

# The Economic Impact OF THE Child Care Industry *in Riverside County*

PREPARED BY THE

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER



# BACKGROUND

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## THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN RIVERSIDE COUNTY

The National Economic Development and Law Center (NEDLC) is working with states and counties across the nation to produce reports and recommendations on the economic impact of the child care industry. 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 economy. In addition, the reports help to build local partnerships aimed at increasing the industry's capacity to respond to the shifting child care needs of families. For the Riverside County report, First 5 Riverside, with support from the Riverside County Office of Education, the Riverside County Child Care Consortium, the Riverside County Board of Supervisors and the Riverside County Workforce Development Board, contracted with NEDLC to quantify the economic impact of child care. This partnership formed an Advisory Board of Riverside County leaders in the fields of business, government, child care, and economic development.

## NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

NEDLC is a research and consulting non-profit organization that uses community and economic development strategies to improve the economic and social status of low-income persons. NEDLC's mission is to develop and maintain the economic security of low-income persons and communities. With a budget of over \$5 million and a diverse funding base, including support from foundations and fee-for-service revenue, NEDLC works in partnership with hundreds of organizations around the country. Our partners include non-profit organizations, government agencies, business, labor organizations and the philanthropic community. Working together, we develop local capacity and improve and transform systems important to the lives of low-income people across the nation.

## ACKNOWLEDGEMENTS

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# Section One

## Introduction

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The licensed child care industry in Riverside County encompasses a range of programs designed to nurture, support, enrich, and educate children from birth through age 13 outside of traditional K – 12 education. The industry has two main functions, both of which have changed significantly over time, and both of which link the industry to the economy.

The first function of the child care industry is to enable parents to maintain employment or get additional training or education. Today, the majority of children live in families in which all parents work, and one in five labor force participants in Riverside County is a parent living in a household in which all parents work.<sup>1</sup>

The other major function of the child care industry is to provide developmentally appropriate early learning opportunities for children ages zero to five. The research and public will surrounding the education and developmental needs of young children have increased dramatically over the last two decades. For children from birth through age five, quality programs help them develop core skills and competencies that prepare them for future success in traditional K to 12 education. For children ages 6 through 13, before- and after-school programs ensure children's safety and often provide opportunities for children to develop much-needed leadership skills, which are a foundation for later success in the workforce.

The child care industry is also a vital component of Riverside County's economy, providing financial benefits in three main ways. It:

- Enables employers to attract and retain employees and increase productivity of employees
- Provides significant jobs and generates considerable revenue in its own right
- Ensures a strong economy in the future by preparing children to be skilled, productive workers who can meet future labor force demands

The child care industry plays a significant role in enabling employers to attract and retain employees and to increase productivity by reducing employee turnover and absenteeism. Like transportation and housing, without accessible, affordable child care, employees may experience barriers to working, and their employers and the economy as a whole suffer.

Child care is also a major industry in Riverside County in its own right. Research presented in this report demonstrates that child care is a significant income-generating, job-creating industry, contributing similar annual gross receipts to many other industries in the county, including tree and vine crops and hospitals. In addition, child care directly employs a similar number of people as the accommodation industry.<sup>2</sup>

The child care industry serves two main functions:

- Enabling parents to maintain employment and/or obtain education and training
- Providing age appropriate child development learning opportunities that support healthy children who are ready to learn and establish a strong foundation for future development and success

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<sup>1</sup> U.S. Census Bureau. *Census 2000*.

<sup>2</sup> See Section 3 for further discussion of results and methodology.

Lastly, quality child care programs ensure a strong economy in the future. Recent research on early brain development demonstrates that, far from being a luxury, child care for children from birth through age five is a vital service, improving children's health, school readiness, and contribution to society.<sup>3</sup> The quality of child care opportunities is linked to positive outcomes in school for children in all income brackets, though studies have shown particularly striking findings in children from low-income families. Three separate longitudinal studies of targeted, intensive intervention programs for low-income children have indicated significant long-term outcomes in areas such as grade repetition, special education needs, juvenile criminal activity, and adult welfare participation. These effects reduce future public spending in such areas as K-12 education, remedial and special education, criminal justice and welfare assistance.

This report analyzes the significance of the child care industry to Riverside County's economy. Specifically, this report:

- Identifies demographic and economic trends and their implications for Riverside County's child care industry
- Quantifies the direct economic impact that child care currently has on the economy of Riverside County through gross receipts and direct employment
- Discusses economic development and business benefits of child care, including bottom-line returns for individual businesses and substantial returns on targeted public investment
- Provides recommendations to build the capacity and sustainability of quality, affordable child care

Understanding the interaction between an affordable, accessible, quality child care system and economic growth and knowing how to improve the efficiency of investments in the child care industry increases Riverside County's economic competitiveness.

## DEFINING THE LICENSED CHILD CARE INDUSTRY

### *The Licensed Child Care Industry*

All of the establishments captured in the licensed child care industry in this report are either a) required by law to meet minimum health and safety standards set by the state legislature and regulated by the California Department of Social Services, through the Community Care Licensing Division or b) legally license-exempt before- and after-school programs. For the purposes of this report, licensed child care establishments include: all full-day and part-day private licensed child care centers, Head Start, Early Head Start and Migrant Head Start programs, child development centers funded by the California Department of Education (state preschools, latchkey programs, federal block grant child care centers, general child development centers), and licensed family child care homes.<sup>4</sup>

Public Special Education Preschool programs are fully funded by the California Department of Education. They meet a significant need in Riverside County, serving many children with special needs, employing a significant number of employees and generating a significant amount of revenue in the county. However, at the time of this report, data about the number of children enrolled in these programs, the number of full-time equivalent staff and the total amount of government expenditures for these programs were not available. Therefore, while Public Special Education Preschools make

<sup>3</sup> J.P. Shonkoff and D.A. Phillips, Editors. *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Washington, D.C.: National Academies Press, 2000.

<sup>4</sup> For a flow chart depicting the licensed child care industry in Riverside County, please refer to Appendix A.

up an important part of the licensed child care industry, we were unable to include them in economic analyses in this report.

### *The Informal Child Care Sector*

There are types of care and education that are not included as part of the “formal child care industry” for this report. These arrangements are either

unregulated, such as care outside the child’s home in a relative’s home or care that is provided by a nanny or babysitter, and/or they lack accurate data about the cost, enrollment, and staff. Although these child care arrangements are widely used and also add much to the economy, it is difficult to ascertain their impact. The licensed child care industry is easier to capture economically (e.g., the sector is subject to taxes, state regulations, credentials etc). By including only licensed child care arrangements, this report’s findings are conservative estimates of the total impact that child care has on the economy.

Analyses in this report exclude license exempt care by nannies, babysitters, or relatives, making the economic estimates conservative in terms of the full impact of the industry.

## OUTLINE OF THE REPORT

Following this introduction, section two describes the demographic and economic profile of the county and the implications for the child care industry. Section three analyzes the overall economic effects of the child care industry as measured by industry earnings, employment and current levels of government investment. Section four explores the links among child care, business, and economic development. Finally, section five considers future implications for the county’s economy, and makes conclusions and recommendations.

