

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN SONOMA COUNTY



A JOINT PROJECT OF
THE COMMUNITY CHILD CARE COUNCIL OF SONOMA COUNTY
&
THE SONOMA COUNTY CHILD CARE PLANNING COUNCIL

PREPARED BY

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER



BACKGROUND

This report is based on a series of reports originally produced by the Local Investment in Child Care (LINCC) Project, launched in 1997 with support from the David and Lucile Packard Foundation, and designed to incorporate child care into local economic development planning. As part of the LINCC project, the National Economic Development and Law Center (NEDLC) produced Economic Impact Reports for eight counties in California in 1999. The Economic Impact Reports articulate child care in economic development terms and quantify the ways in which the child care industry is critical to the local economy. In addition, the reports help to build local partnerships aimed at increasing the child care industry's capacity to respond to the shifting child care needs of California families. The Community Child Care Council of Sonoma County and the Sonoma County Child Care Local Planning Council contracted NEDLC to quantify the economic impact of the child care industry in Sonoma County in 2002.

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Section 1 Introduction

Child care is a critical part of the Sonoma County economy.

This report is a tool to begin bridging the gap between economic development planning and child care advocacy. Policy makers, business leaders, urban planners, and a host of other community leaders are already discussing ways to improve the economic vitality and quality of life for families in Sonoma County. This report demonstrates that child care is a critical component for any comprehensive plan for sustained economic development in local communities. Child care is often left out of economic planning and analysis, although it is an important aspect of the Sonoma County's economy for three main reasons.

Child care enables parents to work.

First, child care is essential in enabling parents to work. The nature of working America has changed, and child care has changed with it. Parents are joining the labor force in record high numbers and are also returning to work more quickly following the birth of each child. In Sonoma County, almost 18,000 children under 6 have all parents in the labor force, and more than 51,000 children between 6 and 17 have all parents working, representing 58% and 70% of all children, respectively.¹ Similar to transportation and housing, without available and affordable child care services, parents are unable to effectively participate in the workforce.

High-quality child care increases school readiness for traditional K–12 education.

Second, high-quality child care ensures a strong economy in the future. Historically, child care has been perceived primarily as a social service or, at best, an educational service for parents who want to (and can afford to) provide their children with early learning experiences. Recent research on early brain development demonstrates that, far from being a luxury, child care is a vital service, improving children's health, school readiness, and contribution to society. The value added from quality child care and early education decreases future public sector spending in such areas as the criminal justice system and welfare assistance. Cost-benefit analyses of three long-term studies indicate that every dollar spent on quality child care results in as much as seven dollars in future public savings.²

¹ U.S. Census Bureau, Census 2000.

² Barnett, Steven, W. *Some simple economics of preschool education*. Presented at the Early Childhood Municipal Leadership Academy, sponsored by the Institute for Youth, Education, and Families, National League of Cities, Alexandria, VA, April, 2002.



Sonoma County's licensed child care industry supports over 2,400 full-time equivalent (FTE) jobs and generates more than \$91 million in gross receipts.

Investing in the child care infrastructure will help the Sonoma County economy.

Licensed child care includes full-day and part-day care in centers and licensed family child care homes.

Third, child care is a major industry in Sonoma County in its own right. Research presented in this report demonstrates that licensed child care is a significant income-generating, job-creating industry sector. Child care contributes more in annual gross receipts than other major industries in the county, such as poultry and eggs, tourist accommodation, and computer systems design. In addition, the industry employs almost as many people in the county as the wineries do. Sonoma's licensed child care industry directly employs 2,400 people and generates approximately \$91 million per year in gross receipts.³ This industry is unable to meet the increasing need for affordable child care services, and faces a number of barriers including low reimbursement rates for publicly subsidized services, low wages, and high turnover, all of which create an unstable child care workforce.

This report presents a wide range of compelling evidence showing investments in the child care infrastructure have direct, positive effects on the ability of the local economy to experience growth and vitality. The report also demonstrates that an intimate understanding of the interaction between child care supply and economic growth improves the efficiency of investments in child care, and therefore saves both private and public expenditures, directly and indirectly. To cast child care in an economic development light, this report:

- ◆ Quantifies the local economic effects of the licensed child care industry in Sonoma County
- ◆ Assesses the extent to which child care currently supports the economy of Sonoma
- ◆ Discusses other economic benefits of child care, including public sector savings that result from investments in quality child care
- ◆ Evaluates issues in the supply and demand for child care in Sonoma County that affect the future performance of the county's economy

Defining Child Care

Child care includes a range of services that educate and nurture young children and enable parents to work or attend school. For the purposes of this report, child care includes full-day and part-day child development programs for young and school-age children, such as licensed family child care homes, child care centers, Head Start, state pre-school, and other non-governmental pre-schools.

³ See Section 3 for further discussion of results and methodology.

Child care centers must often make significant capital investments in buildings to provide high-quality care.

License-exempt child care includes some school programs, as well as babysitters, parent cooperatives, relative care, and some home-based care arrangements.

Local partnerships can increase the child care industry's capacity to respond to Sonoma County's need.

Child care may be licensed or license-exempt. *Licensed child care* meets minimum health and safety standards and staff-child ratios set by the state legislature and regulated by the Community Care Licensing Division of the California Department of Social Services. Licensed establishments include most child care centers and many home-based providers, or “family child care homes.” Family child care homes are licensed as small or large, depending on the number and ages of children served (small and large family child care homes can serve a maximum of 8 and 14 children, respectively, of varying ages).

Licensed child care establishments, especially child care centers, must make capital investments in buildings and equipment to provide high-quality care. They must also cover employee salaries and benefits that attract and retain educated, credentialed staff. In short, licensed child care must meet state criteria for quality while maintaining a viable business.

In contrast, *license-exempt child care* generally is not regulated by the state and is not governed by any specific child care standards. License-exempt child care services include nannies, babysitters, parent cooperatives, relative care, and some formal home-based care arrangements (where care for no more than one other person's children is taking place). In addition, certain before- or after-school programs for school-age children in public and private schools are exempt, as well as certain public and private recreation programs.

Because licensed child care is a formal part of the economy (i.e., the sector is subject to taxes, state regulations, etc), its economic impact is more easily quantified. Although unlicensed child care arrangements are widely used, and thus also add much to the economy, it is more difficult to track and ascertain their impact. Therefore this report focuses on licensed care.

The Local Investment in Child Care Project

This report is based on a series of reports originally produced by the Local Investment in Child Care (LINCC) Project, launched in 1997 with support from the David and Lucile Packard Foundation. The project is designed to incorporate child care into local economic development planning. It is currently operating in Alameda, Kern, Los Angeles, Monterey, Orange, San Mateo, Santa Clara, Santa Cruz, and Ventura Counties. The Economic Impact Reports developed for each of these counties articulate child care in economic development terms and facilitate dialogue between the child care sector, local policymakers, business leaders, and private lenders. In addition, the reports aim to



build local partnerships to increase the child care industry's capacity to respond to the shifting child care needs of California families.

Outline of the Report

Following the introduction presented in **Section 1**, **Section 2** reviews recent economic and demographic trends in Sonoma County, then suggests the implications these trends have on the county's child care industry.

Section 3 measures the overall economic effects of child care by the size of the industry in terms of both output and employment, discusses the methodology behind the measurement, and assesses several other features of the child care industry that affect its size and performance.

Section 4 analyzes the impact child care has on economic competitiveness and worker productivity. It discusses other economic benefits of child care, including public sector savings that result from investments in quality child care, the impact of child care on increasing school readiness and academic success, the development of the future workforce, and the maintenance of the county's high quality of life standards.

Section 5 discusses the role of the child care industry as it relates to economic development within Sonoma County. It outlines some of the public and private strategies that can be used to ensure that the projected economic and population growth in Sonoma County does not overwhelm the county's child care industry. The section also discusses issues faced by the child care workforce, including low salaries and inadequate benefits, which lead to high turnover rates and a shortage of qualified child care staff.

The report concludes with **Section 6**, providing recommendations based upon the concepts articulated in this report. It suggests key areas for Sonoma County's policymakers, business and civic leaders, economic development planners, and child care advocates to consider when planning for local urban and economic development activities.

Section 2

Economic Profile of Sonoma County

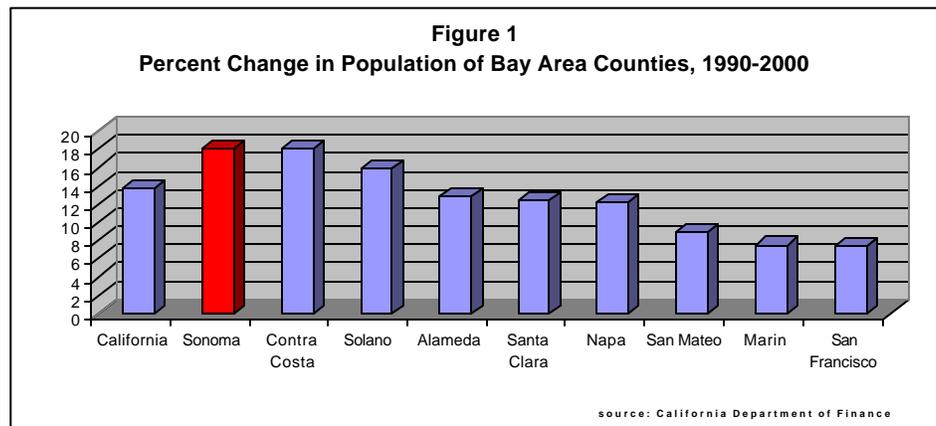
Sonoma County's expanding and changing demographics have a significant effect on the child care industry.

From 1990-2000, Sonoma County was one of the fastest growing counties in the Bay Area, increasing its population by over 18%.

As one of the fastest growing counties in the Bay Area, Sonoma County's changing demographic characteristics have a significant impact on the child care industry in the county.

Population

- ◆ Sonoma County's population increased 390,225 in 1990 to 458,614 in 2000.⁴ Sonoma County outpaced the State of California in population increase during the past decade by almost 5%; from 1990 to 2000, the California population increased by over 13% while the population in Sonoma County increased by over 18% (see Figure 1).⁵



- ◆ Sonoma County's population grew up to 6% faster in the last decade than Santa Clara, Alameda, and San Mateo. Sonoma County's growth was similar to Contra Costa and Solano Counties' growth.⁶

⁴ California State Department of Finance, County Population Projections with Age, Sex and Race/Ethnic Detail July 1, 1990-2040 in 10-Year Increments.

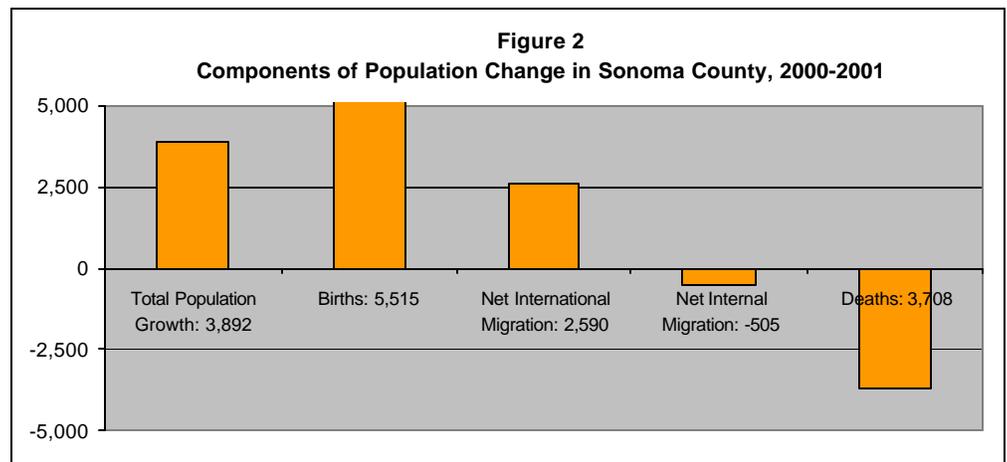
⁵ California Employment Development Department, Labor Market Information Division. *County Snapshot, Sonoma County, 2001*.

⁶ Ibid.

Sonoma County's population is expected to include over 41,000 children under age 5 by 2020.

Childbirth is driving the current population increase in Sonoma County.

- ◆ Sonoma County's overall population is projected to grow by 34% by 2020, totaling over 614,000 residents and including over 41,000 children aged 0 to 5.⁷
- ◆ Sonoma County is the 16th highest populated county in California.⁸
- ◆ With 32% of the total population, Santa Rosa is Sonoma County's most populated city. Santa Rosa is almost 3 times larger than Petaluma, which is the county's second largest city.⁹
- ◆ A net estimate of 2,590 people moved from outside the U.S. into Sonoma County (international migration) from July 2000 to July 2001. During the same time, a net of 505 people moved out of Sonoma County into other counties in the U.S. (internal migration).
- ◆ From 2000 to 2001, the primary driver of population increase was childbirth, which outpaced net migration into Sonoma County by 100% (see Figure 2).¹⁰



- ◆ There were over 5,000 births in Sonoma County from 2000 to 2001.

⁷ California State Department of Finance, County Population Projections with Age, Sex and Race/Ethnic Detail July 1, 1990-2040 in 10-year Increments.

