

# QUALITY CHILD CARE PAYS OFF!

Investments in Early Childhood Education Provide Big Returns

Simply put, quality matters. From birth to age five, young children learn and develop at an astonishing rate. It is especially important during this time that young children be surrounded by adults who understand their growing brains and can offer appropriate support that encourages brain development. Positive adult relationships and learning environments can boost a child's success later in life.

Decades of research have documented the far-reaching effects of early learning and caregiving experiences. These findings include:

- Children who receive high-quality child care have better socio-economic and health-related outcomes adults.
- Long-term analyses suggest that enrollment in early childhood education can increase earnings in adulthood by 1.3 to 3.5 percent.
- Access to higher-quality early care, along with organized activities in middle childhood, have been associated with higher academic achievement at age 15. One study shows that children who attended quality programs were less likely to need remedial education, saving more than **\$11,000 per student** through grade 12.

High-quality programs deliver better education, health-related behavior, and social and economic outcomes for disadvantaged children than for their peers who did not participate in the program. Children who participate in high-quality programs have positive lasting effects on IQ scores, boosted academic and economic achievement and lower incidences of childhood obesity and chronic illness.



## Quality Child Care is a Sound Investment

High-quality early childhood programs benefit not only young children, but also society as a whole. A **reduction in crime rates, increased earnings and better physical health** are just three outcomes that have been associated with adults who attended quality early care and education programs. These outcomes can also result in lower public expenditures for health, criminal justice and assistance programs. Cost-benefit analyses of high-quality programs such as the Perry Preschool Project, the Chicago Child-Parent Centers program, and the Carolina Abecedarian Project **show returns of between \$4 and \$16 for every dollar spent**. Researchers studying the life-cycle benefits of high-quality programs found a 13 percent rate of return on investment.

<sup>1</sup> J. Heckman, "Quality early childhood education: Enduring benefits," Heckman Equation. (2009).

<sup>2</sup> "The Economics of Early Childhood Investments," Executive Office of the President. (2014).

<sup>3</sup> D.L. Vandell et al. "Cumulative and differential effects of early child care and middle childhood out-of-school time on adolescent functioning," Child Development. (2018).

<sup>4</sup> S. Elango et al. "Early childhood education: Quality and access pay off," Heckman Equation (2016).

### CONTACT

Phone: 800 - 424 - 2246

Email: [TakeAction@usa.childcareaware.org](mailto:TakeAction@usa.childcareaware.org)

Website: [usa.childcareaware.org](http://usa.childcareaware.org)

### ADDRESS

1515 N. Courthouse Rd.  
2nd Floor  
Arlington, VA 22201

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## CHILD CARE HELPS WORKING PARENTS

Access to quality child care options makes it possible for parents to work, which enables them to provide additional income for their family in the short term, as well as increased ongoing participation in the labor force and higher earnings in the long term.

However, parents often miss work due to child care breakdowns (e.g., a sick child, snow days, etc.). New research estimates an annual economic cost of \$57 billion in lost earnings, productivity and revenue due to the nation's child care crisis. U.S. businesses alone shoulder an economic loss of \$12.7 billion each year due to child care breakdowns. The combined effect of a broken child care system and a lack of paid family leave hurts working families to the tune of \$36.9 billion each year.

Women stand to benefit the most from increased access to child care. One study found that even a 10 percent decrease in the availability of child care reduces the employment of single mothers by 3–4 percent and married women by 5–6 percent. With an estimated 25 percent of American households headed by women breadwinners, a combined reduction of the maternal workforce by 10 percent has a marked impact on employers' ability to staff their businesses and for working families to pay their bills.

### Child Care Breakdowns Mean Huge Economic Losses



## BUSINESSES RELY ON CHILD CARE FOR A PRODUCTIVE WORKFORCE

Increased earnings for parents means immediate returns for the government with increased tax revenue as well as positive results for businesses who invest in child care for their workers:

- J.P. Morgan estimates a 115 percent ROI for its child care program.
- KPMG found that its clients earn a ROI of 125 percent with onsite child care.
- Because of its onsite child care program, Patagonia estimates a recovery of 91 percent of its calculable costs annually through improved employee retention and tax benefits.

Research shows that when businesses offer staff child care assistance, working parents experience fewer missed days, schedule changes, and lost overtime hours. When businesses recognize the importance of child care services and assistance for their employees, both parents and employers benefit:

- Fifty-four percent of employers report that access to child care services reduces missed workdays by as much as 30 percent.
- An on-site child care program can reduce employee turnover by 60 percent.
- With child care assistance, parents are able to work more hours while remaining at the same employer for longer periods, with women of all education levels being 40 percent more likely to remain employed two years later.

Despite the huge returns that come when businesses invest in child care, the start-up costs that accompany on-site child care and other child care benefits can be too much for smaller businesses. Offering tax credits and other incentives to businesses interested in providing this benefit to their staff can offset initial costs, support U.S. businesses, and ultimately benefit working families across the country.

4 S. Elango et al. "Early childhood education: Quality and access pay off," Heckman Equation (2016).

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6 J.P. Ziliak et al. "Child care subsidies and the economic well-being of recipient families," Kentucky Youth Advocates and Kentucky Cabinet for Health and Family Services. (2008).

7 R. Marcario, "Why should employers care about families?," Blog, Prodigies Child Care Management.

8 "Solutions for Employee Child Care," Child Action. (2015).

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