# Section Two

## Demographic and Economic Profile of Riverside County

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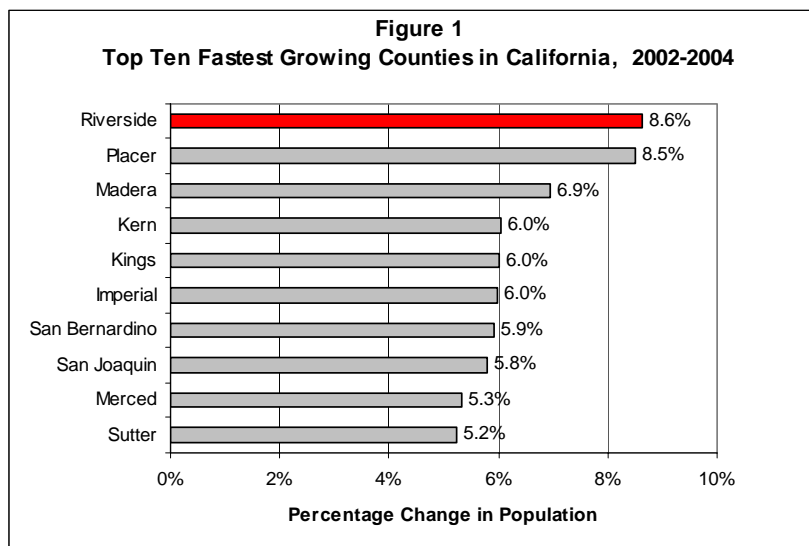
This section gives a brief overview of these trends, including: population shifts, labor force characteristics, employment demands, and the cost of child care, and discusses the implications of the trends for the child care industry.

### POPULATION SIZE AND CHARACTERISTICS

Riverside County is the fastest growing county in California, increasing 9 percent from 2002 to 2004 to reach 1.85 million residents in July of 2004 (see Figure 1). Over the same time period, the county added almost 160,000 new residents, which is more than 218 new residents per day. This net growth was more than any other county in California with the exception of Los Angeles.<sup>5</sup> While Riverside County is large and growing rapidly, with 7,300 square miles, the county's population is still significantly less dense than other surrounding counties including: San Diego, Orange, and Los Angeles.<sup>6</sup>

Historically, migration has been the primary driver of population growth in Riverside County. From 1980 to 1990, natural population increase (the difference between births and deaths) accounted for just 16 percent of population growth. From 1990 to 2003, natural population increase accounted for 31 percent of population growth in the county—almost twice as

much as the decade before.<sup>7</sup> In 2003, there were 28,000 births in Riverside County, and projections indicate that by 2013 there will be over 39,000 annual births in the county.<sup>8</sup>



<sup>5</sup> State of California, Department of Finance. *E-2 City/County Population Estimates, Revised July 2000 through Provisional July 2004*. In 2003, Riverside County was also one of the top fifty fastest growing counties in the U.S. From 1990 to 2004 Riverside County's population increased 55 percent.

<sup>6</sup> U.S. Census Bureau. *Census 2000*.

<sup>7</sup> California Department of Finance. As cited by the Inland Empire Economic Partnership Foundation's *Inland Empire 2004 Indicators Report*.

<sup>8</sup> State of California, Department of Finance, Demographic Research Unit, *Historical and Projected Births by County, 1990-2013, with Births by Age of Mother and Fertility Rates*, September 2004.



### Implications for Child Care

- From 2002 to 2004, Riverside County's growth increased the demand for all components of an effective economic infrastructure, including child care and transportation
- Childbirth is rapidly becoming a significant driver of population growth in the county—creating demand for programs that meet the needs of young children, including child care.

#### *Riverside County's Children*

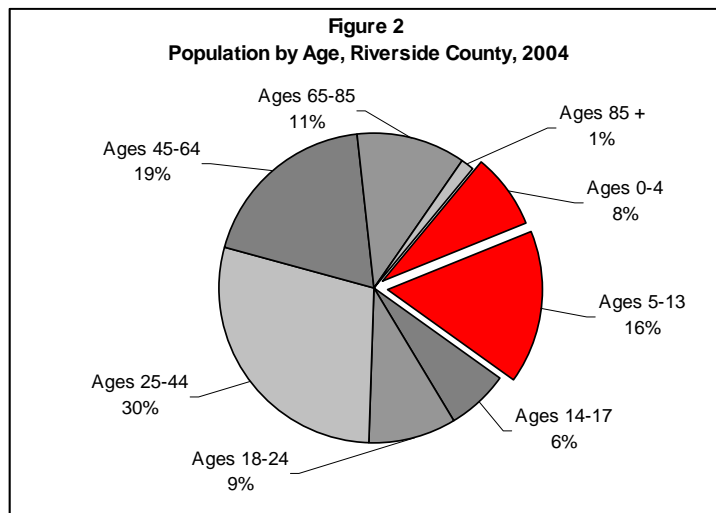
In 2003, there were 394,000 children ages 0 through 13, the age group that attends child care programs. By 2004, there were almost 408,000 children ages 0 through 13. In just one year, the county added over 14,000 additional children of this age group—38.5 additional children per day. Similarly, there were over 158,000 children ages zero through five in 2003, and by 2004 there were over 164,000 of these children, which is an increase of 6,000 additional young children.<sup>9</sup>

### Implications for Child Care

To provide full-time licensed family child care for just a third of the 14,000 children ages 0 through 13 that Riverside County added from 2003 to 2004, the county would have to build one large licensed family child care home per day or over 333 large licensed family child care homes per year. To serve a third of the additional children ages zero through five the county would have to add 234 small, licensed child care homes per year.<sup>10</sup>

Over 24 percent of Riverside County's 1.85 million residents are children ages 0 through 13 (see Figure 2). In 2004, there were an estimated 228,203 children ages 0-13 with all parents in the labor force.<sup>11</sup>

Riverside County's population is projected to grow to 2.7 million residents by 2020, a 72 percent change from 2000 to 2020. Furthermore, the population of children who attend child care programs, those ages 0 through 13, is projected to increase 66 percent over the same time period.<sup>12</sup> K-12 enrollment for Riverside County is also projected to increase 22 percent from 2003 to 2013.<sup>13</sup>



<sup>9</sup> State of California, Department of Finance. *E-2 City/County Population Estimates, Revised July 2000 through July 2004*.

<sup>10</sup> Large family child care homes are licensed to serve up to 14 children at any one time. Small family child care homes are licensed to serve up to eight children at any one time.