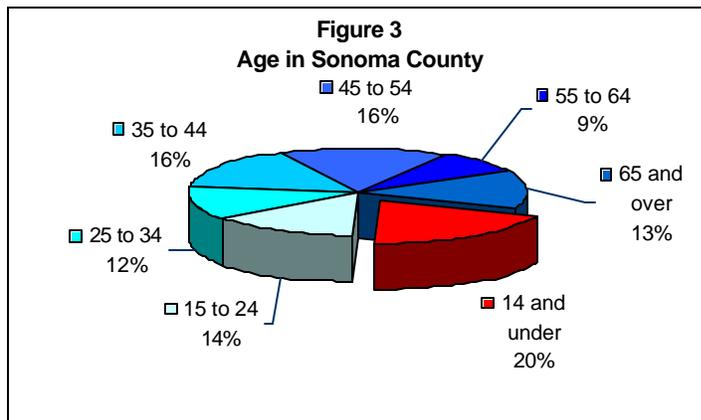
⁸ California State Department of Finance, Demographic Research Unit, Interim County population Projections, California, 2000.

⁹ Ibid.

¹⁰ U.S. Census Bureau, California Components of Population Change: April 2000 to July 2001.

Children 14 and under comprise 20% of the total Sonoma County population, while people age 65 and over comprise 13% of the total population.

- ◆ Approximately 65% of infants are Caucasian, 27% are Latino, 5% are Asian/Pacific Islander, and 2% are African-American or Black, representing greater diversity than the overall population.¹¹
- ◆ Children ages 14 and under comprise one-fifth of the total population in Sonoma County, which is over 92,000 children (see Figure 3).¹²
- ◆ Adults over the age of 65 comprise only 13% of the total population in Sonoma County.¹³
- ◆ Of the Sonoma County population, 6% are under 5 years of age, and 7% are between 5 and 9 years of age. Another 7% are between 10 and 14 years old.¹⁴
- ◆ Of the 55,078 families with children under 18 years old, 32% are not headed by married couples.¹⁵



Sonoma County is becoming increasingly diverse.

Diversity

- ◆ Sonoma County is becoming increasingly diverse each year, although the majority of the county is still Caucasian. Currently, Latino residents comprise 17% of the Sonoma County population (see Figure 4).¹⁶

¹¹ U.S. Census Bureau, Census 2000.

¹² California State Department of Finance, County Population Projections with Age, Sex and Race/Ethnic Detail July 1, 1990-2040 in 10 Year Increments.

¹³ Ibid.

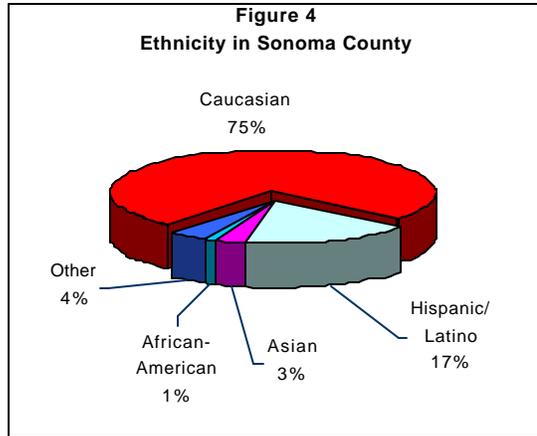
¹⁴ U.S. Census Bureau, Census 2000.

¹⁵ The Press Democrat. *2001/2002 Discover Sonoma County*. Santa Rosa: 2001.

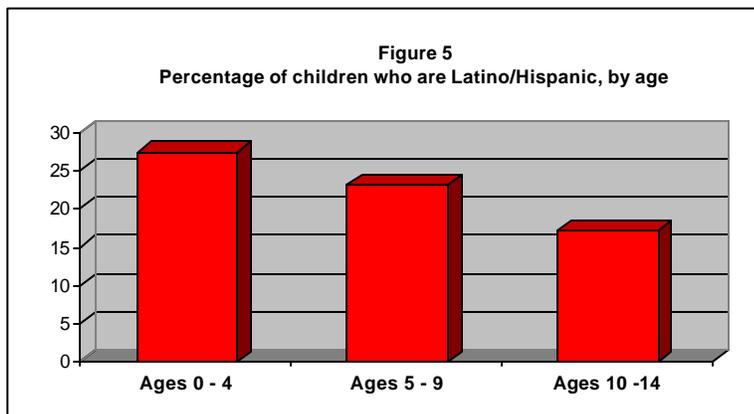
¹⁶ Abag, Bay Area Census, Sonoma County, California.



Latinos make up 17% of the total population in Sonoma County and 26% of the population ages 0 to 4.



- ◆ The proportion of children who are Latino is higher in younger age groups. Although 17% of the total population is Latino, 22% of children under 15 are Latino. Latinos make up an even bigger proportion of Sonoma County children under 5 (see Figure 5).¹⁷



Over one third of children ages 0 to 4 are children of color and/or Latino.

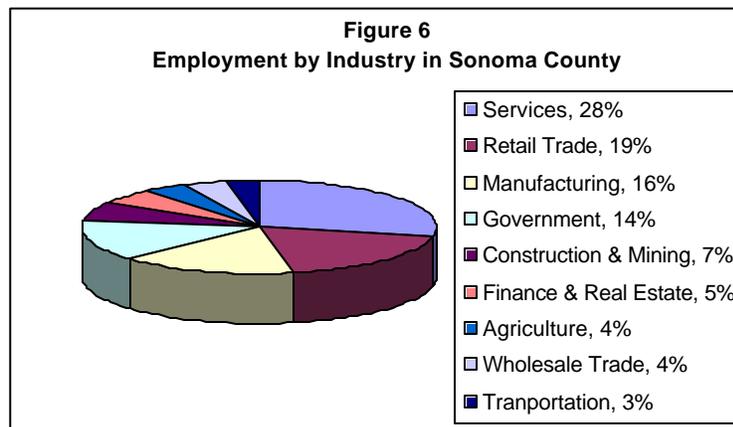
- ◆ Although minorities comprise 25% of the overall population in Sonoma County, they comprise a much higher percentage of children. Minorities make up 35% of the population for children 0 to 4.

¹⁷ California State Department of Finance, *County Population Projections with Age, Sex and Race/Ethnic Detail July 1, 1990-2040 in 10 Year Increments*.

Sonoma County's leading industry is the service industry, which includes the "child day care services" classification.

Labor Force

- ◆ Sonoma County's civilian labor force grew by 8,900, or 3.5%, from 1999 to 2000.¹⁸
- ◆ Sonoma County's leading industry is the service industry (which currently includes the "child day care services" industry classification), with nearly one-third of total employment.
- ◆ Other leading industries in Sonoma County include retail trade with 19% of the total employment, and manufacturing with 16% of the total employment (see Figure 6).¹⁹
- ◆ There were an estimated 259,700 jobs in Sonoma County in 2000²⁰.
- ◆ Services, Retail Trade, Manufacturing, and Government account for 77% of all jobs in Sonoma County.



Medical and technology companies, as well as colleges and government are major employers in Sonoma County.

- ◆ Leading companies in Sonoma County span many industry sectors. Agilent Technologies, Medtronic AVE, and JDS Uniphase are three of the biggest employers in the county, as are Santa Rosa Junior College and Sonoma State University. Health care companies are also among the largest employers, including St. Joseph Health System, Sutter Medical Center, and Kaiser Permanente.²¹
- ◆ The agriculture industry in Sonoma County employs both seasonal and migrant workers, who may not be included in Census statistics. Seasonal workers are those who spend more than 50% of their time doing agriculture work on a seasonal basis.

¹⁸ California Employment Development Department, Labor Market Information Division, *County Snapshot, Sonoma County*, 2001.

¹⁹ Ibid.

²⁰ Ibid.

²¹ The Sonoma County Economic Development Board. *Sonoma County Local Economic Report: Fall 2002*.

There are more than 6,200 children of migrant farm workers in Sonoma County.

The fair market rate for a two-bedroom apartment in Sonoma County is \$12,240 per year.

Non-subsidized child care for two children is estimated at over \$17,000, 25% of the county's median income.

Migrant farm workers also are principally employed doing formwork, but also "establish for the purposes of such employment a temporary abode."²² There are an estimated 7,277 migrant farm workers and 8,440 seasonal farm workers in Sonoma County each year.²³

- ◆ There are approximately 6,244 migrant children ages 0 to 14, 43% of whom are 0 to 4 years old.
- ◆ There are almost 2,500 children ages 0 to 4 living with parents who are seasonal farm workers.

Cost of Living

- ◆ The median price of a home in Sonoma County in May 2002 was \$339,000. The median price of a home increased almost 8% between May 2001 and May 2002.²⁴
- ◆ In Sonoma County, there was a 12% increase in the number of renter households, from 55,248 in 1990 to 61,928 in 2000²⁵.
- ◆ The fair market rate for renting a two-bedroom apartment is \$1,020 per month, or \$12,240 annually. The hourly wage to afford a two-bedroom apartment is \$19.62.²⁶
- ◆ The average cost of child care for an infant in a child care center in Sonoma County is currently estimated at \$10,920.²⁷
- ◆ Center-based child care for an infant and a toddler in Sonoma County has an average annual cost of over \$17,000. For a family at median family income, these child care costs would be almost 25% of the total annual income.
- ◆ Sonoma County has one of the highest costs of living in California, with a high Self-Sufficiency Wage, at \$46,975 for an adult with two small children.²⁸
- ◆ Thirty-seven percent of all area jobs pay less than the self-sufficiency wage (\$8.89/hour) for a single adult in Sonoma County.

²² Larson, Alice. *Migrant and Seasonal Farm workers Enumeration Profiles Study California*. Washington, D.C.: Migrant Health Program, Bureau of Primary Health Care, Health Resources and Services Administration, 2000.

²³ Ibid.

²⁴ DataQuick Information Systems, www.DQNews.com

²⁵ National Low Income Housing Coalition. *Out of Reach: America's growing wage-rent disparity*. National Low Income Housing Coalition, 2001.

²⁶ Ibid. Hourly wage is based on the assumption that rent is 30% of total income.

²⁷ Based on current survey from the Community Child Care Council (4Cs) of Sonoma County, 2002.

²⁸ *The Self-Sufficiency Standard for California*, Wider Opportunities for Women. The self-sufficiency standard is the minimum wage needed to cover basic costs of housing, food, transportation, health care, and child care in the local area.

Over 36,000 Sonoma County residents live at or below the poverty line (approximately \$16,000 per year).

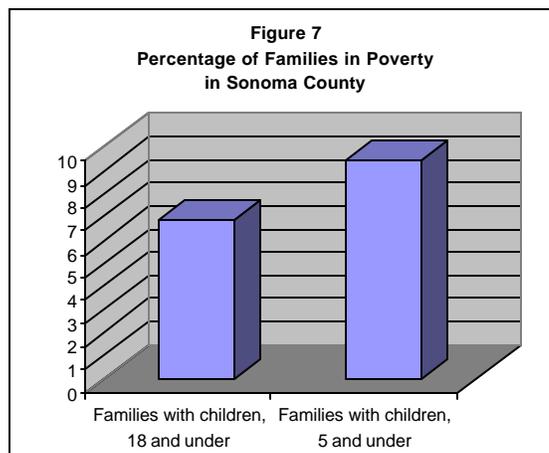
Ten percent of families with children under 5 years old live at or below the poverty line.

Thirty-one percent of single-mother families with children under 5 live at or below the poverty line.

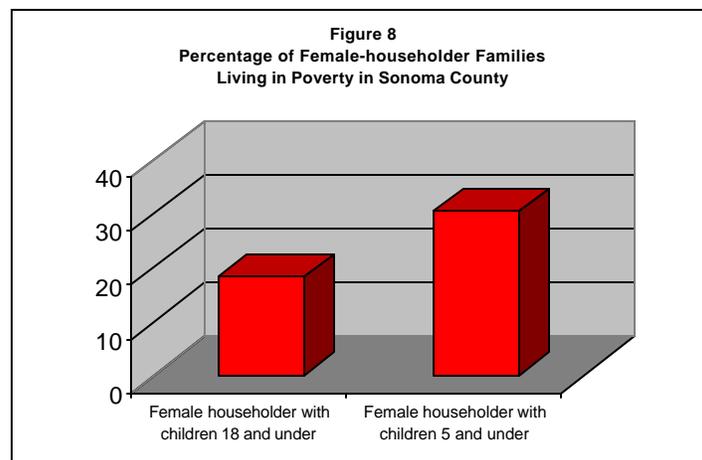
- ◆ Of all area jobs, 42% pay less than the self-sufficiency wage for a family of four with both parents working (\$11.50/hour per parent).²⁹

Low-income Families

- ◆ In Sonoma County, 36,349 of the residents live under the federal poverty line -- over 8% of the total population.³⁰
- ◆ The percentage of families living under the federal poverty line increases for families with younger children (see Figure 7). While 7 % of families with children 18 and under are in poverty, 10% of families with children 5 and under live in poverty.³¹



- ◆ The percentage of families living in poverty increases dramatically for single-mother families (see Figure 8).



²⁹ Ibid.

³⁰ US Census Bureau, Table DP-3. Profile of Selected Economic Characteristic:2000.

³¹ Ibid.



Approximately 9,000 children ages 0 to 5 are eligible for subsidized child care in Sonoma County.

