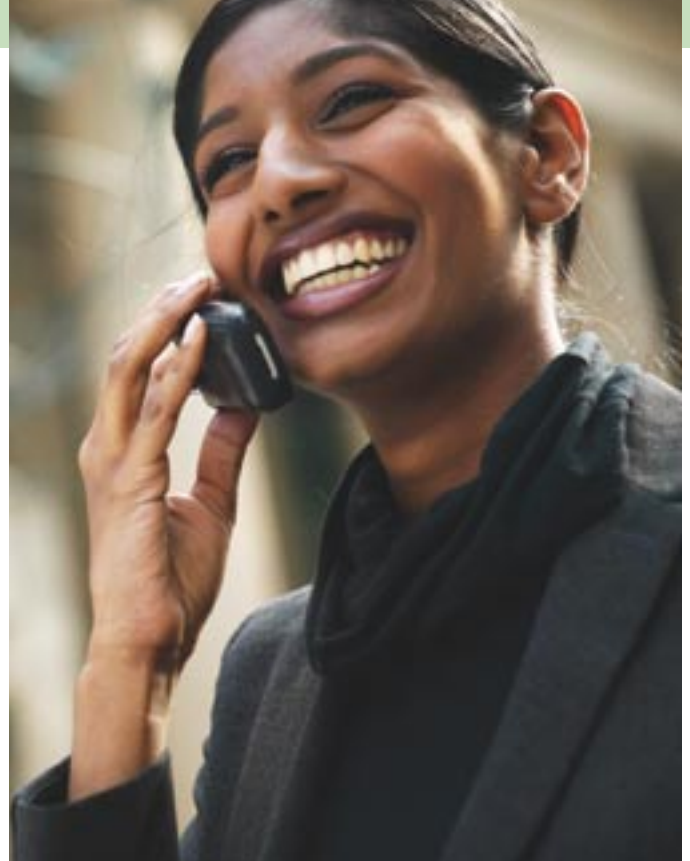
- Formal ECE establishments cannot meet the potential demand for child care, so the flexible informal sector fills the gap. Deficiencies in supply are most noticeable for infants, toddlers, and school-age children. Furthermore, nearly half of the preschool programs for three to five year olds are part-time and therefore less likely to meet the needs of families in the full-time labor force.
- The Connecticut Center for Economic Analysis and the Child Health and Development Institute estimate that formal ECE establishments in Connecticut have the capacity to accommodate about 40% of children under age 5 and 8.5 % of school-age children. ⁽³⁾

Child care is expensive for young families

- The fees charged for services are too high for many families who need or want to participate in the labor force.
- Between 2000 and 2001, the average weekly consumer cost ranged from \$183.32 for an infant/toddler in a center to \$66.57 for a school-age child in a private home.
- In 2000, over 10% (91,114) of all Connecticut families were headed by single mothers needing affordable child care in order to work.
- Child care subsidies reduce the cost to parents with qualified children and are essential in making care accessible to low-income families. In 2001, Connecticut's ECE sector received \$195.4 million in federal and state funds for this purpose.

It takes skilled teachers to help children learn

- Research confirms that an ECE provider's education, specifically in early childhood development, and his/her salary are the greatest predictors of program quality.
- In 2001, the starting hourly wage for a center-based ECE provider was \$7.19, while the average starting wage for a janitor in the same industry was \$8.20.
- ECE teachers earn an average annual salary of less than \$21,500.



Recommendations for Strengthening the ECE Industry

Incorporate ECE as an essential industry in state, regional and local economic development planning processes

- Just as public and private entities take an active interest in the construction and maintenance of roads, public transportation, utilities, housing, and educational facilities to support economic development, quality ECE should be considered essential to economic health.

Implement economic development strategies that support ECE as a key sector among Connecticut small businesses

- As a sizeable industry comprised of small businesses, ECE makes direct contributions to the local and state economies and should receive necessary supports to ensure its viability. ECE is an underdeveloped industry that suffers from inadequate investment to realize its productivity, quality and market potential, and its contribution to Connecticut's long-term competitiveness.

Increase the supply of quality early care and education through public investment in order to meet the projected demand, and ensure accessibility and choice of setting for all families that need it

- The return on investment relates directly to the quality and intentionality of ECE services. Supporting the delivery of high quality ECE constitutes the wisest long and short-term investment.



Connecticut's Early Care and Education Industry: An Engine for Economic Development

This publication summarizes findings from *The Economic Impact and Profile of Connecticut's ECE Industry* (May 2004), a study conducted by the Connecticut Center for Economic Analysis (CCEA) at the University of Connecticut. The study was guided by CT Voices for Children, the Child Health and Development Institute of Connecticut (CHDI) and the CT Association for Human Services, with funding from the Smith Richardson Foundation, the National Center for Children in Poverty and CHDI.

The study used a model of the Connecticut economy, REMI, maintained by CCEA. This model assumes that the economic impact of the ECE industry in Connecticut is a result of the revenues and value added of the industry and the increase in the number of workers due to the availability of child care. First, provider revenues and the number of workers using formal ECE establishments were estimated. Second, the ECE industry was removed from the Connecticut economy and the economic loss caused by the sector's absence was calculated. Therefore, the final figure of \$920 million is reached counterfactually, i.e., if the formal ECE industry were not in Connecticut, what would be the effect on the state's economy?

For more information or to obtain a copy of the full study, contact Stan McMillen (860-486-0485 or stm94001@uconnvm.uconn.edu) or visit <http://ccea.uconn.edu>

Endnotes

- (1) Heckman, James J. (2000). "Policies to Foster Human Capital," *Research in Economics*, vol. 54, no. 1, 3-56.
- (2) Rolnick, Art and Rob Grunewald (2003). "Early Childhood Development: Economic Development with a High Public Return," *Fedgazette*, March.
- (3) Estimations are based on adapted provider data from Child Care Infoline.