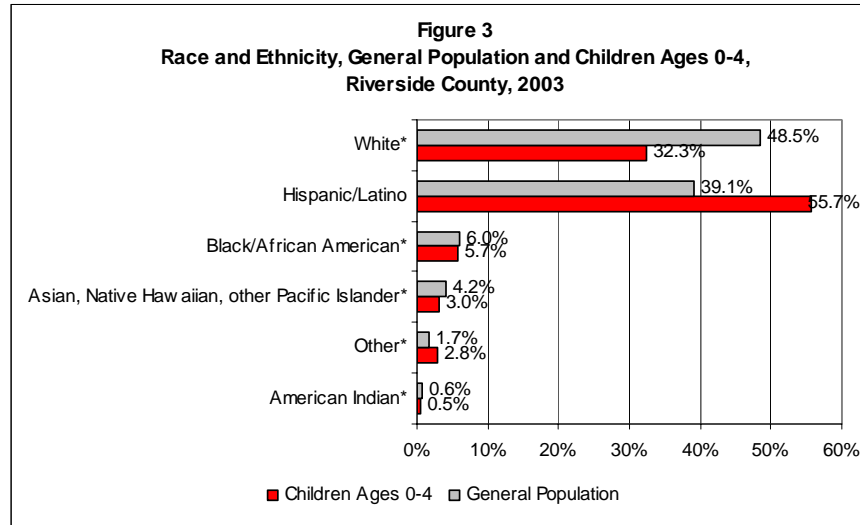
<sup>11</sup> U.S. Census Bureau. *Census 2000*. This estimate was updated to 2004 by using 2000 proportions of children with all parents in the labor force and applying them to current population estimates on the total number of children in the county.

<sup>12</sup> State of California Department of Finance. *County Population Projections with Age, Sex, and Race/Ethnic Detail, July 1, 2000-2050 in 10 year increments*.

<sup>13</sup> State of California Department of Finance. *California K-12 Public Enrollment and High School Graduate — Projections by County*

## DIVERSITY

Demographics indicate increasing racial and ethnic diversity in Riverside County, particularly for young children. In comparison to the county's general population, ethnic and minority groups account for a larger percentage of children ages zero through four (see Figure 3). In particular, children are significantly more likely to be Hispanic/Latino than the general population (see Figure 3).<sup>14</sup> Of kindergarten children attending public schools in Riverside County, almost 11 percent are English learners. The vast majority of English learners entering kindergarten in Riverside County speak Spanish, but English learners also include a number of Vietnamese-, Filipino- or Arabic-speaking children.<sup>15</sup> Hispanics are almost twice as likely to drop out of high school in Riverside County than non-Hispanics.<sup>16</sup> From 1990 to 2000, the number of households speaking Spanish in Riverside County increased 78 percent.<sup>17</sup>



As a result of this significant demographic shift, the Riverside County Office of Education—Children Services Unit and the local resource and referral agency are working to increase the supply of Spanish-speaking child care providers.<sup>18</sup> Efforts to increase the supply of quality and culturally appropriate child care programs are needed to ensure that children enter school ready to succeed.

### Implications for Child Care

The increasing diversity in Riverside County's children requires:

- A varied array of culturally appropriate child care programs
- Dual- or multi-lingual staff, in particular Spanish-speakers, to communicate with children and their parents
- Culturally sensitive curricula and care to meet parents' desires for their children's upbringing.

## GEOGRAPHIC DIVERSITY

Riverside County consists of 24 incorporated cities, where 1.3 million of the county's residents live. The county's five largest cities in descending order include: Riverside, Moreno Valley, Corona, Murrieta, and Temecula. From 1990 to 2004, most cities in the county experienced above average population growth. Temecula and La Quinta doubled in size. In addition, Blythe, Lake Elsinore, Palm Desert, Perris, Hemet, and Indian Wells all experienced growth rates of more than 90

<sup>14</sup> U.S. Census Bureau. *Census 2000*.

<sup>15</sup> California Department of Education. *Data Quest: Language Census Data, Riverside County 2003-2004*.

<sup>16</sup> *Ibid.*

<sup>17</sup> California Child Care Resource and Referral Network. *The 2003 California Child Care Portfolio*.

<sup>18</sup> *Ibid.*

percent over the same time period. By and large, cities in eastern Riverside County grew faster than cities in the rest of the county. As a result, these cities and the outlying areas around these cities experienced a severe shortage of supply in services to meet the needs of their residents, including child care. The city of Blythe in particular is the most isolated and few services are available unless residents travel west for more than one hour.<sup>19</sup>

Over 477,000 residents in Riverside County live in unincorporated areas, accounting for 27 percent of the total population. From 1990 to 2004, the population living in unincorporated areas expanded by 26 percent. Some of the county's fastest growing unincorporated areas included: Mead Valley, Eastvale, Menifee, Mecca, and Nuevo.<sup>20</sup> Riverside County's rural population faces a number of unique barriers to child care.

### Implications for Child Care

A shortage of child care options for residents in outlying areas of Riverside County limits economic prosperity. Low population density, economic obstacles, and transportation barriers often make child care businesses in rural areas financially unfeasible. The following are some innovative child care strategies for increasing supply in outlying areas:

- Improve recruitment and training efforts to increase the supply of licensed and licensed-exempt care
- Provide facilities development funding incentives for the construction and renovation of houses that do not meet statewide standards for family child care homes
- Offer technical assistance for small rural employers in creating cost-efficient child care solutions for their employees
- Supply child care in assisted-living facilities, schools, and faith-based and community organizations

## TRANSPORTATION

Three out of every ten employed workers in Riverside County commuted outside the county in 2000—almost 170,000 people.<sup>21</sup> Additionally, 44,253 residents commute more than 90 minutes one-way to work, representing about 6.5 percent of all employed commuters. Riverside County and Stanislaus County are tied for the highest percentage of these commuters in California.<sup>22</sup> Not surprisingly, residents in the city of Riverside have the fourth-longest commute in the United States.<sup>23</sup> Many parents who spend long periods of time commuting need child care that occurs outside the traditional workday. Because working parents make up a significant percentage of commuters in the county, policy makers should address their child care needs in county transportation planning.

<sup>19</sup> Riverside County Child Care Consortium. *2005 Child Care Needs Assessment*.

<sup>20</sup> State of California, Department of Finance. *E-2 City/County Population Estimates, Revised July 2000 through Provisional July 2004*.

<sup>21</sup> U.S. Census Bureau. *Census 2000*.

<sup>22</sup> U.S. Census Bureau. *2003 American Community Survey*. Stanislaus County was tied with Riverside County for the county with the highest percentage of workers who commute more than 90 minutes.

