

## Executive Summary

Child care is not only a vital community service in Milwaukee County; it is a major industry, comparable in size to some of the county's most prominent industries. This study, completed by the University of Wisconsin-Milwaukee Center for Economic Development for the Early Childhood Council of Milwaukee, shows that the child-care industry generates substantial revenues, supports thousands of local jobs, and is an integral part of the county's economic base. What's more, the employment and revenue generated by the local child-care industry ripple through the rest of the Milwaukee County economy, creating jobs and boosting income in sectors from retail trade to real estate. Using the methodology of the respected California "LINCC" project,<sup>1</sup> this study delineates these major contributions of the child-care industry to Milwaukee County's economy:

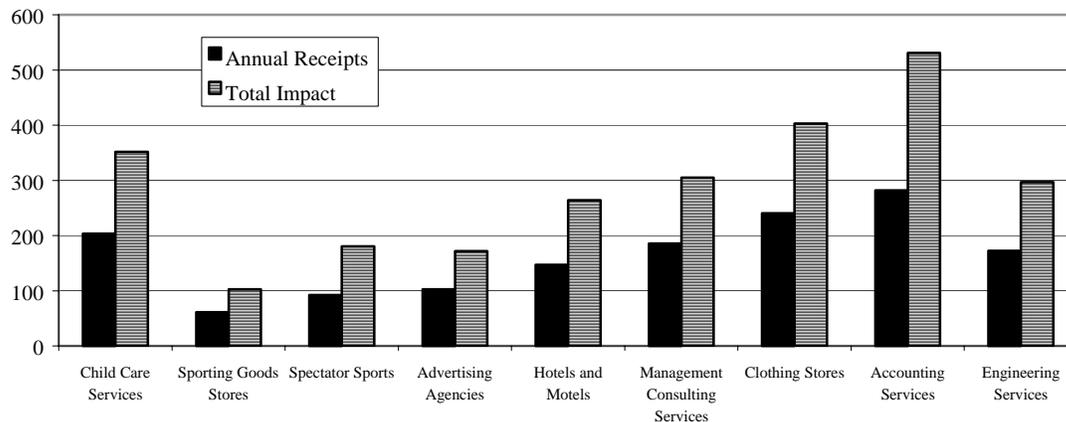
- The regulated child-care services industry in Milwaukee County –including licensed and trained certified child-care providers-- generated an estimated **\$203.7** million in gross receipts, or revenues, in 2001. This means that the trained regulated child-care industry in Milwaukee County is significantly larger than industries such as spectator sports, hotels and motels, advertising services, and engineering services –all industries considered vital to the county's economic development. (See Figure 1). As impressive as this figure is, it understates the size of the child-care services industry in the county, because it excludes the substantial sector of "unregulated" home providers such as grandparents and other relatives, babysitters and nannies. In addition, this calculation does not include care by provisionally certified providers, or school-related programs.

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<sup>1</sup> The "Local Investment in Child Care" (LINCC) project was launched in 1996 by the National Economic Development and Law Center (NEDLC). A full description of their methodology is contained in NEDLC, *A Methodology Guide: Creating an Economic Impact Report for the Child Care Industry* (April 2001).

**FIGURE 1**

**The Receipts and Total Impact of the Child-Care Service Industry Compared to other Industries in Milwaukee County**



- All told, when the ripple effects of the purchasing and employee earnings in the child-care industry are taken into account, the industry generates around \$351 million annually in the Milwaukee County economy. For example, \$46.6 million in revenues in the county’s finance, insurance, and real-estate industry in 2001 were generated by spending originating in the child-care industry.