The need for licensed child care for infants and toddlers, as well as school-age children, is increasing rapidly.

The increasing diversity among the population of Sonoma County will require more culturally appropriate child care services.

- ◆ While 8 % of families with children 18 and under are in poverty, 22% of a single-mother families live in poverty. Similarly, while 10% of all families with children 5 and under live in poverty, 31% of single-mother families live in poverty.³²
- ◆ In 2000, 27% of Sonoma County school-age children were classified as low-income children. Low-income children live in households with a total income at or below 185% of the poverty level (approximately \$29,600 in 2000).³³
- ◆ The number of low-income children who are eligible for subsidized child care is estimated at 23,160 for children aged 0 to 13 and 9,050 for children age 0 to 5.³⁴
- ◆ Approximately 20% of all Sonoma County households earn an annual income of less than \$25,000.³⁵
- ◆ 50% of Sonoma County area jobs pay less than \$10/hour for entry-level positions.³⁶

Implications for Child Care

Sonoma County's shifting economic and demographic landscape creates a challenge for its child care industry. There is a clear and growing need for affordable, accessible child care. Changing and evolving economic and social conditions – a greater number of low-paying jobs, natural population increase, escalating housing prices, and welfare reform – fuel continued growth in demand for child care programs. These conditions have the following implications for the county's child care industry:

Population

- ◆ Sonoma's population continues to grow, creating demand for the entire education system, for children of traditional ages for schooling and for children aged 0 to 5 as well.

Diversity

- ◆ The increasing diversity in Sonoma County requires more culturally appropriate child care services, including dual- or multi-lingual staff and programs, and culturally sensitive curricula and care.

³² US Census Bureau, Table DP-3. Profile of Selected Economic Characteristic:2000.

³³ California Department of Education, DataQuest, The State Of Our Children, 2000, County Data Table.

³⁴ As cited in *The Child Care Needs Assessment*. International Child Resource Institute. Sonoma County Local Planning Council: 2002.

³⁵ U.S. Census Bureau, Table DP-3. Profile of Selected Economic Characteristic:2000.

³⁶ California Employment Development Department, Labor Market Information Division, County Snapshot, Sonoma County, 2001.

Changes in the labor market require child care that is outside the traditional workday hours and that is affordable to low-wage workers.

The high cost of living in Sonoma threatens the quality of life here, especially for families with children.

Sonoma County must expand its supply of subsidized child care to meet the needs of low-income families.

- ◆ The increasing demand in all sectors for skilled Spanish speakers creates an increase in demand for Spanish-speaking child care professionals as well.

Labor Market

- ◆ With the county's largest growth industries being in service and retail, there is a greater demand for child care during hours outside of the traditional 8am – 6pm child care schedule. In addition, because of the low to medium wages in the service and retail industries, the many residents who are employed in these industries cannot afford child care.

Cost of Living

- ◆ The county's high cost of living threatens the stability and continued growth of the child care industry because low-wage workers, such as those in child care, struggle financially to remain in the county.
- ◆ With a growing proportion of family income going to basic needs, such as housing and child care, quality of life in Sonoma County is increasingly difficult to maintain, particularly for families with low or middle income.

Low-income Families

- ◆ Because of the high number of low-income children in Sonoma County, child care programs experience an aggressive demand for subsidized slots.
- ◆ Continued implementation of the state's CalWORKs program contributes to the increasing need for subsidized child care.
- ◆ Families timing out of CalWORKs participation and the projected increase in the proportion of low-wage jobs in Sonoma County's industries indicate a continued need for strategies to make child care affordable for low-income working families.

Conclusion

The county needs to expand its supply of affordable child care to provide an adequate social infrastructure that enables more families and single parents to go to work, thus increasing the county's supply of labor. This added workforce is essential to satisfy production and consumption of the community's needed goods and services.



Section 3

The Economic Impact of the Child Care Industry

To assess the economic effects, local industries are examined and compared to the child care industry, in terms of

- The size of the industry, as reflected in output or gross receipts
- The total direct employment of the industry
- The extent of the industry's local economic integration, as reflected in indirect and induced employment
- The capture of federal and state monies designated for child care
- The economic effects of facility construction for a new child care center

Economic information about child care is limited to licensed child care, and excludes the majority of license-exempt care giving, such as that by babysitters, nannies, or relatives.

It should be emphasized that the majority of this analysis covers the licensed child care industry, which excludes a significant portion and variety of child care services which are used for both early education and to support parental employment (as discussed in Section 1).

Measuring Child Care Industry Output or Gross Receipts

Output, also known as gross receipts, measures the size of an industry in terms of the overall value of the goods and services produced by that industry over the course of a given year. For child care services, gross receipts are equal to the total amount of dollars flowing into the sector in the form of payments for care, including both parent fees and private and public subsidies.

Economists typically analyze industries and their impacts based on a set of definitions and tools developed by the U.S. Department of Commerce (DOC) or by survey results developed by the U.S. Department of Labor (DOL). Both the DOC and DOL categories for "Child Day Care Services" and "Child Care Workers" significantly undercount the size of the licensed child care industry.³⁷

³⁷ The U.S. Department of Commerce uses a categorization system called the North American Industry Classification System (NAICS) and the Department of Labor uses the Standard Industry Classification (SIC) "Child Day Care Services" are NAICS code 624410 and SIC code 8351. The California Employment Development Department uses Standard Occupations Codes (SOC) from the Department of Labor, which for "child care workers" is 39-9011.



The federal Departments of Labor and Commerce significantly underestimate the child care industry.

Neither categorization explicitly includes licensed family child care homes. In Sonoma County, approximately 35% of the licensed child care slots are in family child care homes. In addition, the DOL category does not include centers operated by public schools. This omission is significant since a sizeable portion of federal and state subsidies for child care, including federally-subsidized child development and early education programs and state preschools, go to school districts and County Offices of Education.

A more accurate method of measuring the size of the child care industry relies upon data from Sonoma County's local child care Resource and Referral (R&R) agencies, the Community Child Care Council of Sonoma County and River Child Care Services. The locally derived estimates are much more reliable than the DOC- or DOL-generated estimates because they use current data on cost and enrollment and capture the entire universe of licensed child care services. This is calculated in Sonoma County by multiplying the number of children enrolled in each type of care (i.e. infant care, part-time, state-subsidized) by the average rate for that type of care (please see Appendix A for detailed methodology).

There are 842 licensed child care facilities in Sonoma County caring for over 17,000 children.

There are approximately 842 licensed child care facilities in Sonoma County (605 family child care homes and 237 centers) that care for approximately 17,100 children.³⁸ Based on the methodology briefly described above, the estimated annual gross receipts for licensed child care in Sonoma County is \$91,122,128, including \$66,396,917 for child care centers and \$24,725,211 for family child care homes (see Table 1). This corresponds to \$1,045,754 in indirect business taxes annually.³⁹

Comparing estimates with data from the DOL, DOC, and the California Employment Development Department (EDD) shows how much the industry classifications underestimate the total impact of the licensed child care industry. The DOL and the California EDD both collect information on the number of people employed in each industry in Sonoma County, from which we can estimate gross receipts. The gross receipts are 60% and 45% of the estimates from the more comprehensive local data, respectively. The DOC reports gross receipts

³⁸ Current survey results from Sonoma County resource and referral agency, 2002.

³⁹ Indirect Business Taxes, as reported by IMPLAN, which exclude taxes on profit and income and include taxes such as excise taxes, property taxes, sales taxes paid by businesses, and sales and use taxes paid by individuals to enterprises in the normal course of business.

from the 1997 Economic Census, which were adjusted to 2002 for comparison. The DOC estimates are only 32% of those derived from local data. This may reflect methodological issues as well as rapid changes in the child care industry, since they would not be reflected in a dollar adjustment from the values in the 1997 survey.

The child care industry in Sonoma County generates over \$91 million every year in gross receipts.

| Table 1 Estimates of Industry Output Licensed Child Care Industry Sonoma County, 2002 | |
|--|-----------------------|
| Methodology | Gross Receipts |
| <i>Local Resource & Referral Agency Data</i> | \$91,122,128 |
| U.S. Department of Labor | \$54,999,008* |
| U.S. Department of Commerce | \$29,361,872** |
| CA Employment Development Dept. | \$41,315,464* |

*Gross receipts estimates are calculated using direct employment figures and Bureau of Economic Analysis multipliers using the IMPLAN system (see Appendix C).

** Gross receipts from 1997 Economic Census, adjusted to 2002.

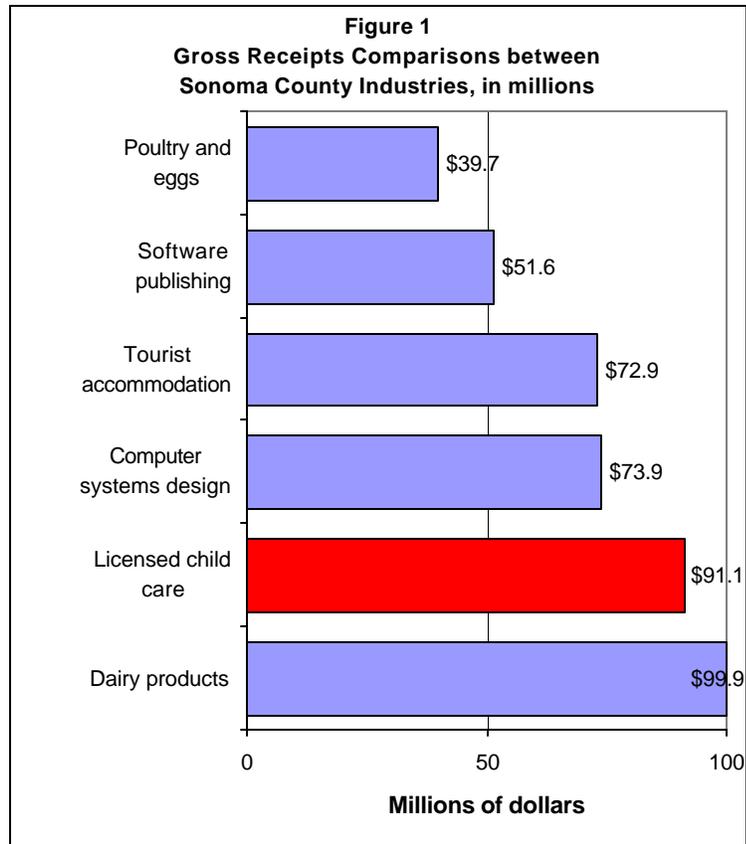
Gross Receipts Compared with Other Industries

When compared with the gross receipts of several other industry groupings in Sonoma County, licensed child care is similar in size to the dairy industry, which has gross receipts of \$99.9 million, and computer systems design in the county, which has gross receipts of \$73.9 million. Licensed child care grosses more than poultry and eggs, tourist accommodations (hotels, motels, and bed & breakfast establishments), and software publishing (see Figure 1).

The child care industry contributes more to the Sonoma County economy than the poultry and eggs industry or the tourist accommodation industry.



There are more than 2,400 full-time equivalent (FTE) jobs in the Sonoma County child care industry.



Child care values are from local data. Agricultural data (poultry and dairy) are from the Bureau of Economic Analysis, 1999, adjusted to 2002. Other industries' data are from 1997 Economic Census, adjusted to 2002

Direct Employment

As mentioned in the section above, direct employment for licensed child care is estimated using four different approaches:

- Data generated from local R & R information
- Data from the DOL
- Survey results from the DOC and
- California EDD data

Direct employment in 2002 in Sonoma County's licensed child care industry is 2,412 full-time equivalent (FTE) jobs. This figure is derived from the actual child care inventory and the number of children in different types of care, assuming compliance with minimum staffing

requirements imposed by licensing laws for different age groups, and relies on the local estimate available through the Community Child Care Council, as the local resource and referral (R&R) agency. The actual number of people working the child care industry is higher than this estimate, because so many child care professionals work part time.

Again, estimates from the federal departments of Labor and Commerce and the state Employment Development Department show how underestimated the impact of the licensed child care industry is. The DOL estimates are 52% of the estimates from the more comprehensive local data, while the DOC are 48%. The California EDD estimates are 39% of those derived from local data.

| Table 2 Comparisons of Estimates of Direct Employment Licensed Child Care Industry Sonoma County, 2002 | |
|---|--------------------------|
| Methodology | Direct Employment |
| <i>Local Resource & Referral Agency Data</i> | 2,412 |
| U.S. Department of Labor | 1,246* |
| U.S. Department of Commerce | 1,164* |
| CA Employment Development Dept. | 936** |

*1997 Economic Census, adjusted to 2002.

**2000 figures adjusted to 2002.

While the locally derived estimate is much higher than DOC and DOL estimates, it also understates the total child care economic activity because it only counts licensed child care establishments, excluding informal, individual care-giving by nannies, babysitters, relatives, or neighbors, and many public and private programs before or after school. In addition, the estimates are calculated based on the *minimum* staff-child ratio required by state law. Some child care operators choose to maintain higher ratios in order to improve program quality or to achieve specific quality goals that increase their business' competitiveness.