<sup>23</sup> *Ibid.*

### Implications for Child Care

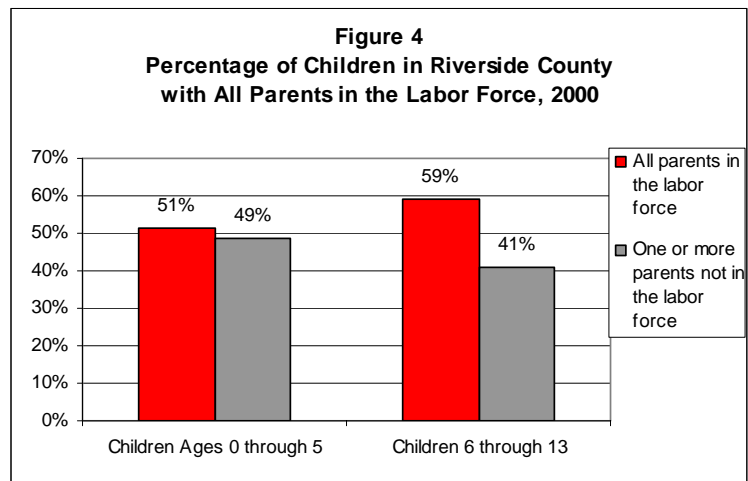
Almost 89,000 people in Riverside County commute more than one hour one-way to work. The county's extreme growth will exacerbate commute times, creating a need for child care that occurs outside the traditional workday. In addition, policymakers should include child care in transportation plans.

## WORKING PARENTS

Riverside County's workforce is significantly younger than other counties in Southern California and the state as a whole.<sup>24</sup> Younger families are more likely to have young children. In 2004, 842,640 people participated in Riverside County's labor force. Two in ten labor force participants in Riverside County are working parents with children under 13 living in a household where all parents work and almost one in ten has child ages zero to five.<sup>25</sup>

Female labor force participation, an indicator of child care need and accessibility, is lower in Riverside County than in the state of California, 51 and 55 percent respectively.<sup>26</sup> This may indicate that a shortage of child care may be impeding female labor force participation in the county.

The majority of the county's children live in households where all parents are in the labor force (see Figure 4). Over 51 percent children ages zero through five live in households where all parents participate in the labor force. Likewise, over 59 percent of children ages 6 through 13 live in households where all parents work.<sup>27</sup>



Nearly a quarter of the county's workforce works nontraditional hours. However, only three percent of the county's licensed centers offer care during these hours.<sup>28</sup>

### Implications for Child Care

- Most children live in families where all parents work.
- Nearly 25 percent of the county's labor force works nontraditional hours, but only 3 percent of the county's licensed child care centers operate during non-traditional hours. An increase in the supply of child care during hours that are not part of the traditional workday is needed to enable these parents to work.

<sup>24</sup> U.S. Census Bureau with data consolidated from Local Employment Dynamics <http://lehd.com>. As cited in the Inland Empire Economic Partnership Foundation's *Inland Empire: 2004 Indicators Report*.

<sup>25</sup> California Employment Development Department. *Annual Unemployment Rates, 2004*.

<sup>26</sup> U.S. Census Bureau. *Census 2000*.

<sup>27</sup> *Ibid.*

<sup>28</sup> California Child Care Resource and Referral Network. *The 2003 California Child Care Portfolio*. Orange County's licensed child care system also only had the capacity to serve 18 percent of children with all parents in the labor force.

## LABOR FORCE OUTLOOK

From 1990 to 2000, the Riverside County labor force grew by 56 percent adding almost 305,000 people, and overall grew more diverse and increasingly female.<sup>29</sup>

The population of people ages 20 to 64, the age group that makes up the vast majority of the labor force, is projected to expand 170 percent from 2000 to 2050.<sup>30</sup>

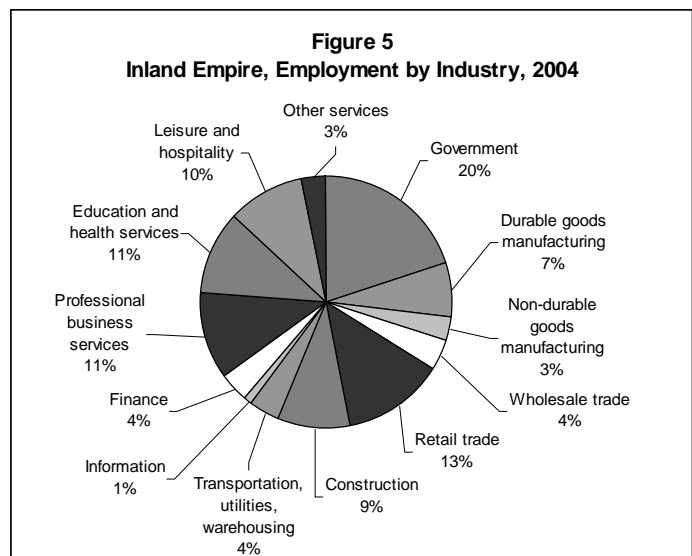
While Riverside County has a greater percentage of high school graduates than most surrounding counties and the state, only 17 percent of people ages 25 and over have a bachelor's degree. This percentage is significantly lower than the following counties: Los Angeles, San Diego, and Orange, and it trails California by more than 10 percent.<sup>31</sup> In order to attract and retain new industries that pay higher wages, Riverside County must stay competitive with other areas in the state. In the Southwest Riverside County Business Survey in 1999, 47 percent of businesses reported that they experienced difficulties in finding qualified employees.<sup>32</sup>

### Implications for Child Care

- In order to enable workforce development, an affordable, quality child care system is needed to assist parents who are trying to obtain education and/or update their skills.
- By investing in the education and professional development of its current and future workforce, Riverside County has the opportunity to attract businesses that will increase the economic prosperity of residents in the county.

## EMPLOYMENT

From 1990 to 2003, the Inland Empire added almost 373,000 net jobs. By 2003, there were over 1.1 million jobs in the region, a 51 percent increase. One of the strengths of the Inland Empire's economy is its diversity; no single industry dominates employment (see Figure 5). The industries that employ the largest number of people include: government (20 percent), education and health services (11 percent), leisure and hospitality (11 percent), and manufacturing (10 percent; see Figure 5). Like most parts of the state and country, the service sector has seen the greatest increase in job creation over the past decade. While the manufacturing sector has struggled both statewide and nationally, the Inland Empire has seen an increase in the number of manufacturing jobs.<sup>33</sup>



<sup>29</sup> California Employment Development Department. *Historical Labor Force Information, Riverside County 1990-2004*. U.S. Census Bureau. *Census 1990 & Census 2000*.

<sup>30</sup> State of California Department of Finance. *County Population Projections with Age, Sex, and Race/Ethnic Detail, July 1, 2000-2050 in 10 year increments*.

<sup>31</sup> Ibid.

<sup>32</sup> City of Temecula. *Southwestern Riverside County Business Census, 1999*.

<sup>33</sup> California Employment Development Department. As cited in Inland Empire Economic Partnership Foundation's *Inland Empire 2004 Indicators Report*.

In addition, small businesses are more prevalent in the Inland Empire. Approximately, 73 percent of residents in the region are employed in companies with less than 250 employees, which is significantly higher than the statewide average of 69 percent.<sup>34</sup>

#### Implications for Child Care

Small businesses are prevalent in the region. Smaller companies in particular struggle to provide benefits for their employees, including child care benefits.