**TABLE 1**

**Estimated Impact of the Child-Care Services Industry on other Industries in Milwaukee County**

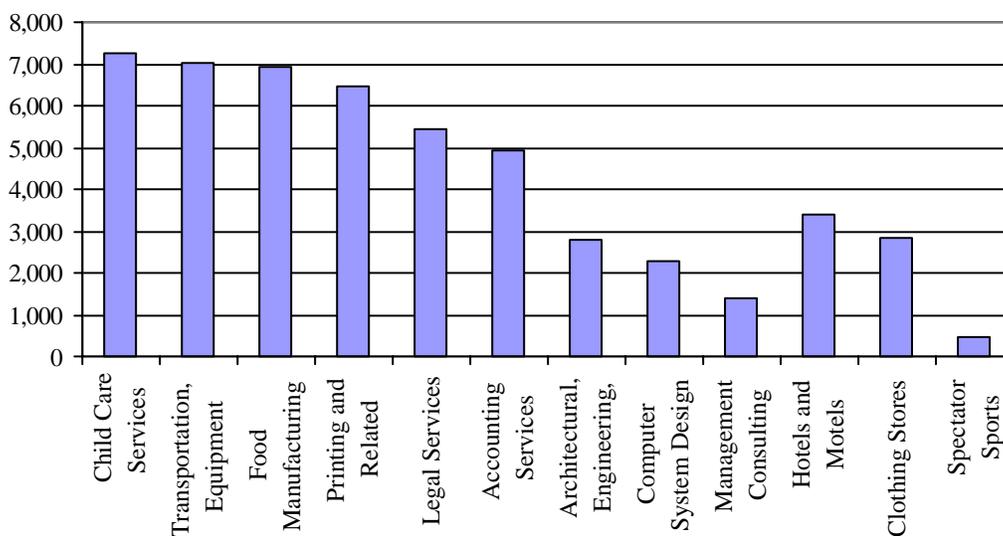
Estimated annual receipts/output generated by receipts/output of child-care industry, by sector

Sector	Annual Impact (in millions \$)
Finance, Insurance, and Real Estate	46.56
Transportation, Communication, and Utilities	17.03
Manufacturing	21.98
Construction	4.63
Wholesale and Retail Trade	15.07
Eating and Drinking Establishments	3.48
Health Services	10.82
Business Services	16.40
Other Services	22.50
Child-Care Services (Direct Impact)	203.73
<b>Total Annual Impact</b> (Direct and Indirect/Induced Impact of Child-Care Services)	<b>\$351.38</b>

- The regulated child-care industry directly employs over 7,200 people in Milwaukee County, more than such important local industries as transportation equipment manufacturing, printing and related activities, and legal services. Child-care services directly employ twice as many workers as hotels and motels, five times as many as management consulting, and fourteen times as many as spectator sports in Milwaukee County. (See Figure 2).

FIGURE 2

**The Employment Impact of the Child-Care Services Industry Compared to Other Industries in Milwaukee County**



- When we take into account the “multiplier effect,” the child-care industry creates and sustains about 9,000 jobs in Milwaukee County. For example, in addition to the direct employment in the child-care industry, spending originating in the industry indirectly generates 320 jobs in business services in the county, and 162 jobs in health-care services.

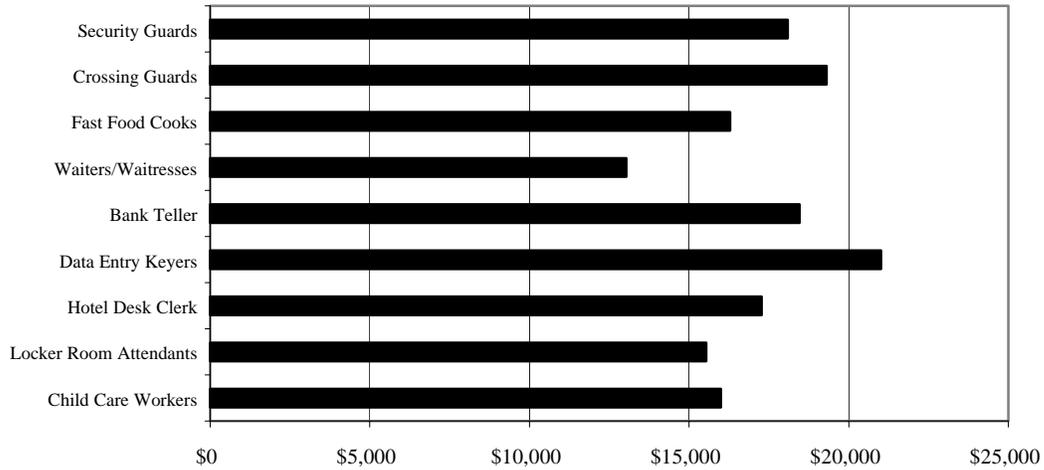
- The child-care industry in Milwaukee County frees up approximately 21,000 parents for work. These working parents earn an estimated \$538.5 million annually – a major contribution to the county’s economic base. Once the ripple effects of these earnings are calculated, the total earnings of workers made possible by the county’s child-care infrastructure reaches \$1.08 billion annually. This represents six percent of the total earnings of workers in Milwaukee County (in 2000, the most recent data available).