Direct Employment Compared with Other Industries

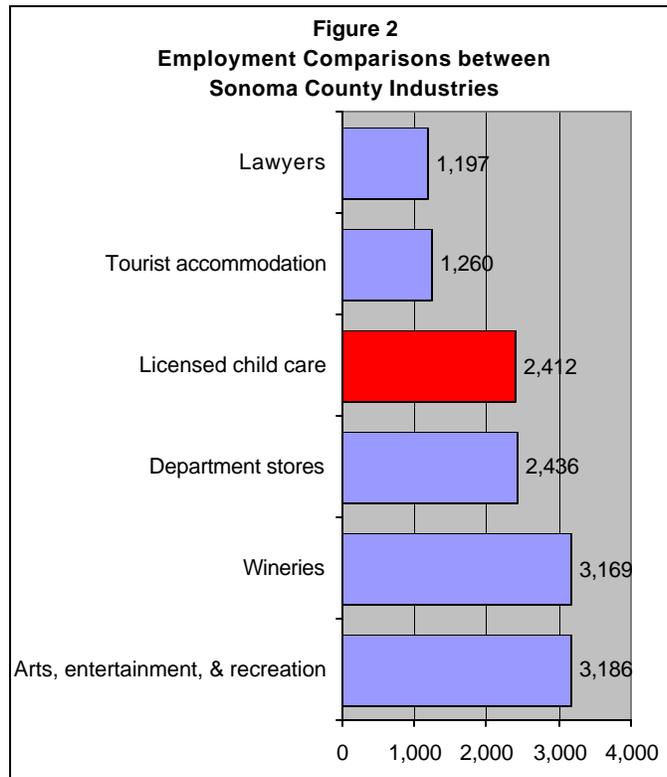
When compared with direct employment of several other industry groupings in Sonoma County, there are almost as many people employed by the child care industry as by wineries. Licensed child care exceeds the number of people employed by tourist accommodation

There are almost as many people working in the child care industry as there are working in wineries.



(hotels, motels, and bed and breakfasts) in Sonoma County (see Figure 2).

There are more people working in the child care industry than there are working in hotels, motels, and bed and breakfast businesses.



Information besides that of the child care industry is based on the 1997 Economic Census, adjusted to 2002.

Measuring Indirect and Induced Employment

The licensed child care industry, like most other sectors, generates indirect employment in other industries through its purchase of goods and services. Indirect employment refers to the jobs that exist in other sectors because of the industry in question. Without child care, these indirect jobs would not exist. Affected industries include business services (due to bookkeeping needs), tax compliance and audits, agriculture (due to food purchases), and other suppliers used by child care programs. Induced employment refers to the jobs that are sustained by the household expenditures of workers who earn money both directly and indirectly because of the formal child care sector. The affected industries of induced employment include any industry that produces goods or services for household consumption.

The IMPLAN input-output modeling system (see Appendix B for an explanation of this widely used model) traces how dollars move throughout the economy. Using data tables specific to Sonoma County,

The child care industry supports other industries in the county through its purchases.

The child care industry supports an additional 1,724 FTE indirect and induced jobs in Sonoma County.

Federal and state child care subsidies flow into the local economy as well.

which are separated into over 500 industry classifications, IMPLAN collects data to create multipliers, that is, how much a part of the economy is affected by a dollar invested in the child care industry. Using IMPLAN, we can trace how a dollar invested in Sonoma County child care moves throughout the local economy in terms of direct employment, indirect employment, and induced effects.

The indirect employment multiplier provides a tool to measure the number of jobs in other industries that are sustained by the licensed child care field. Based on a direct employment estimate of 2,714 jobs in licensed child care, an additional 1,724 full-time equivalent (FTE) indirect and induced jobs (545 indirect and 1,179 induced) are sustained by the licensed child care sector. In total, the Sonoma County licensed child care industry supports approximately 4,438 FTE jobs. This employment estimate is low due to the fact that the model uses DOL codes to categorize industries, and the DOL undercounts both child care and gross receipts for child care, and therefore underestimates the impact the industry has on the local economy.

Capture of Federal and State Subsidies

The federal and state governments provide subsidies for child care primarily to aid poor families in paying for child care so parents can participate in the workforce or in training and educational activities. These subsidies are provided in two basic forms: direct contracts with child care centers based on the number of low-income children they serve and the number of days of care provided, and an “Alternative Payment” (AP) program which enables families to choose their own licensed or license-exempt child care provider.

Another significant portion of child care subsidies is awarded via the federally-funded Head Start and Early Head Start programs, designed to increase school readiness of young children in low-income families.⁴⁰ The California Department of Education administers the US Department of Agriculture’s Child Care Food Program, which provides meals to low income children.⁴¹

Child care subsidies, both at the federal and state levels, increased substantially following sweeping reforms to the federal welfare system in 1996 (the Personal Responsibility and Work Opportunities Act).

⁴⁰ US Department of Health and Human Services, Administration for Children, Youth and Families; Head Start website at

<http://www2.acf.dhhs.gov/programs/hsb/about/index.htm>.

⁴¹ California Department of Education, Nutrition Services Division website at www.cde.ca.gov/nsd/.



California created its own version of welfare to comply with the new federal system, called CalWORKs (California Work Opportunity and Responsibility to Kids). Under CalWORKs, child care assistance

CalWORKs Child Care at a Glance

Stage One: CalWORKs families become eligible when the parent starts work or work-related activities and there is no other adult family member to provide care. The child's age, the cost of care, and the provider chosen sometimes limits eligibility. Centers, licensed family day care, or license-exempt providers provide care based on the parent's choice. Families who cannot transfer to Stage Two continue to receive subsidies through Stage One under Stage Two rules and limits.

Stage Two: Once work activity is stable or parents transition off aid, parents or caretakers are eligible for child care subsidies for up to two years from the date they leave assistance if they are engaged in an approved activity, have a need for child care to continue this activity, and meet all other child care eligibility factors.

Stage Three: When a funded space is available, a family whose income is at or below 75% of the state median income, and who have exhausted their 24-month maximum for Stage Two care, enters Stage Three.

expanded. This expansion requires welfare recipients to engage in work activities within a specific time frame, although most child care services are not affordable.

CalWORKs replaced separate welfare-related child care systems with an integrated three-stage child care system, coordinated by two state agencies. "Stage One" child care services are administered by the California Department of Social Services (CDSS) through county welfare departments. Stages Two and Three child care services are administered by local

agencies under contract with the California Department of Education (CDE). Funding for each of the three stages of child care assistance is determined annually through the budget process.

Child care subsidies benefit Sonoma County in several ways. First, since they are tied to job training and work activities, they are an important part of workforce development, and enable many people (who would otherwise have to look after their own children or leave them in an unsafe setting, such as self-care) to join the labor force. Second, they bring in new dollars to the local economy, which then circulate through various service sectors and stimulate other economic activity.

In 2001, Sonoma County drew down over \$30 million in child care-related subsidies (see Table 3 for breakdown). Some of these funds were distributed through licensed child care facilities; however, a significant portion of child care vouchers were redeemed by license-exempt child care providers.

Child care subsidies are a crucial part of workforce development for CalWORKs and low-income families.

Because lower-wage occupations lead much of Sonoma County's projected job growth, the availability of federal and state child care subsidies play an increasingly important role in supporting local economic development. Targeted local investments in child care helps the county garner a larger share of child care subsidies and, in turn, maximize the local economic effects of those federal and state funds.

The Sonoma County child care industry receives over \$30 million every year from federal and state monies.

| | |
|--|---------------------|
| CalWORKs and Alternative Payments | \$14,605,688 |
| California Department of Education | \$7,679,396 |
| Head Start | \$4,211,617 |
| Early Head Start | \$469,285 |
| USDA Child Care Food Program ⁴² | \$3,234,497 |
| Total: | \$30,200,483 |

There are over 69,000 children with all parents working, and only 17,000 slots in licensed child care facilities.

Supply and Demand for Child Care

In Sonoma County, there are an estimated 69,074 children ages 0 to 17 who have all parents in the work force. There are an estimated 17,100 slots in licensed child care centers and family child care homes, serving a maximum of 25% of the children of working parents. This percentage does not take into account the families who use licensed child care even though a parent is not working; thus, the number of working parents actually being served by licensed child care is less than 25%. These figures indicate a tremendous need for greater capacity in the child care industry, and an opportunity for the industry to grow substantially, further bolstering the Sonoma County economy.

There are approximately 23,000 children eligible for subsidized slots in Sonoma County, and 1,200 slots currently available.

Total federal and state expenditures on subsidized child care in Sonoma County are still well below the amount needed to serve all of the county's low-income households. Based on the 27% of school-age children who are at 185% of the poverty level or below (approximately \$29,600 in 2000), the number of low-income children who are eligible for subsidized child care in Sonoma County is estimated at 23,160 for children aged 0 to 13 and 9,050 for children age 0 to 5.⁴³ There are currently approximately 1,200 subsidized child care slots, indicating a tremendous need for additional subsidized slots, and an opportunity to bring more federal and state monies into the local economy. Currently, the number of children on waiting lists for subsidized voucher programs

⁴² FY 1999-00 County Profile for California Child Care Food Program, Sonoma County.

⁴³ As cited in *The Child Care Needs Assessment*. International Child Resource Institute. Sonoma County Local Planning Council: 2002.



exceeds the supply of available slots two- to three-fold.⁴⁴ A brief discussion of the barriers to expanding subsidized child care facilities is included in Section 5.

Multiplier Effects of Child Care Capital Investments

The analysis of gross receipts and employment for the licensed child care field previously discussed in this section considers only the effects of existing child care operations. It excludes any economic effects from the construction of new facilities or the renovation of existing facilities.

Child care facility construction has a stimulating effect on the local economy. A one-time investment of \$1 million for the construction of a child care building in Sonoma County creates 16 jobs for one year, including 8 in the construction industry itself.⁴⁵ Other areas affected include business services and retail trade, eating and drinking establishments, miscellaneous services, and wholesale trade. Because these multipliers apply to the construction of an average facility, it may understate the extent of economic effects of child care facility development. Child care centers are specialized, highly regulated facilities that must conform to a number of safety, health, and other state licensing guidelines; therefore, construction costs to meet these regulations and demands involve categories of expenditures not found in typical office or commercial construction.

Section Summary

The diversity of the child care system is a vital feature in its ability to meet the demand of working parents, but makes it very difficult to analyze and measure. However, using data maintained by organizations charged by the State of California with tracking the supply, cost and licensure of child care facilities, an estimate of its composite size can be derived. This overall size, measured in terms of gross receipts and employment, is comparable to many other major industry groupings in Sonoma County, such as the dairy industry, computer systems design, and wineries. The substantial size of the child care industry means that it not only supports the economy by allowing parents to work, but also contributes to its vitality by employing significant numbers of workers, increasing tax revenue, and purchasing goods and services of many other industry sectors.

A \$1 million investment in child care facility construction results in at least 16 FTE jobs in Sonoma County for one year.

The child care industry is a significant part of the Sonoma County economy.

⁴⁴ Information from the Community Child Care Council of Sonoma County, www.sonoma4cs.org.

⁴⁵Using IMPLAN modeling, Appendix C.

The child care field also supports the local economy by drawing down significant levels of federal and state subsidies available to poor families. These families represent a substantial portion of the existing and potential workforce, and are vital to the continued growth of the retail and services sector, which in turn supports the growth of more sophisticated sectors of the economy. Federal and state child care subsidies represent new dollars flowing into the local economy, and help fuel Sonoma County's continued economic growth.



Section 4

Child Care, Business, and Quality of Life

Child care, like other economic infrastructures, improves the quality of life in Sonoma County.

Child care, like other economic infrastructures, builds the local economy and improves the quality of life in the county. Public or private investments and local policies aimed at bolstering the child care infrastructure contribute to Sonoma County's overall productivity and economic competitiveness by:

- Expanding local labor force participation by enabling people to work. This contributes to increased output, greater personal income, more business formation, and higher revenues from local taxes
- Increasing productivity and retention of employees in businesses in the county
- Reducing future local expenditures on social needs by lowering drop-out and crime rates, and decreasing special education and welfare costs
- Cultivating Sonoma County's future workforce by improving the cognitive skills and emotional well-being of children and ensuring that they enter school ready to learn
- Capturing more federal and state child care subsidies, which in addition to bringing new dollars into the local economy, make child care more affordable for Sonoma County workers

The Impact of Child Care on Economic Competitiveness

Investing in the child care infrastructure of Sonoma County has direct positive benefits for the county's overall economic competitiveness. Like transportation, public works, and housing, child care is a necessary and vital part of the economic infrastructure. Just as a sophisticated highway system enables Sonoma County to bring in a skilled workforce, a healthy child care industry helps businesses attract and retain the best employees, and enables the county to attract and retain the best businesses. While traffic congestion and the high cost of housing lowers the quality of life and compels residents and businesses to leave Sonoma County, convenient and affordable child care services provide incentives for residents or businesses to remain. In the same way that local government and the private sector collaborate to increase the availability of affordable housing in order to attract a skilled workforce, they benefit from investing together in the child care infrastructure.

An adequate supply of quality child care attracts both businesses and residents to the county.



By the year 2010, it is estimated that 85% of the labor force will consist of parents.

Child care enables parents to work. There are currently more than 17,000 children whose parents are enabled to work by using licensed child care.