In Riverside County, the construction, government, service, and retail trade industries are expected to continue employing an increasing share of the county's labor force. Of these major industries, the construction industry is expected to grow the fastest—50.7 percent. The service industry is expected to grow the second-fastest (nearly 29 percent), adding 36,100 jobs from 2001 to 2008. Within the service sector, professional, business, and health services are expected to grow the fastest 36, 32, and 28 percent respectively. Currently, the county faces an extreme shortage of health care professionals.<sup>35</sup> The county experiences a shortage of 71 pediatricians and 78 dentists.<sup>36</sup> In addition, significantly increased employment in retail trade is expected.<sup>37</sup>

The growth areas in professional and business services indicate a continued need to support the professional development of Riverside County's workforce, and increases in other services and in retail trade create jobs with lower wages that often require work outside of traditional workday hours.

#### Implications for Child Care

Increased employment demand in lower-wage service and retail areas highlights the necessity for quality, affordable, accessible child care as well as child care options outside of traditional workday hours.

Quality child care experiences are critical now to prepare the future workforce for the growth in technology, business, and research occupations over the long-term.

## CHILD CARE AND THE FAMILY BUDGET

Child care programs are a significant expense for families in most income brackets. The average annual cost for full-time, licensed, center-based child care for an infant is \$9,620, and full-time, center-based care for a preschooler costs on average \$6,760 in Riverside County.<sup>38</sup> Full-time unsubsidized child care costs are more than the undergraduate tuition for California residents at UC Riverside (\$6,684 for two semesters).<sup>39</sup> For a family at median income (\$48,409) with an infant in full-time home-based care, these child care costs take up 20 percent of the total family budget.<sup>40</sup> For a family at median income that has both a preschooler and infant in full-time care, child care costs take up more than 34 percent of total income.<sup>41</sup> Families are likely to have fewer resources when parents and children are young, thus increasing the child care burden for young families.<sup>42</sup>

<sup>34</sup> California Employment Development Department. As cited in Inland Empire Economic Partnership Foundation's *Inland Empire 2004 Indicators Report*.

<sup>35</sup> Ibid.

<sup>36</sup> First 5 Riverside. *Does Riverside County Have Sufficient Mental Health Workers, Dentists, Pediatricians, OB/GYNs and Nurses to Meet the Current and Future Needs of Children From 0-5?* September 2004.

<sup>37</sup> California Employment Development Department. As cited in Inland Empire Economic Partnership Foundation's *Inland Empire 2004 Indicators Report*.

<sup>38</sup> Riverside County Office of Education. 2005 Survey of Licensed Child Care Providers.

<sup>39</sup> U.C. Riverside. *U.C. Riverside Financial Assistance: 2004-2005 Estimated Academic Year Budget for Undergraduate Students*. Room, board, transportation and other costs are not included. [http://futurestudents.ucr.edu/pdf/financial\\_aid04.pdf](http://futurestudents.ucr.edu/pdf/financial_aid04.pdf)

<sup>40</sup> U.S. Census Bureau. *Census 2000*.

<sup>41</sup> Ibid. This figure is based on the assumption that the infant and preschooler are in full-time center-based care.

<sup>42</sup> G. Becker and N. Tomes. "Human Capital and the Rise and Fall of Families." *Journal of Labor Economics*, Vol. 4(3):S1-S39, 1986.

In 2004, there were 4,079 income-eligible children on the waiting list for child care vouchers. There were an additional 10,804 income-eligible children on waiting lists for fully funded subsidized child development programs in the county (see Section 3 for more details.) Many more income-eligible families do not receive support and do not place themselves on the long list.<sup>43</sup>

### Implications for the Child Care Industry

Almost 15,000 children eligible for subsidized child care are on the waiting list for child care vouchers and state funded child development programs. As families continue to transition from welfare to work in accordance with welfare reform, affordable child care will be essential in supporting their sustained employment and economic self-sufficiency.

There are many low and moderate-income families who are ineligible for child care assistance, but still struggle to meet child care costs. As families continue to transition from welfare to work, there will be an additional demand for affordable child care that can meet the needs of families earning just enough income to be ineligible for child care assistance and not enough income to afford child care, an essential component of their sustained employment.

The *Self-Sufficiency Standard* measures the amount of income needed for a family to adequately meet its needs without government assistance. Riverside County's self-sufficiency wage is \$35,732 for an adult with two young children (for more scenarios please see Appendix B).<sup>44</sup>

While Riverside County's self-sufficiency index is low compared to more affluent counties in California, the percentage of jobs in Riverside County whose full-time yearly pay is below this standard is high. The median hourly wage for all occupations in Riverside County is \$13.57—significantly lower than the self-sufficiency wage for a single adult with an infant (\$15.70/hour). Of the top ten jobs with the greatest absolute projected growth in Riverside County from 2001 to 2008, only three paid an hourly self-sufficiency wage (\$12.73/hour for a single-parent family with one preschooler).<sup>45</sup>

### *Housing*

One of Riverside County's strongest attributes for attracting businesses and high-skilled workers to the area is its relatively low cost of living and high quality of life. Riverside County continues to be one of the most affordable places to live in California. However, housing prices have steadily increased. In May 2005, the median cost of a home in Riverside/San Bernardino was \$364,000 according to the California Association of Realtors, which is significantly lower the statewide median cost—\$522,590. However, the median housing costs in the county increased 25 percent from 2004 to 2005. Riverside County's housing affordability has been in steady decline with only 18 percent of households capable of affording a median-priced home in May 2005, a significant decline from 2003 when 32 percent of households could afford a house at median price. In comparison, 24 percent of households in San Bernardino County can afford a house at median price.<sup>46</sup>

<sup>43</sup> Riverside County Office of Education. State Fiscal Year 2004 Information.

<sup>44</sup> Wider Opportunities for Women. *The Self-Sufficiency Standard for California 2003*. 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. The Self-Sufficiency Standard varies depending on the location and size of the family.

<sup>45</sup> California Employment Development Department. *Occupational Employment (2003) & Wage (2004) Data. Occupation Projections, 2001-2008*. Wider Opportunities for Women. *The Self-Sufficiency Standard for California 2003*.

<sup>46</sup> California Association of Realtors. "C.A.R. Reports California's Housing Affordability Index Falls Three Points to 16 percent in May, 2005. Housing affordability is based on the number of households who could afford a house at median cost if they spent no more than 30 percent of their annual income on payments based on an average effective interest rate of 5.8% and a 20 percent down payment.

Rents have also increased significantly in Riverside County. For example, the fair market rate for renting a two-bedroom apartment increased from \$621 per month in 2000 to \$752 per month, or \$9,024 annually in 2004, a 21 percent increase. In 2004, the annual wage needed to afford a two-bedroom apartment was \$30,776. A two-bedroom apartment at market rate would account for 43 percent of a single parent's household budget, if they earned \$10 per hour.<sup>47</sup> As of May 2004, there were over 30,173 families on waiting lists for public housing assistance in the county, and over half of these families (17,812) have children.<sup>48</sup>

### Implications for Child Care

While Riverside County's housing is relatively affordable compared to other counties in California, prices are rising rapidly. From 2003 to 2004, housing prices increased 35 percent and only 18 percent of households in the county can afford a median priced home. Rising housing costs decrease the amount of money that families have for other household expenditures, including child care. Rising real estate and housing costs presents a barrier to child care providers wishing to either enter the market or expand their current program.

