

# The Business Case: Child Care as an Economic Driver for New Jersey

December 2022



Business leaders have an acute understanding of the importance of a well-educated workforce to support a strong economy, keep America competitive globally, and ensure a vibrant economy.<sup>1</sup>

Investing in high-quality child care has a two generation impact:

- it is a key work support for parents, and
- a setting that promotes the safety and healthy development of young children.

Business leaders know that high-quality child care is the best foundation for human capital – an investment that has both immediate and long-term benefits to children, parents, employers and communities.

## New Jersey Young Children

- 419,743 children under age 6 have working parents.

Source: U.S. Census Bureau, 2021 American Community Survey, 1 Year Estimates.

## Early Brain Development in Young Children

The research on brain development all points to the importance of a child's earliest years.

In the first few years of life, more than 1 million new neural connections form every second.<sup>2</sup> This is the period during which the brain is developing the fastest – setting the foundation for all future social, emotional, cognitive, and physical development.<sup>3</sup>

Both genes and early experiences impact the developing brain, which is why access to high-quality child care can make a life-long difference for a child.<sup>4</sup>

## Child Care as an Economic Driver

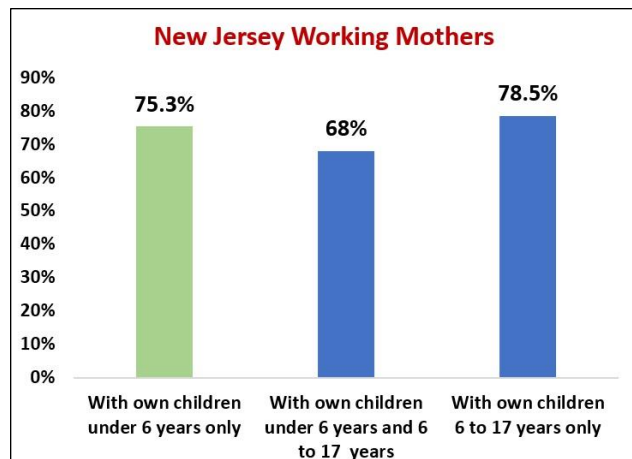
Child care as an industry can be an economic driver. For example, in New Jersey, industry revenue combined with spillover effects (additional spending in the community) has a \$4.1 billion annual impact on the economy.<sup>5</sup>

The child care industry employs nearly 50,283 individuals supporting an additional 16,815 jobs in other industry sectors across New Jersey.<sup>6</sup>

## High-Quality Child Care: Return on Investment

Research from Nobel Laureate economist James Heckman found that high quality early childhood education programs for low-income children can yield a 13% annual return on investment (ROI) through better outcomes in education, health, social behaviors, and employment, reducing taxpayer costs down the road and better preparing America's future workforce for the global economy.<sup>7</sup>

## Employers Know Child Care is a Necessity



Source: U.S. Census Bureau, 2021 American Community Survey, 1 Year Estimates

- Employees with safe, reliable, quality child care are less likely to miss days of work due to child care related challenges.

- Employees with safe, reliable, quality child care are more likely to be able to focus on their work without the anxiety of worrying about their children while they are at work.
- Parents with quality child care know that their children are in a safe setting that promotes their children’s healthy development.
- Children who are in a quality child care setting are more likely to start school ready to succeed.

### Quality Child Care and Low-Income Families

- Quality child care matters for the healthy development of *all* children with working parents. However, studies show that low-income children benefit the most from quality child care settings.
- Research shows that low-income mothers who are provided state and federal child care subsidies are more likely to work (and work 40 hours per week) than their peers who do not receive assistance.<sup>8</sup>



### The New Jersey Challenge

High-quality child care makes it more likely that children will start school ready to learn. Too often, children who start kindergarten without the skills to succeed never catch up.

**The most recent National Assessment of Educational Progress (NAEP) 4<sup>th</sup> Grade reading proficiency scores show a large drop in NJ 4<sup>th</sup> Grade student reading at grade level.**

2019	2022	NAEP 4 <sup>th</sup> Grade Reading Results
16%	24%	% of White 4 <sup>th</sup> Graders Reading Below Grade Level
42%	46%	% of Hispanic 4 <sup>th</sup> Graders Reading Below Grade Level
46%	50%	% of Black 4 <sup>th</sup> Graders Reading Below Grade Level
45%	53%	% of Low-Income 4 <sup>th</sup> Graders Reading Below Grade Level

Source: National Assessment of Educational Progress (NAEP) Report Card: 2022 NAEP Reading Assessment, [NJ 4<sup>th</sup> Grade Results](#)

It is critical that all children start school with the skills to succeed. The prior early learning experiences of children help make that happen.

### Early Learning is a Workforce Investment

Families and employers depend on quality child care:

- for more stability for today’s employees, and
- to lay the foundation for tomorrow’s workforce.

<sup>1</sup> Committee for Economic Development. [“Unfinished Business: Continued Investment in Child Care and Early Education is Critical to Business and America’s Future.”](#) (2012)

<sup>2</sup> Harvard University, Center on the Developing Child, <https://developingchild.harvard.edu/science/key-concepts/brain-architecture/>

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Committee for Economic Development, Child Care in State Economies: 2019 Update. <https://www.ced.org/childcareimpact>

<sup>6</sup> Ibid.

<sup>7</sup> Dr. James Heckman, University of Chicago, the Lifecycle Benefits of an Influential Early Childhood Program, 2016.

<sup>8</sup> Marshall, N.L., Robeson, W.W., Roberts, J.R. & Dennehy, J. (2013). [Child Care for Low-Income Families](#). Wellesley Centers for Women.