By the year 2010, it is estimated that 85% of the labor force will consist of parents.⁴⁶ These changing workforce demographics, as well as current economic trends, have made businesses more concerned about child care and the potential advantages of providing child care benefits to their employees. Paul Orfalea, the founder of Kinko's, Incorporated, said, "Wise business leaders know their biggest asset is morale. In a tight economy, it's all the more important to strengthen your business, and take care of your people. If your biggest asset is intellectual capital, then you should do everything to support your employees."⁴⁷

The licensed child care industry supports Sonoma County's productivity, enabling businesses to increase output given the same level of input. Licensed child care contributes to productivity by increasing labor force participation, permitting parents to advance in their positions and achieve higher wages, and by lowering absenteeism and turnover rates.

Increasing Employee Participation

Child care enables parents to participate in the labor force. Based on estimates that three-fourths of the demand for child care is work-related,⁴⁸ there are currently over 17,000 children in Sonoma County whose parents are able to work because their children are in licensed child care.⁴⁹ In a survey of the child care needs of working parents, 43% of parents indicate that a lack of available child care prevents either them or their spouse from taking a job they want.⁵⁰

Other Sonoma County parents are able to work because they use unlicensed child care, a nanny or a relative to care for their children. Choosing child care is a complicated process for many working parents and involves factors such as availability and affordability. In some cases child care is used because a parent chooses to pursue a profession or supplement the household income; in many other cases, it is an economic necessity. In the latter case, affordable child care is vital for a family's economic self-sufficiency. In either case, the provision of child care services increases the available labor pool. While licensed child care is not necessary for all parents who choose to work, it is the only option

⁴⁶ U.S. Census Bureau, *Current Population Reports*, P20-514, 1999.

⁴⁷ Paul Orfalea. Interview with the National Economic Development and Law Center, 2002.

⁴⁸ California Child Care Resource and Referral Network, *1997 California Child Care Portfolio*, cited in Summary.

⁴⁹ This figure represents three-fourths of the number of children 0-13 currently enrolled in licensed child care in Sonoma County.

⁵⁰ The Harris Poll survey, January 14-18 1998, cited in *Polls Indicate Widespread Support for Investments in Child Care*, the Children's Defense Fund, www.childrensdefense.org/cc_polls.htm.

Nationwide, worker absenteeism due to child care problems costs businesses \$3 billion annually.

Working mothers report missing two full days and six part days every six months due to child care problems. Working fathers report missing one full day and four partial days every six months.

for some. The supply of licensed child care is a crucial variable in the capacity of a local area to experience economic growth.

Finally, licensed child care contributes to a stable and productive workforce by lowering absenteeism and turnover rates. Nationwide, it is estimated that worker absenteeism due directly to child care problems cost U.S. businesses \$3 billion per year.⁵¹ In a survey conducted by Parents Magazine, working mothers reported missing two full days and six partial days every six months due to child care problems; working fathers reported missing one full day and four partial days every six months.⁵² The same survey highlights the lack of security many parents have in their child care arrangements: only 40% of families surveyed were confident that their current child care arrangements would be in place six months from the date of the survey. This instability translates directly to reduced productivity in the workplace. Fifty-two percent of parents surveyed by the Harris Poll reported that the problems of finding child care affected their ability to do their job well.⁵³

Increasing Productivity

Numerous other studies point to the importance of child care in retaining employees and improving productivity. Employees using a Nations Bank child care subsidy program had one third the turnover of non-participants in similar jobs.⁵⁴ American Express Financial Advisors found that a newly created back-up child care service recovered 105 days of productivity.⁵⁵ Such policies have become increasingly popular in recent years due to the growing crisis in available, affordable child care.

Some companies in Sonoma County realize the importance of child care to workers and have responded accordingly. The Redwood Business Park in Petaluma has a "Learning Universe," serving over 100 children of all ages. The Business Park is a large corporate center with technology companies such as Cisco, AT&T, and Nokia.

⁵¹ As cited in *Building Blocks: A Legislator's Guide to Child Care Policy*, National Conference of State Legislatures, 1997, p. vii.

⁵² Parents Magazine survey, August 1997, cited by the Children's Defense Fund, *Polls Indicate Widespread Support For Investments In Child Care*, www.childrensdefense.org/cc_polls.htm.

⁵³ The Harris Poll Survey, January 14-18, 1998, cited by the Children's Defense Fund, *Polls Indicate Widespread Support For Investments In Child Care*.

⁵⁴ Sandra Burud, citing Rodgers and Associates study in *Evidence That Child Care and Work-Life Initiatives Will Impact Business Goals*. Claremont Graduate University, 1999.

⁵⁵ Sandra Burud, *Evidence That Child Care and Work-Life Initiatives Will Impact Business Goals*. Claremont Graduate University, 1999.



Two-thirds of companies found that child care benefits for employees exceed costs or are cost-neutral.

Increasing productivity by providing child care benefits saves businesses money. A study by the Families and Work Institute found that:

- Two-thirds of employers report that benefits of child care programs exceed costs or that the programs are cost-neutral;
- Three-quarters of employers who offer flexible work schedules find that benefits exceed costs or that the programs are cost-neutral; and
- Of those employers with family leave policies, three-quarters find that benefits exceed costs or that the programs are cost-neutral.⁵⁶

Increasing Economic Output

Child care enables parents to work and contribute to the economy. One strategy for estimating the contribution of child care to economic output is to calculate the amount of wages parents are able to earn in their jobs and the output they contribute to the economy, when their children are in licensed care. Using the IMPLAN economic modeling tool (see Appendix B), the contributions of working parents using licensed child care can be traced as they ripple through the economy in the form of indirect and induced industry effects and other economic benefits.⁵⁷

To calculate the earnings of primary caregivers who can get to work because of licensed child care, U.S. Census Bureau data on working families with children in the county was used. In Sonoma County, there are an estimated 9,368 married-couple, 1,282 single-father, and 1,974 single-mother families with children under 6 for whom all parents are in the labor force.⁵⁸ Previous studies have found that center and family-based care account for 48% of care provided to young children.⁵⁹ Thus, an estimated 4,496 dual-parent, 615 single-father, and 948 single-mother families in Sonoma County use licensed child care in order to work.

To estimate the wage earnings of these families, median incomes by household type for Sonoma County were used. In the case of married-couple families, it was assumed that if child care were not available, only one parent would work, and to estimate these earnings, the 2000

⁵⁶ Ellen Galinsky and James T. Bond, *The 1998 Business Work-Life Study: A Sourcebook*. New York, NY: Work and Families Institute, 1998.

⁵⁷ Steven Moss, MPP, Partner, M. Cubed Consulting, *The Economic Impact of the Child Care Industry in California*, sponsored by the National Economic Development and Law Center, Fall 2001.

⁵⁸ U.S. Census Bureau, Census 2000.

⁵⁹ Capizzano, J., Adams, G., and Sonenstein, F. *Child Care Arrangements for Children Under Five: Variation across States*. From *The New Federalism: National Survey of America's Families*. Washington, D.C.: The Urban Institute, March 2000.

Working parents using licensed child care in Sonoma County earn a total of \$193 million annually.

In their spending and work output, working parents contribute \$1.48 billion per year in industry output to the Sonoma County economy.

Census median income for females living alone, age 25-44, was used, which is \$31,042. The median income for working single-parent households with children was \$41,567 for males and \$29,530 for females.⁶⁰ The total earnings for Sonoma County parents enabled to work from licensed child care is estimated to be over \$193 million.⁶¹

The gross receipts that parents generate from the work they do across the county's industries can be traced as the money ripples through the economy in the form of indirect and induced effects and other economic benefits.⁶² These analyses indicate that the increased economic output from licensed child care (see Table 1):

- Increases industry output by \$1.48 billion
- Contributes \$888 million value added to the gross product in the county
- Creates \$573 million in total direct, indirect and induced income
- Provides for \$233 million in property income
- Generates \$82.3 million in indirect tax revenues
- Supports approximately 15,856 (FTE) jobs

| Table 1 Economic Output of Working Parents using Licensed Child Care in Sonoma County | |
|--|---|
| Economic variable | Contribution to Sonoma County Economy⁶³ |
| Industry Output | \$1.48 billion |
| Value Added to Gross Product | \$888 million |
| Labor Income | \$573 million |
| Property Income | \$233 million |
| Indirect Tax Revenues | \$82.3 million |
| Employment | 15,856 (FTE) jobs |

⁶⁰ U.S. Census Bureau, Census 2000.

⁶¹ See Appendix C for detailed methodology.

⁶² Steven Moss, MPP, Partner, M. Cubed Consulting, *The Economic Impact of the Child Care Industry in California*, sponsored by the National Economic Development and Law Center, Fall 2001.

⁶³ Please see Appendix B for an explanation of the IMPLAN model.



Working parents using licensed child care contribute \$888 million value added to the Sonoma County economy.

Transportation to and from child care centers is a major barrier to work.

Enabling Workforce Development

Child care is also a critical component of workforce development. Child care services are needed during various activities, such as education and training necessary to prepare individuals to enter the workforce. In recognition of this, many universities have developed on-site child care facilities to accommodate parents pursuing both undergraduate and graduate degrees.

Businesses that take advantage of federal subsidies available for hiring former welfare recipients have a special stake in ensuring the availability of affordable child care. In numerous studies tracking the success of welfare-to-work programs, child care and transportation were identified as the top two barriers for welfare clients in obtaining and maintaining jobs. In transportation plans of all nine counties in the Bay Area, including Sonoma County, getting to and from child care facilities and children's schools was listed as a major transportation barrier to work.⁶⁴ Accessible child care options are crucial to enabling employees to get to their jobs.

High quality child care supports workforce development more substantially than average quality child care. One particular study of the effects of high-quality child care programs tracked the performance of parents in addition to the children themselves. The study found that mothers whose children participated in a high-quality program achieved higher educational and employment status than mothers whose children were not in the high-quality program.⁶⁵

Developing the Future Workforce

In addition to supporting the current workforce, child care is a crucial component of developing the future workforce as well. Schools and universities receive many public investments because their role in educating and preparing children for the future labor market is clear. While recent research demonstrates the importance of child care for school readiness, the concept of cultivating the future workforce in the child care classrooms of America has not yet been well-established.

High-quality child care programs improve children's readiness to learn once they enter the public school system, but they are not widely available. Consequently, many children enter school with various barriers to learning. Polls administered in research journals about early childhood document this: 46% of Kindergarten teachers report that half

⁶⁴ *Regional welfare-to-work transportation plan*. Prepared by Moore, Iacofano, Goltsman, Inc. Oakland, CA: Metropolitan Transportation Commission, 2001.

⁶⁵ Discussion of results of *The Abecedarian Study*, as cited on www.fpg.unc.edu/~abc/.

High-quality child care helps working mothers to achieve higher educational and employment status.

High-quality child care improves school readiness, and increases the successes of traditional K-12 education.

of their class or more have specific problems with entry into Kindergarten (such as lack of academic skills and difficulty following directions).⁶⁶ Conversely, a number of large-scale, long-term studies have documented that children in high quality child care are better able to learn and thrive.

Children in high-quality child care come to Kindergarten better able to learn. A University of North Carolina study found that children in high-quality child care showed greater language development, mathematical ability, greater thinking and attention skills, and fewer behavioral problems in school than children in informal care settings.⁶⁷ Another well-known preschool study, known as the Abecedarian Project, concluded that children who participated in an early intervention program that delivers high-quality child care had higher cognitive test scores than their peers, from toddler years through elementary school.⁶⁸

Reducing future public spending

Not only does high-quality child care better a child's chance of success in Kindergarten and elementary school, but it significantly improves a child's chance of thriving as an adult. Children in high-quality child care become more productive members of the labor force and less likely to require public spending, both in basic needs subsidies and in criminal justice costs. Long-term studies following high risk children from pre-school through their adult years document the effects of high-quality child care in adulthood. A study of low-income children in Chicago found significant differences at the end of high school between children who attended a high-quality child care program and their peers who were not offered the program, in a number of key areas (see Figure 1).⁶⁹

The children in the quality child care program were better achievers throughout traditional school years. They were less likely to have been in special education or to have repeated a grade, and more likely to have graduated from high school than their peers who were not in the program.

⁶⁶ S.E. Rimm-Kaufman, R.C. Pianta, and M.J. Cox, *Kindergarten Teachers Perceive Difficulties in Transitions to School*, Early Childhood Research Quarterly, Vol. 15. no. 2, November 2000.

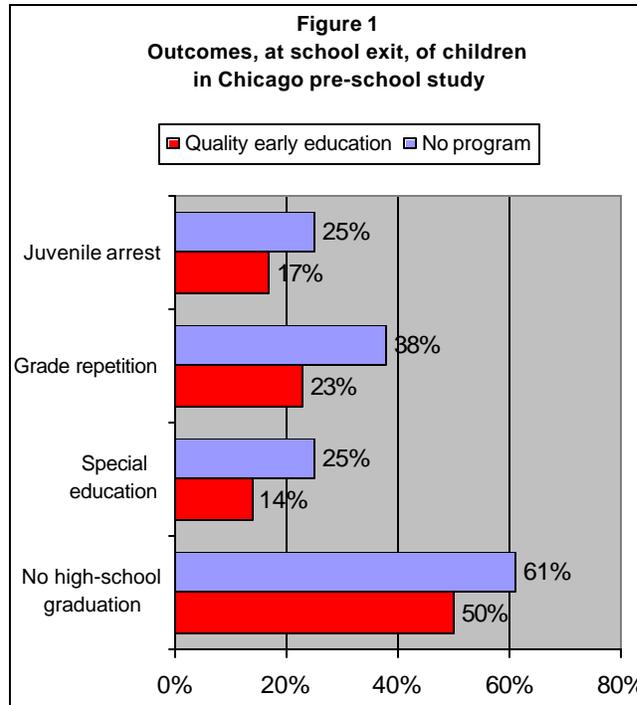
⁶⁷ Ellen S. Peisner-Feinberg, et al, *The Children of the Cost, Quality and Outcomes Study Go To School*, Chapel Hill, NC: University of North Carolina, June 1999.