#### *Children Living in Poverty*

In 1999, over 40,000 families lived under the federal poverty line in the county—almost 11 percent of all families.<sup>49</sup> The percentage of families living under the federal poverty line increases for families with younger children. While 18 percent of families in Riverside County with children 18 and under are in poverty, 20 percent of families with children under five live below the poverty line. Furthermore, the percentage of families living in poverty increases significantly for single-mother families, those most dependent on child care services for labor force participation. Roughly 35 percent of single-mother families with children five and under live in poverty.<sup>50</sup> Families living in poverty depend on child care subsidies in order to participate in the labor force or attend school.

### SECTION SUMMARY

Riverside County's shifting economic and demographic landscape creates a challenge for its child care industry. Changing and evolving economic and social conditions – population shifts, growing diversity, increased labor force participation by parents, and continuing welfare reform – fuel continued need for accessible, affordable, and quality child care programs.

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<sup>47</sup> National Low Income Housing Coalition. *Out of Reach: America's Growing Wage-Rent Disparity, 2000 and 2004*. Hourly wage is based on the assumption that rent is 30% of total income.

<sup>48</sup> Housing Authority of Riverside County. *Housing Needs of Families on PSA's Waiting List, May 2004*.

<sup>49</sup> U.S. Census Bureau. *Census 2000*.

<sup>50</sup> U.S. Census Bureau, Table DP-3. Profile of Selected Economic Characteristic: 2000.



# Section Three

## Economic Profile of the Child Care Industry

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To assess the economic characteristics of the child care industry in Riverside County, this section quantifies:

- The size of the industry, as reflected in output or gross receipts
- The total direct employment of the industry
- The capture of federal and state monies designated for child care
- The size and characteristics of the child care market

The section also addresses factors necessary to increase the industry's capacity to meet the needs of Riverside County's children, families, and economy. As stated earlier in the report, the economic analysis covers the licensed child care industry and excludes license-exempt child care. Thus, the findings are underestimates of the full impact of child care.

In addition, the analyses in this section do not include revenue and employment in indirect support services of the child care infrastructure, including research, oversight, administration, and training activities at government, non-profit, and for-profit establishments.

### MEASURING 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 the child care industry, 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.

State and national surveys do include "child day care services" as an industry classification, but they underestimate the size of the industry because of its diversity of establishments, which includes self-employed individuals, programs run by religious or social organizations, and not-for-profit and for-profit small businesses and chains.<sup>51</sup> This study uses a more accurate method of measuring the size of the child care industry, primarily relying upon data from the Riverside County Office of Education's Division of Children and Family Services, the Riverside County Child Care Consortium, First 5 Riverside, and the Department of Public Social Services. The information from these entities provides a comprehensive picture of the child care industry in the county.

For licensed child care centers (excluding Head Start) and licensed family child care homes gross receipts were calculated by multiplying average yearly consumer price by usage. Usage was defined as licensed capacity less reported vacancy rates. To ensure that gross receipts were accurately captured, child care costs and usage information were broken down by type of establishment (licensed child care centers and licensed family child care homes.) For center-based programs, price and slot fulfillment were further broken down by age of child (infant, toddler, preschool age and school age). Annual government expenditure information was used for all Head Start programs. For a detailed methodology, please see Appendix C.

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<sup>51</sup> The North American Industry Classification System (NAICS) is the most used classification system, separating industries into 20 major sectors, and 1,196 industry subsectors. "Child Day Care Services" is NAICS code 624410.



Based on the methodology briefly described above, the estimated value of annual gross receipts for the licensed child care industry in Riverside County is \$230.8 million:

- \$132.9 million licensed child care centers<sup>52</sup>
- \$68.2 million for licensed family child care homes
- \$25.8 million for Head Start programs
- \$2.0 million for Early Head Start programs
- \$2.0 million for the Child Care Food Program

The majority of gross receipts are paid by parents, but a portion are paid by government programs that assist in making child care programs affordable for low-income families. This gross receipts value includes any subsidies from employers to parents, since they would make up a portion of the consumer price paid towards child care programs the parents purchase for their children. This analysis does not include any employer monies invested in a program outside of consumer price. For example, if a company made a grant to an onsite or near-by establishment, which enabled the establishment to offer services at a lower cost to parents, only the cost to parents would be captured. This estimate also excludes investments from philanthropic organizations.

The child care industry generates \$230.8 million in gross receipts in Riverside County.

## GROSS RECEIPTS COMPARED WITH OTHER INDUSTRIES

Comparing the child care industry's gross receipts with other industries in the county puts the gross receipts calculation into context. Riverside County industries range widely in size, from \$1.8 million for rooming and boarding houses to \$5.2 billion for motor vehicle and parts dealers.<sup>53</sup>

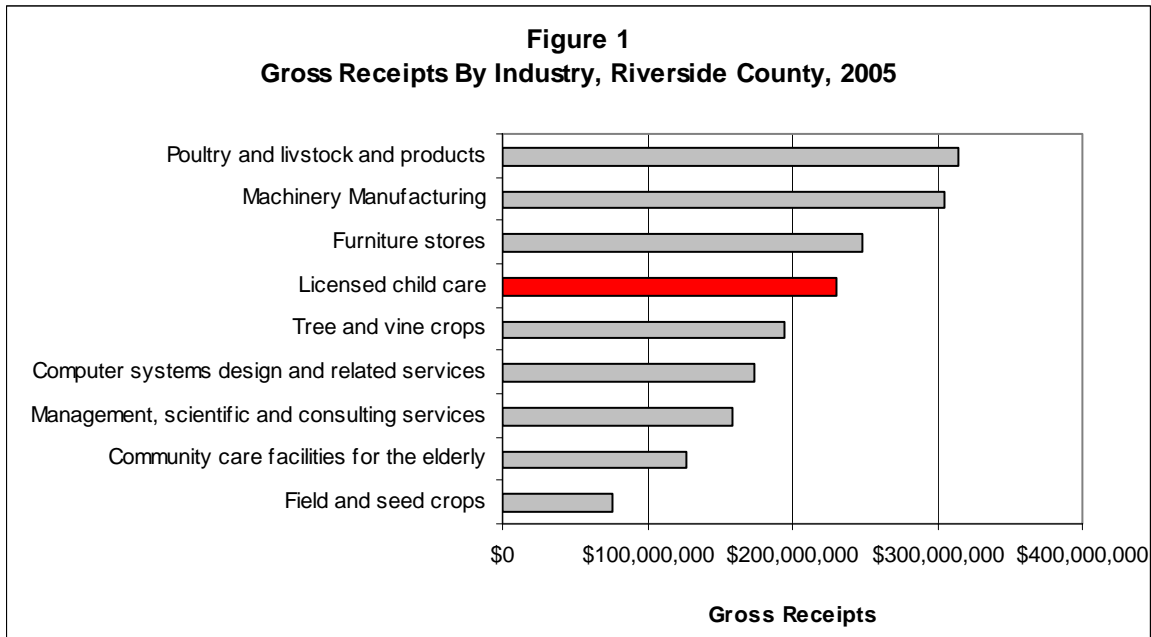
Comparing the child care industry with Riverside County's other industry sectors indicates that licensed child care generates more gross receipts than tree and vine crops (\$194.3 million), field and seed crops (\$76.3 million), and computer systems design (\$173.2 million; see Figure 1). The industry is also similar in size to machinery manufacturing (\$305.0 million) and poultry and livestock and products (\$314.0 million; see Figure 1). The licensed child care industry generates almost 23 percent as many gross receipts as the county's entire agriculture industry (\$1.1 billion).<sup>54</sup>