### **The Child-Care Labor Market: An Impediment to Quality Care**

Despite the importance of child-care services to the to the well-being of children – and to the economic health of Milwaukee County – the industry suffers from well-documented problems in attracting and retaining workers. In American child-care, as one analysis put it, employee turnover is high and workers are poorly paid. Indeed, annual turnover at Wisconsin child-care centers last year was 41 percent .

As is the case nationally, child-care workers in Milwaukee County are compensated as low-wage, low-skill, “secondary labor market” employees, nowhere near the levels of professional jobs such as schoolteachers. Employees in the child-care services industry receive average annual pay in the same general range as employees of apparel stores and beauty shops, and less than workers in hotels or laundry services. As Figure 3 illustrates, the earnings of a child-care worker in metro Milwaukee are about the same as locker room attendants and fast food cooks. (See Figure 3).

**FIGURE 3**  
**Average Annual Earnings in Selected Occupations in Metro Milwaukee, 2000**



Several promising initiatives are underway in Wisconsin to improve the child-care labor market. These efforts seek to improve wages, enhance training, and provide “career ladders” for child-care workers – in other words, further *professionalize* the child-care labor market. The economic and social benefits for Milwaukee of these efforts would be substantial, as higher wages would improve retention of child-care workers and increased training would improve the quality of care that children receive.

### **The Long-Term Economic Benefits of Child-Care**

Researchers across the United States have documented an impressive array of benefits from early childhood education programs, for children and families as well as for society as a whole. The benefits, for children and families, are difficult to measure quantitatively in dollars, but include:

- Gains in emotional or cognitive development for the child, and improved parent-child relationships;
- Improvements in educational outcomes for the child;

- Increased economic self-sufficiency, initially for the parent and later for the child, through greater labor force participation, higher income, and lower welfare usage;
- Improvements in health-related indicators, such as child abuse, maternal reproductive health, and maternal substance abuse (From the 1998 RAND Institute study, *Investing in Our Children*).

Public Benefits of Quality Child-Care include:

- Decreases in public expenditures on welfare programs and other public services (i.e. health care, special education, and other services);
- Reduced criminal justice system costs;
- Increased economic growth and public revenues, due to higher earnings greater labor force participation, and improved worker productivity.

The RAND Institute, in a review of the benefits and savings of early childhood intervention programs, calculated that for every dollar invested in such programs, there is an estimated return of \$2.50 to \$4.00. Other studies suggest savings up to \$7.00 for every dollar invested.

## **Conclusions**

Investing in quality child-care makes economic sense for Milwaukee County. Like transportation or electric power, child-care is an integral component of the “infrastructure of growth” in the county, permitting parents to pursue employment opportunities across the economic spectrum. As an industry itself, child-care generates thousands of jobs and millions of dollars in economic activity in the county. Finally, and most importantly, quality child-care provides a nurturing, educational environment to help Milwaukee County children reach their full potential as productive members of society.