⁶⁸ www.fpg.unc.edu/~abc/.

⁶⁹ Reynolds, A. J., Temple, J. A., Robertson, D. L., Mann, E. A. Long-term effects of an early childhood intervention on educational achievement and juvenile arrest- A 15-year follow-up of low-income children in public schools. *Journal of American Medical Association*, May 19, 2001, v. 285, no. 18, pages 2239-2346. All values in Figure 1 are statistically significant.

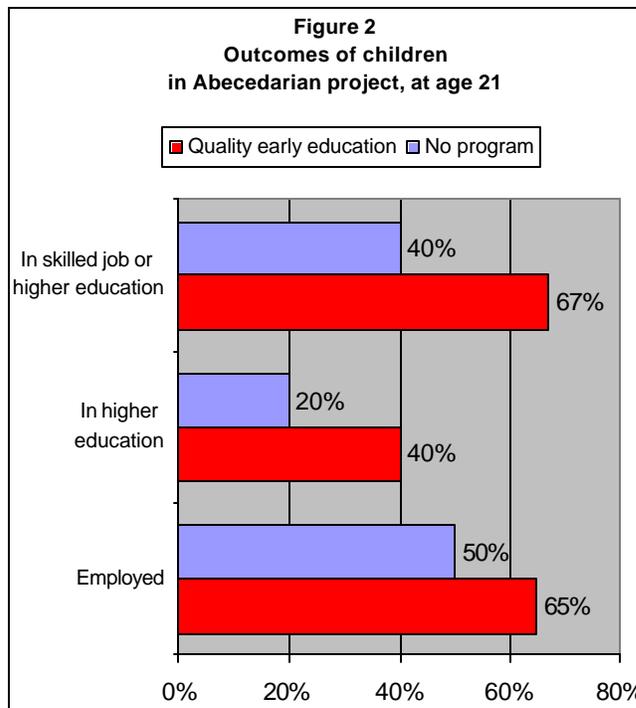


Children in high-quality child care are less likely to repeat a grade or need special education services once they enter the traditional K-12 school system.



The Abecedarian Project found that children who participated in the early intervention program were more likely to attend college and were more likely to be in a high-skilled job or higher education at age 21 (see Figure 2).⁷⁰

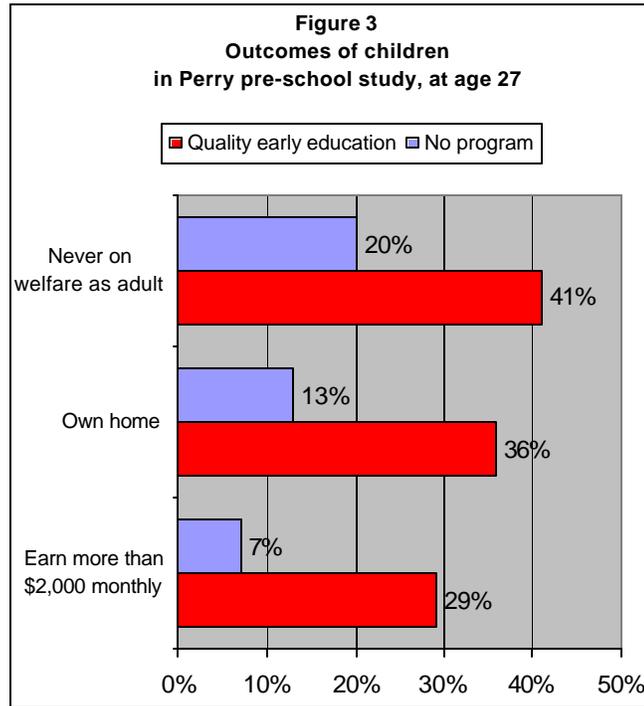
At age 21, individuals who were in high-quality child care programs are more likely to be in higher education or in a high-skilled job than similar individuals not in high-quality child care programs.



⁷⁰ Ibid.

Another long-term study of low-income, African-American children showed similar benefits of high-quality child care in the economic well-being of the children as adults. The children who attended the high-quality child care project, at age 27, earned more money, were more likely to own their own home and were less likely to be on welfare than their peers who were not offered the program (see Figure 3).⁷¹

As adults, individuals who were in high-quality child care programs are more likely to own their own homes and less likely ever to have participated in welfare programs.



This collection of research establishes a demonstrable link between quality child care and the preparation of qualified, skilled individuals entering the labor force. These effects are quantified in terms of public savings from reduced costs in:

- K-12 education, from lowering grade repeating and special education needs
- Criminal justice, from reduced numbers of juveniles and adults committing crimes
- Welfare, in reduced numbers of individuals requesting subsidies

⁷¹ Schweinwart, L. J., Barnes, H.V., Weikart, D. P. Significant benefits: The High/Scope Perry preschool study through age 27 (Monographs of the High/Scope Educational Research Foundation, 10). Ypsilanti, MI: High/Scope Press, 1993.



Cost-benefit analyses of spending on child care have shown, across all of these long-term studies, that there are significant future savings when money is invested on high-quality child care (see Figure 4).⁷²

Across three long-term studies, every dollar spent on child care saves as much as seven dollars in future public spending.

Nearly 7 million children ages 6 to 14 spend the afternoon after school alone, when juvenile crime peaks.

| Figure 4 Economic Benefits of Investing in Quality Child Care | | |
|--|----------|-----------|
| | Cost | Benefit |
| Chicago CPC Study | \$7000 | \$48,000 |
| Perry Pre-School Project | \$12,000 | \$108,000 |
| Abecedarian Project | \$33,000 | \$123,000 |

Across the three studies, every dollar spent on quality child care resulted in as much as 7 dollars in future public savings in welfare and the criminal justice system. Government will reduce future public expenditures and save money by investing in quality child care now.

Programs for School-age Children

After-school programs for school-age children also serve as an effective crime prevention activity and save public sector dollars. Nationally, nearly 7 million children ages 6-14 (18% of the children in this age group) are home alone after school each week during the afternoon hours when juvenile crime peaks.⁷³ In California, 2% of 6 to 9 year olds are reported to be in self-care as their primary child care arrangement, and another 4% spend some of their time each week in self-care.⁷⁴ In the 10-12 year old age category, one in seven are in self-care as their primary child care arrangement and one in three spend some of their week in self-care. These figures work out to be slightly lower than the national average.

In a 1990 study, eighth graders left home alone after school reported greater use of cigarettes, alcohol, and marijuana than those who were in adult-supervised settings.⁷⁵ Risk behaviors in adolescence predict a

⁷² Reynolds, Arthur J., Temple, Judy A., Robertson, Dylan L., Mann, Emily A. Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Center Program: Executive Summary, 2001. Barnett, Steven, W. *Lives in the Balance: Age 27 benefit-cost analysis of the High/Scope Perry Preschool Program*. Ypsilanti, MI: High/Scope Press, 1996 and *Some simple economics of preschool education*. Presented at the Early Childhood Municipal Leadership Academy, sponsored by the Institute for Youth, Education, and Families, National League of Cities, Alexandria, VA, April, 2002.

⁷³ K. Smith, *Who's Minding the Kids? Child Care Arrangements: Fall 1995*. Current Population Reports P70-70, Washington, DC: US Census Bureau.

⁷⁴ Kathleen Snyder and Gina Adams, *State Child Care Profile for Children With Employed Mothers: California*, Assessing the New Federalism, An Urban Institute Program to Assess Changing Social Policies, February 2001.

⁷⁵ K.M. Dwyer, et al, *Characteristics of Eighth Grade Students Who Initiate Self-Care in Elementary and Junior High School*, Pediatrics, Vol. 86, No. 3, 1990.

Ninety-one percent of Police Chiefs agree that “If America does not make greater investments in after-school and educational child care programs to help children and youth now, we will pay more later in crime, welfare, and other costs.”

future of increased criminal behavior and health problems in adulthood. In a George Mason University study, 91% of Police Chiefs surveyed agreed that “If America does not make greater investments in after-school and educational child care programs to help children and youth now, we will pay more later in crime, welfare, and other costs.”⁷⁶

Conclusion

Child care, like other economic infrastructures, builds the local economy and improves the quality of life in the county. Investing in child care saves businesses money through increased participation in the workforce by parents, increased productivity at work, and reduced staff turnover. Investing in child care saves government money by reducing costs in the traditional education system, welfare, and both the juvenile and adult criminal justice systems. Reducing crime, school failure, and future welfare participation maintains a high quality of life and standard of living in Sonoma County.

⁷⁶ Fight Crime, Invest in Kids, *Poll of Police Chiefs conducted by George Mason University Professors Stephen D. Mastrofski and Scott Keeter*. Washington, DC, November 1, 1999.



Section 5

Child Care and Economic Development

Public and private partnerships are necessary to ensure that the growing need for child care in Sonoma County is met.

Child care is a crucial part of economic development.

This section discusses the role of the child care industry as it relates to economic development within Sonoma County. Even though this report clearly demonstrates that child care is an important part of the local economy, child care businesses, which generally operate with little to no profit margins, struggle to staff their programs and maintain facilities to meet the demand for care. The child care field alone does not have the resources nor the expertise to ensure that communities have the amount and quality of care that is needed to thrive. This section outlines some of the public and private strategies that would ensure that the projected economic and population growth in Sonoma County does not overwhelm the county's child care industry.

Understanding Child Care is a Part of Economic Development

Comprehending that child care is an important component of community economic development has important implications both within the field of child care and for community planners. Within the child care field, child care providers must think of themselves as businesses integral to their community's economic vitality. This will encourage providers to increase their business skills and consider novel approaches to building and sustaining affordable child care facilities. Policymakers and private investors must consider new locally appropriate financial resources to the child care field and strategies to reduce systemic barriers to child care facility development and business operation. Transforming perceptions about the child care industry brings new players to the table, including government officials, planners, businesses, banks, and communities.

The acknowledgment of the nexus between child care and economic development comes at a crucial time for both child care advocates and economic development professionals. Currently, there are signs of an unstable economy and this instability makes it even more important for people to maintain employment and for government and business to continue to fund child care to support these working parents. Now more than ever, child care advocates, policy makers and business leaders must build programs and create new funding systems that promote and sustain the child care sector.



Investing in child care is a win-win situation for government, business, banks, communities, and children.

It is estimated that there will be over 120,000 children in Sonoma County in 2020.

Investing in child care is a win-win situation:

Government wins when the child care industry brings additional revenue to Sonoma County and employs more citizens;

Businesses win when they offer child care benefits to their employees, generating improved employee attendance, greater job satisfaction and reduced employee turnover;

Banks win when the child care industry becomes a more viable market for their loan products;

Communities win when parents have access to safe, quality child care for their children while they work, and

Children win because they enter school healthy, socialized, and ready to learn.

Sonoma County's population is projected to grow by 40% over the next twenty years totaling upwards of 614,173 residents in 2020.⁷⁷ If the percentage of the population in each age group remains constant, that will be 122,835 children 0 to 14 years of age, 36,850 of whom will be between 0 and 5 years old, and 85,985 of whom will be in the traditional school-age years.

This projected growth in population poses a dramatic challenge for the Sonoma County child care industry. The need for all forms of early care and education will increase and families and providers will be overwhelmed if investment policies are not conceived with innovation and vision. The child care industry needs:

- ◆ Affordable child care for both low- and middle-income families
- ◆ Access to public and private funding for child care facilities development and/or expansion
- ◆ Investments in business technical assistance and resources for small business operators in the child care field
- ◆ Inclusion of child care concerns in long-term, land-use planning and transportation policies and
- ◆ Livable wages for the industry's workforce

⁷⁷ California State Department of Finance, County Population Projections with Age, Sex and Race/Ethnic Detail July 1, 1990-2040 in 10-year Increments.

The bottom line for Sonoma County's businesses, families, public officials and child care workers is that the child care industry is an essential component of its community infrastructure. This report demonstrates that quality child care is equally as important as primary and secondary education in setting the stage for a child's future success. It also establishes that the child care industry provides an economic value to local communities by creating jobs and generating output, in addition to enabling businesses to thrive.

Economic Development Strategies for Child Care

In terms of community economic development, after changing people's initial perceptions of child care, there are five major impact areas where child care and economic development planning intersect:

Economic development resources: Child care centers frequently encounter difficulties finding a space in which to do business. Some economic development offices specialize in helping businesses find suitable locations. They may help to find public and private land, acquire land for business purposes, and obtain any necessary zoning variances.