The child care industry generates more gross receipts than tree and vine crops and computer systems design. The child care industry generates almost 23 percent as many gross receipts as the entire agriculture industry in the county.

<sup>52</sup> Licensed child care centers include all private license child care centers and public child development centers funded through the California Department of Education.

<sup>53</sup> U. S. Census Bureau. 2002 Economic Census. Adjusted to 2005 values using the CPI.

<sup>54</sup> With the exception of machinery manufacturing, tree and vine crops, field and seed crops, poultry and livestock and products and licensed child care, all gross receipts estimates are based on the U.S. Census Bureau's 2002 Economic Census, and adjusted to 2005 values using the CPI. Machinery manufacturing gross receipts are based on the U.S. Census Bureau's 1997 Economic Census and updated to 2005 using the CPI (gross receipts were not available for manufacturing were not available in the 2002 Economic Census at the time of the release of this report). All agricultural receipts estimates are derived from the Riverside Agricultural Commissioner's 2002 *Farm Report*, and updated to 2005 dollars using the CPI. Tree and vine crops includes grapes and field and seed crops include hay and alfalfa. Poultry and livestock and products include cattle, chicken, etc. and products (eggs and milk).



## DIRECT EMPLOYMENT

Direct employment for child care in 2005 in Riverside County is estimated to be 5,886 full-time equivalent jobs (FTEs) including:

- 2,990 FTEs in child care centers
- 2,365 FTEs in licensed family child care homes
- 531 FTEs in Head Start, Early Head Start, and Migrant Head Start programs

This figure is derived from the number of children in different types of programs, assuming compliance with minimum staffing requirements imposed by licensing laws for different age groups, and minimal support staffing in centers (for specific staff-to-child ratios please refer to Table 2 in Appendix A). Direct employment figures for all Head Start programs were derived by estimates from administrators from the various programs (please see Appendix A for a detailed methodology).

The total number of people working in the child care industry is most likely higher because so many child care professionals work part-time.<sup>55</sup> The estimate also understates the total child care economic activity because it only counts licensed establishments (excluding license-exempt individual care-giving by nannies, babysitters, relatives, or neighbors). In addition, some child care operators choose to maintain higher staff-to-child ratios than required by state law in order to improve program quality, to achieve specific quality goals that increase their business' competitiveness, or to qualify them for accreditation from the National Association for the Education of Young Children.

The child care industry directly supports 5,886 full-time equivalent jobs.

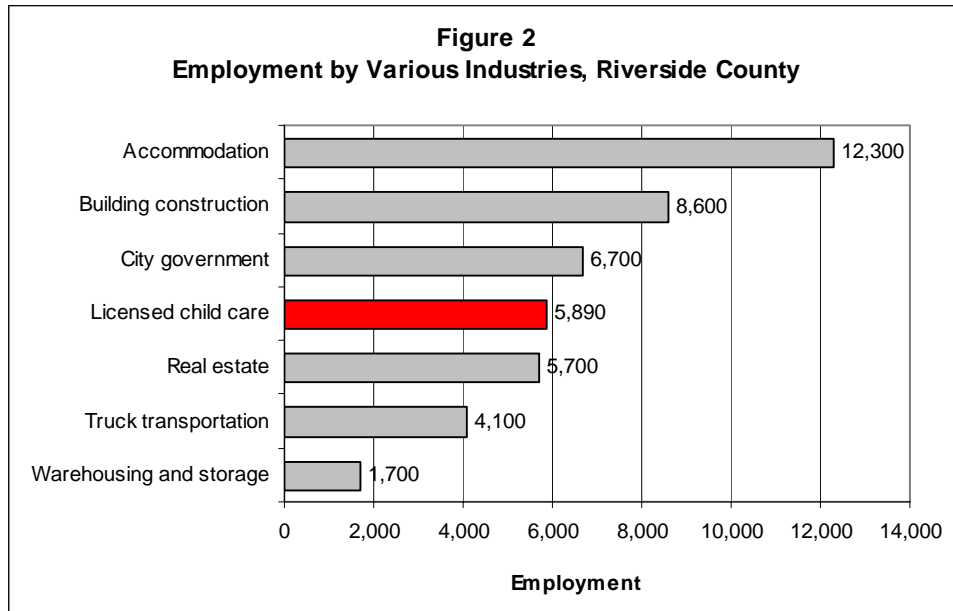
<sup>55</sup> M. Whitebook, F. Kipnis, L. Skai, I. Voisin, and M. P. Young. *The California Child Care Workforce Study: 2001 Preliminary Results and Future Plans, 2003*. This study analyzed the workforce of seven counties in California (Alameda, Kern, Monterey, San Francisco, San Mateo, Santa Clara, and Santa Cruz). The survey found that only a slight majority of assistant teachers work full-time (48 percent to 65 percent) and the percentage of teachers who work full-time ranged from (72 percent to 78 percent). This demonstrates that in California a significant number of child care workers work part-time.

## DIRECT EMPLOYMENT COMPARED WITH OTHER INDUSTRIES

To put employment findings in context, the number of FTEs in child care is compared to employment in other industries. This number is similar to the number of employees in real estate (5,700 jobs) and city government (6,700 jobs; see Figure 2).<sup>56</sup>

The child care industry employs more people than real estate, truck transportation and warehousing and storage. The industry employs almost as many employees as city government.

There are more FTEs in child care in the county than there are workers in all truck transportation (4,100 jobs) and warehousing and storage (1,700 jobs) combined (see Figure 2).<sup>57</sup>



## MEASURING INDIRECT AND INDUCED EFFECTS

Child care is linked to the rest of the local economy through a number of avenues. Child care providers purchase supplies from other businesses and child care employees spend their earnings in part, on locally produced goods and services. These linkages can be measured using an input-output model and its associated multipliers, a methodology used by some economic development specialists. Many informed observers have indicated that these effects are not part of a conservative approach and thus these analyses are not included in the main body of this report. An analysis of these linkages for employment in other industries is included in Appendix D.