Example: In June 2002, Child Care Ventures in Santa Cruz sponsored a forum. Attendees came together to learn how to be on the ground floor of a movement to include the child care industry as a legitimate player in the long range community economic planning process. Attendees included representatives for eight elected officials, three transportation planners, 11 specialists in economic development, nine social service representatives, 22 people from the education and child care industry and 12 specialists in community development, urban planning and affordable housing development.

Land use incentives: In order to promote certain types of economic development, Sonoma County can establish incentives for the use of land for child care. These types of incentives are often used to attract large businesses to a community and can be extended to include the child care sector.



Example: The San Mateo Local Investment in Child Care Project worked successfully with the City/County Association of Governments for San Mateo County (C/CAG) to adopt child care as a mitigation measure and incentive in the C/CAG Transportation Demand Management Program. Incentives include: trip credits for on-site child care, child care services at residential developments and/or transit centers; child care within five miles of a job site, or subsidy incentives of \$74 for parents using transit to child care en route to work.

Child care in the General Plan: Child care has not typically been part of the community planning process. Sonoma County and the cities within the county have General Plans, documents that provide for how growth and development will be managed locally. Child care, if treated as an economic infrastructure, should be written into every General Plan. Santa Rosa has a Youth and Family Element that include child care in its General Plan, and there is a current proposal to include a Human Services Element in the Sonoma County General Plan which would include child care as a required area to consider in the community planning process.

Example: The County of Ventura has changed their ordinance to exempt large family child care facilities from permits and has included the Commercial Office zone as allowable for child care centers. Child care has also been included in the County of Ventura's Consolidated Plan for 2000, and a county "Guide for Planners" (Oct. 99), which explains state laws as they pertain to child care and land use issues, is now available.

Financing of facilities and businesses: Many businesses rely on debt financing to invest in long-term capital assessments and to expand their operations. Although the child care industry has not historically relied on debt financing, it may be cost effective and beneficial to some providers to incur long-term debt for facilities. Economic development resources can be made available to lower the cost of financing, provide more flexible or longer payment terms, or provide credit enhancement for borrowers who lack a track record in carrying and repaying debt.

Example: The Child Care Fund in Alameda County was officially launched in September 2001. This fund has provided emergency grants and facility loans to 21 child care programs. In these programs, over 1000 children have been affected, half of whom are low-income. The initial capital for this fund was obtained through contributions by Alameda County Social Services Agency, Providian Financial Corporation and the Alameda County Children and Families Commission. Over \$350,000 in loans and grants have been provided which have leveraged over \$115,000 in other financial resources.

Business development and technical assistance: Entities such as Small Business Development Centers provide small businesses with assistance in financial and business planning, marketing and management. Some serve very small businesses, which could include family child care providers. Child care centers, both non-profit and for-profit would also benefit from these services.

Example: Kern Local Investment in Child Care Project staff provide training workshops in both Spanish and English that assist child care providers in understanding fundamental business principles. To date, over 400 participants have been trained in bookkeeping, understanding taxes, and marketing a child care business, as well as setting up contracts and policies. These trainings are held in collaboration with the Small Business Development Center. Staff also provide direct services to child care providers, acting as the liaison between lender and provider, helping bankers understand the child care field, and providing technical assistance and support to the provider before, during and after the loan process.

Like any other economic infrastructure, the child care industry needs partnerships with economic development leaders in government, non-profit agencies, and businesses if it is to meet the needs of the changing economy of Sonoma County.

Developing the Child Care Workforce

The issue of workforce development within the child care industry is closely related to the task of reframing child care as an economic development issue. Without acknowledging the workforce development issue for child care providers, a critical child care shortage will take



place. This is well-known within the child care field, and is slowly attracting the attention of the mainstream media. President Clinton highlighted this issue when he hosted the first White House Conference on Child Care in the fall of 1997, calling for better pay and better training for child care workers.⁷⁸

Child care providers face a number of systemic barriers to workforce development. Specifically:

- ◆ Lack of investment in consistent, intense training and support needed by providers to enable them to provide high quality care;
- ◆ Lack of recognition of in child care providers' work resulting in grossly inadequate pay scales and support systems.⁷⁹

In Sonoma County, 27% of child care professionals were no longer in their workplaces one year later.

Turnover in the child care industry is very high. In Sonoma County, 27% of those working in the child care workforce in September 2000 were no longer employed at the same location in September 2001.⁸⁰ In 1996, almost 30% of child care teachers in California left their job, compared with a turnover of 6.6% for public school teachers.⁸¹

There are a number of factors inducing workers to leave the child care field. First, wages are too low to support a family. Second, wages in other fields are higher, and attract members of the child care workforce.

The average yearly wage of a child care professional is \$20,069 in Sonoma County.

The average salary of a child care worker in Sonoma County is \$20,269 per year.⁸² The self-sufficiency wage for Sonoma County is \$46,975 for an adult with two children. With average rental costs for a two-bedroom apartment at \$12,240 annually, average child care wages do not meet the needs of most Sonoma County child care professionals.

⁷⁸ Marcy Whitebook, *Working for Worthy Wages: The Child Care Compensation Movement, 1970-2001*. New York, NY; The Foundation for Child Development, Working Paper Series, 2001.

⁷⁹ A. Wallace, K. Tarr and C. Marano (2002). *Putting the Pieces Together: Connecting Industries, Workers, and Communities to Strengthen Traditionally Low-Wage Sectors*. Oakland, Ca. A Report on the National Network of Sector Partners' 2001 Low-Wage Sector Learning Forum.

⁸⁰ Minicucci Associates. *Special Report on Child Care*. Sonoma: Sonoma County Children and Families Commission: June 2002.

⁸¹ *California Child Care and Development Compensation Study: Towards Promising Policy and Practice*. Prepared by the American Institute for Research and the Center for the Child Care Workforce for the California Department of Education, Sacramento, CA; Washington, D.C.: March 1998.

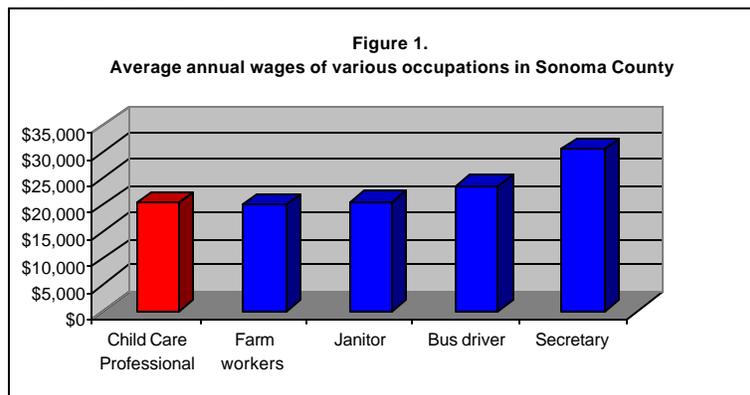
⁸² California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Santa Rosa MSA (Sonoma County)*, 2001.

Thirty per cent of child care professionals in Sonoma County have no benefits.

Child care professionals leave the field for higher-paying jobs.

In addition, many child care workers cannot get benefits, such as health insurance or paid vacation leave. In Sonoma County, only 70% of those working in licensed child care centers had benefits. It is likely that individuals working in large family child care homes and those running their own family child care homes do not have benefits. Child care providers typically have tight budgets that can rarely afford professional development benefits or programs, such as trainings and conferences, for their staff. Without outside grants or incentive systems, professional development benefits are not feasible.

Turnover is as much a result of low wages as it is high occupational growth in higher-paying industries. In a survey of Sonoma County child care workers, of those who indicated that they were leaving the field, 25% said they were leaving for employment in an unrelated field.⁸³ In Sonoma County, the average hourly wage for a child care professional is \$9.75, and the starting mean hourly wage is \$7.43.⁸⁴ Within business services – one of the state’s fastest growing industries--average wages for the same or even less stringent training requirement ranges from \$10.44 for a file clerk to \$14.63 for a general secretary. Janitors, bus drivers, and secretaries all make more, on average, than child care professionals, many of whom have special degrees in early childhood education and child development (see Figure 1).⁸⁵ It comes as no surprise that quality caregivers are getting harder and harder to find in a marketplace where being a bus driver (\$23,734 per year) or garbage collector (\$34,343 per year) makes it easier to support one’s family than being a child care worker.⁸⁶



⁸³ Minicucci Associates. *Special Report on Child Care*. Sonoma: Sonoma County Children and Families Commission: June 2002.

⁸⁴ California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Santa Rosa MSA (Sonoma County), 2001*.

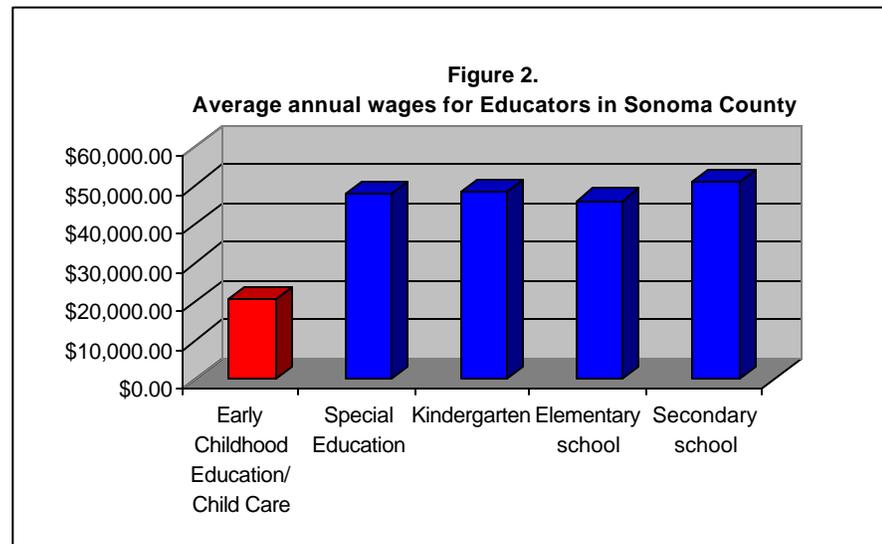
⁸⁵ Ibid.

⁸⁶ Gina Adams and Karen Schulman, *California: Child Care Challenges*, Washington, DC: Children’s Defense Fund, May 1998.



Bus drivers, janitors, and farm workers make more per year than child care professionals, many of whom have advanced degrees in early education.

Child care professionals, particularly those who have similar levels of credentials to public education staff, have also exited the field for the slightly more lucrative public education system (following California laws mandating class size reduction in public schools which resulted in greater employment opportunities; see Figure 2). Both public and private child care providers report losing many of their most highly qualified staff to public schools. In a survey of Sonoma County child care workers, of those who indicated that they were leaving the field, 27% said they were leaving to teach school-age children.⁸⁷



The child care industry also loses many of its highly qualified workers to the traditional K–12 school system, which has much higher wages.

Thus, training levels in child care remain low, and wages remain uncompetitive. A recent study of Sonoma County found that while 81% of child care workers have some Early Childhood Education, only 22% have completed a Bachelor’s degree, and only 5% have a Master’s degree.⁸⁸

High rates of staff turnover lower program quality and negatively affect the lives of the children that child care programs serve. A study on child care quality by the Institute for Research on Poverty suggests that staff salaries and retention are excellent predictors of staff education, which in turn predicts the quality of classroom interactions.⁸⁹ They also cited

⁸⁷ Minicucci Associates. *Special Report on Child Care*. Sonoma: Sonoma County Children and Families Commission: June 2002.

⁸⁸ Minicucci Associates. *Special Report on Child Care*. Sonoma: Sonoma County Children and Families Commission: June 2002.

⁸⁹ L. Vandell and B. Wolfe. *Child Care Quality: Does it Matter and Does it Need to Be Improved?* Institute for Research on Poverty, <http://aspe.hhs.gov/hsp/ccquality00/ccqual.htm#econ>.

High staff turnover lowers program quality and negatively affects children in child care centers.

Stipend and other incentive programs help to keep child care professionals in the industry.

Developing the child care workforce is an important economic development issue.

poor compensation, high staff turnover and a shortage of qualified child development professionals as contributors to a work environment in which they feel it is impossible to succeed.

All of these issues undermine the economic contribution child care makes to Sonoma County. Staffing shortages and rapid turnover reduce the quality of many programs and minimize the positive effects that Sonoma County's children and future economy would experience from quality early education.

Luckily, some local resources acknowledge the workforce development issue and have taken steps to address this problem, particularly those generated by Proposition 10, the California Children and Families Act passed in November 1998. The Sonoma Children and Families Commission has dedicated 37% of its annual funding to child care.⁹⁰ They sponsor a stipend program to improve workforce retention and provide incentives for further Early Childhood Education units, as well as support a behavioral consultation program for child care professionals to ask questions about children's behavior. Similarly, Alameda and Kern County Prop 10 Commissions have chosen to provide stipends to child care providers that have some early childhood education credentials, and who agree to acquire more credentials. Other Sonoma County organizations, including the Community Child Care Council and Santa Rosa Junior College, have provided training for child care workers in the past.

To make child care a sustainable industry for its workforce, San Francisco has also taken the unusual step of designing a program, funded by the City's General Fund, to supplement the wages of child care providers whose salaries fall below certain income thresholds. This "WAGES PLUS" initiative has predetermined wage floors for various staff categories (based on education and job responsibilities). By establishing a long-term program for supporting child care professionals, San Francisco has buffered the child care industry against outside economic pressures that might undermine its strength.

Developing the child care workforce is an important aspect of bolstering the economic infrastructure of the community. Investing in child care and creating innovative approaches to strengthen child care as an industry in its own right will increase the economic health of the county, enabling parents to work and businesses to thrive.

⁹⁰ Minicucci Associates. *Special Report on Child Care*. Sonoma: Sonoma County Children and Families Commission: June 2002.



Section 6

Conclusion

The child care industry is a job-creating, income generating industry in Sonoma County, supporting over 2,400 local FTE jobs and generating over \$91 million in annual gross receipts.

Sonoma County's child care industry is critical to its overall economic vitality and quality of life. The licensed child care industry supports over 2,400 full-time equivalent local jobs and generates about \$91 million dollars per year in gross receipts. Federal and state subsidies for licensed and license-exempt care bring \$30 million annually into the local economy. The child care industry sustains the county's growing workforce by enabling parents to find employment or return to jobs sooner following the birth or adoption of a child. These effects increase overall productivity and output and improve the ability of parents to advance in their careers and earnings.

However, on its own, the child care industry is unable to expand at a rate adequate to meet the growing need for child care services. Without local investments and intervention to address barriers to child care supply-building, the child care industry and the economy as a whole will suffer a setback.

Despite record growth of the child care industry in recent years, there remain significant barriers to meeting the need for child care. A number of key factors should be considered in assessing the necessity to invest more in the child care system.

First, businesses and government must realize that parents cannot be reliable, productive workers without dependable child care. And, if children do not receive quality child care, they face increased difficulty succeeding in school and are more likely to become involved in criminal activities or end up on public assistance. Both children and parents suffer from inadequate investments in child care.

Neither parents nor the child care industry can solve the challenge of high child care costs on their own.

Neither parents nor the child care industry can solve the challenge of high child care costs alone. Similar to transportation or housing planning, the federal government, states, local communities, and the private sector must all play a larger role in helping families afford quality child care and in creating enough child care to support economic growth.

Welfare reform is forcing thousands of Sonoma County parents back to work, yet the child care infrastructure, particularly the portion offering subsidized child care, is incapable of meeting their needs.



Child care is becoming increasingly unaffordable for Sonoma County residents, threatening the quality of life in the county.

Targeted investments in the child care industry will increase supply of child care slots.

Businesses will increase productivity by investing in child care.

Child care must be incorporated into community economic development planning and investment.

Child care is becoming less affordable in relation to the cost of living in Sonoma County, as escalating housing costs consume a more and more disproportionate share of the household income of low- and moderate-income families. Sonoma County's strong job growth in higher-paying industries than child care makes it difficult for child care programs to retain qualified child care workers or recruit new ones for expansion. Moreover, child care workforce retention and growth are threatened by the increasing gulf between the low wages of the child care industry and Sonoma County's cost of living.

Recommendations

The findings in this report lead to some key recommendations for businesses, government, banks, and the child care industry.

Businesses, government, banks, and the child care industry must be equipped with a firm understanding of the countywide benefits of investing in Sonoma County's child care infrastructure. Like transportation policies and investments that relieve traffic congestion, local policies and investments that support the child care industry affect Sonoma County's overall productivity and economic competitiveness.

First, appropriate, targeted private or public investments in child care supply-building will contribute to labor force participation gains among lower- and middle-income families in Sonoma County. Such gains directly increase output, personal income, business formation, and property and sales tax revenues in the county.

Second, businesses can increase productivity, cultivate company loyalty, and reduce turnover by providing cost-neutral benefits to employees. In addition, businesses can partner with local planning agencies and the child care industry to ensure the child care needs of their employees are met.

Third, while Sonoma County currently captures over \$30 million per year in federal and state child care subsidies for low-income working households, federal and state expenditures for child care remain well below the amount needed to serve all eligible families and therefore Sonoma County's share must be increased. The county's capture of these subsidies is directly related to its ability to expand the infrastructure of subsidized child care centers and programs. Investments in high quality child care services reduce local public sector expenditures on other service categories, and increase the quality of life for Sonoma County residents.

Efforts to strengthen the child care infrastructure benefit the child care industry, financing institutions, local government, and the business community.

Fourth, child care must be incorporated into economic development planning and investment. Many jurisdictions across the country realize the value of child care to their economy and community well-being, and bring new partners to the table to tackle the child care shortage. While every community faces different obstacles in the delivery of child care services, a number of strategies have proven effective in more deeply integrating child care and the economic development planning process. Incorporating child care into every city and county General Plan will ensure that child care is considered during economic development planning.

Efforts to strengthen the child care infrastructure benefit the child care industry, financing institutions, local government, and the business community alike. The collaborations developed between entities previously disengaged from child care issues serve to educate all of the stakeholders about the importance of a healthy child care infrastructure, and help to develop cost-effective solutions to local shortages in the supply of child care.

Finally, better accounting of the child care industry is important for recognizing its significance to the health of local economy. The lack of accurate data available on the child care industry makes it difficult to assess its size and contribution to the economy. The methodologies in this report represent the first serious effort at making such economic assessments of the child care field. Although more and better data on child care is needed, the analysis presented here demonstrates that child care is an essential part of the Sonoma County economic infrastructure, and efforts to strengthen the child care industry will result in a strengthening of the economy as a whole.



Appendix A

Methodology for Calculating Gross Receipts and Employment for Licensed Child Care

Because of the inaccuracy of traditional economic accounting tools that apply to child care, NEDLC and the four original LINCC counties created a sound methodology for measuring direct employment and gross receipts for the licensed child care field. This methodology utilizes up-to-date statistics on licensed child care facilities maintained by local Resource and Referral (R&R) Agencies. R&Rs are required by California law to maintain data on licensed child care capacity, and most record data on vacancies, from which enrollment can be derived.

The NEDLC methodology outlined below generates the most accurate estimates of employment and gross receipts because it utilizes up-to-date information representing all forms of licensed child care. The data is derived from local child care resource and referral agency data on capacity, enrollment, and average tuition rates, based on age group and full- and part-time care.

Gross Receipts

For both family and center-based care, the estimates of gross receipts represent a “snapshot” of the industry taken at a particular time. It is important to note that counties capture gross receipts for licensed care only; adding unlicensed care would significantly increase the gross receipts figures.

Family Child Care Homes

Enrollment x Average Cost/Child/Year = Gross Receipts

Centers

“Center-based care” in this case includes Head Start and State Preschool, nonprofit, school-affiliated, and proprietary centers.

Licensed Capacity - Vacant Slots = Enrollment

Enrollment x Average Cost/Child/Year = Gross Receipts

Direct Employment in Licensed Child Care

Family Child Care Homes

Family Child Care Homes licensed for 6 = 1 Employee

Family Child Care Homes licensed for 12 = 2 Employees

Centers

Teaching Staff:

These figures are calculated based on the number and ages of children for which a center is licensed, and the state-required ratio of staff to children under that license. In general, younger



children require a lower staff-to-child ratio, so a center that cares for 12 infants will require 3-4 adults to care for those infants, whereas a center that cares for 12 school-aged children will require only one adult to care for those children.

Multiply the average "FTE for Staff" by the number of staff required by licensing:
hours open/8 hours = FTE for Staff

Center-based infant care:

Accredited or Title V = (1 employee for every 3 children) x (FTE for staff)
Title 22 = (1 employee for every 4 children) x (FTE for staff)

2. Center-based preschool care:

Title V = (1 employee for every 8 children) x (FTE for staff)
Title 22 = (1 employee for every 12 children) x (FTE for staff)

3. Title V/Title 22 = (1 employee for every 14 children) x (FTE for staff)

Non-Teaching Staff:

Custodians/Cooks/Receptionists: Many centers fill these positions with teaching staff. Larger centers tend to have separate employees in these roles. Counties are the best judges of the general practices in their area. The following are suggested guidelines counties can utilize to maintain consistent estimates. Each slot except "Family Worker" can be considered full time.

Custodians: Typical practice is to have one custodian for every center over 80 children. Therefore, the formula is: **# of centers with slots for more than 80 children = # of custodians**

Cooks: Typical practice is that state- funded centers and larger centers have cooks: **# of state-funded centers + number of non-state funded centers with over 80 children = # of cooks**

Receptionists: Typical practice is to have one receptionist for every center over 80 Children: **# of centers with slots for more than 80 children = # of receptionists**

Non-teaching supervisory staff (directors): Typical practice is to have one director for every 80 children: **# of licensed slots / 80 = # of supervisory staff**

Family workers: Typical practice is that they are employed part-time (average 50% time) at state-funded centers: **# of state-funded centers / 2 = # of family workers**

Administrative (off site): Typical practice is for larger centers to have off-site as well as on-site administrators: **# of centers with slots for over 80 children = # of administrators.**

Appendix B

Explanation of IMPLAN Input-Output Model

Estimates for the impact of child care services on indirect and induced earnings and other productivity effects are based on application of the 1999 Sonoma County module of the IMPLAN Input-Output (I-O) model. These estimates were also adjusted to 2002 dollars.

Initially developed for use by the U.S. Forest Service, IMPLAN is now used in many fields. It relies on the same basic model structure and underlying economic data as the U.S. Department of Commerce Bureau of Economic Analysis Regional Impact Modeling System (RIMS), the model that was used in the original LINCC counties' analyses.

I-O models use area-specific data on industrial and commercial activity to trace how a dollar of investment moves through a specified economy. IMPLAN is based on a table of direct requirement coefficients which indicates the inputs of goods and services required to produce a dollar's worth of output. Standard economic "production functions"—the capital, labor, and technology—needed to purchase a given set of goods determine how changes in demand for goods and services ultimately affect the demand for the inputs to these services. For example, producing a ton of steel may require three workers and a particular set of equipment, which would not be required if the steel were no longer needed. Likewise, child care programs must purchase educational materials, facilities, and professional staff services.

IMPLAN contains more than five hundred economic sectors, and uses economic census data to compile county-level wage and salary information at the four-digit standard industrial code (SIC) level. National data are adjusted for the industrial and trading patterns for the subject region—in this case, Sonoma County. Based on this structure, IMPLAN estimates the regional economic impact that would result from a dollar change in the output of local industries delivered to final demand (that is, to ultimate purchasers, such as consumers outside the region).

Estimates for the impact of child care on the economy are based on three primary "multipliers," as follows:

- ◆ Direct effects: Effects introduced into the state's economy as a result of spending on child care services.
- ◆ Indirect effects: Effects reflecting spending by workers and local vendors generated by the direct effects. These effects result from a change (for example, an increase) in money spent by individuals or firms that incur direct impacts.
- ◆ Induced effects: Effects of consumption of primarily retail goods and services consumed by households directly and indirectly earning income from the project. These effects reflect changes in the state's economy caused by changes (for instance, increases) in spending patterns as a result of the direct and indirect activity.



The multiplier effect, identified as Social Account Matrix or “SAM” in the IMPLAN model, estimates how many times a given dollar of investment will be spent as it works its way through the economy. Multipliers can be applied to various categories. For example, income multipliers—additional spending associated with every dollar of income—tend to be less than one. This is because not all income is spent; some is saved, or used to pay debt. Employment multipliers—the number of jobs created per million dollars of investment—can range from five to sixty-five, depending on the activity. Alternatively, employment multipliers can relate to the number of indirect and induced jobs engendered by a dollar of investment in direct employment.

Appendix C

Methodology for Calculating Economic Output for Licensed Child Care

To calculate the earnings of primary caregivers who can get to work because of licensed child care, U.S. Census Bureau data on working families with children in the county were used. Assuming that families with one parent at home and families with all parents working have, on average, equal numbers of children, there are an estimated 9,368 married-couple, 1,282 male-only householder, and 1,974 female-only householder families in Sonoma County with children under 6 for whom all parents are in the labor force.⁹¹ Using previous estimates that center and family-based care account for 48% of care provided to children aged five and under⁹² yields 4,496 married couple, 615 single-father, and 948 single-mother families using licensed child care in Sonoma County to get to work.

To estimate the wage earnings of these families, 2000 Census median incomes by household type for Sonoma County were used. In the case of married-couple families, it was assumed that if child care were not available, only one parent would not work, and to estimate these earnings, the median income for females living alone, age 25-44, was used, which is \$31,042. The median income for working single-parent households with children was \$41,567 for males and \$29,530 for females.⁹³ Thus, the total earnings for Sonoma County parents enabled to work from licensed child care is estimated to be \$193,122,977.

Using IMPLAN (see Appendix B), we then estimated how much \$193 million of labor income affect the gross receipts for all industries of the county. Assuming that parents work in even proportions across all Sonoma County industries (there are no data measuring the distribution of working parents across all industries), we estimated the direct effects of their work in each sector, which produces gross receipts of \$518.6 million in Sonoma County. Using the IMPLAN economic model for the county, we can analyze how an output of this amount ripples through the economy with indirect and induced effects. Finally, the dollar amounts were adjusted to 2002 using the average consumer price index (CPI).

⁹¹ U.S. Census Bureau, Census 2000.

⁹² Capizzano, J., Adams, G., and Sonenstein, F. *Child Care Arrangments for Children Under Five: Variation across States.* From *The New Federalism: National Survey of America's Families*. Washington, D.C.: The Urban Institute, March 2000.

⁹³ U.S. Census Bureau, Census 2000.





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