## CAPTURE OF FEDERAL AND STATE SUBSIDIES

The state and federal governments provide support for child care by funding child care assistance for low-income families and by directly funding child development programs. The availability of federal and state child care investments plays an important role in supporting local economic development and the sustained employment of low-income families. Furthermore, these

<sup>56</sup> Data is from the 2003 Riverside County Covered Employment and Wages (ES-202) survey.

<sup>57</sup> Ibid.

funds promote the development of Riverside County's low-income children for economic success in the future. There are a number of programs that provide direct services in local communities. They are described here with the most recent funding information available.

Subsidies are provided in three 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, an "Alternative Payment" (AP) program which enables families to choose their own licensed or license-exempt child care provider, and direct payments to providers to improve child care quality.

The Riverside County Office of Education Division of Children and Family Services (DCFS) provides subsidized child care assistance available to low-income families. DCFS supports a portion of the cost of child care services to assist parents who are maintaining employment or attending education/training classes that lead to employment. Families may choose their own licensed or license-exempt provider.

### 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.

Subsidized child care assistance, 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). California created its own version of welfare to comply with the new federal system, called CalWORKs (California Work Opportunity and Responsibility to Kids). CalWORKs replaced separate welfare-related child care systems with an integrated three-stage child care system. "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). In 2004, low-income families in Riverside County received \$48.9 million in CalWORKs and \$6.17 million in AP payments for child care. Of the \$55.07 million in voucher payments for child care services, an estimated \$27.45 million were spent for license exempt care, roughly 50 percent.<sup>58</sup>

The comprehensive child development programs of Head Start make up a significant portion of public funding for child care. Head Start/Early Head Start programs serve children from birth to age five, and pregnant women and their families in child-focused programs designed to increase school readiness of young children in low-income families. In 2004, Riverside County spent more than \$28 million in federal and state funds for Head Start, Early Head Start, and Migrant Head Start programs.<sup>59</sup>

<sup>58</sup> Riverside County Office of Education Division of Children and Family Services and the Riverside County Department of Public Social Services. License-exempt estimates for CalWORKs Stages 2 and 3, GAPP and FAPP payments were made from usage amounts in SFY 2004-2005 and applied to SFY 2003-2004 expenditures.

<sup>59</sup> Riverside County Office of Education Division of Children and Family Services. State Fiscal Year 2004 information.



The California Department of Education supports a number of child development programs throughout the county. For example, the California Department of Education funds state preschools, general child development centers, latchkey centers, and federal block grant centers. In 2004, the California Department of Education invested \$29.6 million for these programs in Riverside County.<sup>60</sup>

The United States Department of Agriculture contracts with multiple local sponsors to operate a child care food program, which contributes dollars to the local economy in the amount of \$2.0 million for Riverside County in 2003. These funds enable providers to supply nutritious meals for children from low-income families.<sup>61</sup>

First 5 Riverside makes grants within Riverside County from tobacco tax revenue collected by the state. First 5 Riverside made \$250,000 in grants for respite care and child care for grandparents who work and care for young grandchildren, and the organization also independently funds an alternative payment program for child care services. In 2004, \$1.7 million was invested in this program, which served 300 children.<sup>62</sup>

In addition to investments for direct child care services for children and their families, state and federal governments invest in the child care workforce. The Riverside County Child Care Careers Academy is run by the Riverside County Child Care Consortium and is funded by the California Department of Education: Child Development Division (AB-212), First Five California, and First Five Riverside. The goal of the program is to promote job retention and stability in the child care field while increasing child development education and professional development; both of which increase the quality of child care that is available for children in Riverside County. The stipends that the program offers to child care providers are based on retention as well as completion of college coursework and/or professional development training. Stipends range from \$250 to \$1,700 and are paid annually. In 2004, the Careers Academy awarded stipends to 684 applicants and awarded textbook reimbursements and bonuses for providers who completed nine or more Early Childhood Education units. The total amount awarded directly to the child care workforce in 2004 from this program was \$705,261.<sup>63</sup>

The California Department of Education also made grants totaling over \$39,000 for the Child Care Initiative Program, an initiative of the Riverside County Office of Education designed to train parents and recruit child care providers to the profession.<sup>64</sup> First 5 Riverside invested \$436,000 in 2005 for the Riverside County Superintendent of School's Child Care Capacity program, which is a series of trainings for family child care providers in the following areas: business practices, child abuse awareness and prevention, early literacy, brain development, ages and stages 0-5, discipline and challenging behaviors, fire safety and disaster preparedness, children with special needs, health and nutrition, and age appropriate curriculum.<sup>65</sup>

In 2004, Riverside County drew down roughly \$117.8 million in child care-related funds from federal and state funds.<sup>66</sup> Some of the funds for direct services were distributed through licensed child care facilities; however, a significant percentage of families receiving CalWORKS and Alternative Payments spent their funds on license-exempt providers, who are not included in gross receipts or direct employment analyses. Thus these funding levels should not be compared to the gross receipts analysis described earlier in this section.

In 2004, Riverside County drew down approximately \$117.8 million in federal and state child care investments.

<sup>60</sup> Riverside County Office of Education, Division of Children and Family Services and First 5 Riverside.

<sup>61</sup> California Department of Education, Nutrition Services Division. *Federal Fiscal Year 2002-2003 County Profile for California CACFP – Child Care Component: Riverside County*. Sacramento: July, 2004. This is the most recent annual information available.

<sup>62</sup> Ibid.

<sup>63</sup> Riverside County Child Care Consortium, 2005.

<sup>64</sup> First 5 Riverside, 2005.

<sup>65</sup> Interview. Sharon Baskett, First 5 Riverside, National Economic Development and Law Center. July 2005.

<sup>66</sup> With the exception of the Child Care Food Program, all subsidy information is based on state or federal fiscal year 2004.

Child care subsidies benefit Riverside County in several ways. First, 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. Third, investment in high quality child care programs generate high future public savings in criminal justice, remedial education, and other areas. Please see Section 4 for a more detailed analysis of the public savings stemming from quality child care.

In 2004, there were nearly 15,000 income-eligible children on waiting lists for subsidized child care. Of these 15,000 children, 10,804 income-eligible children were on waitlists for fully-funded government child care programs including state preschool.<sup>67</sup> A shortage of facilities that can offer these programs reduces the amount of state and federal investments that the county receives and ultimately the total economic impact that child care has on the county. Increasing the supply of facilities that offer these programs presents the county with viable opportunity to significantly increase public investment in their youngest at most at-risk citizens.

15,000 income eligible children are on waitlist for subsidized child care, including almost 11,000 children on waitlists for directly subsidized child care programs. A shortage of facilities that can offer fully subsidized child care limits that amount of investment that the county receives from the state and federal government.

Because lower-wage occupations lead much of Riverside County's projected job growth, the availability of federal and state child care subsidies continue to play an increasingly important role in supporting local economic development. Targeted local investments in child care help 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 CHILD CARE MARKET

There are 2,328 licensed child care programs in Riverside County, including:

- 1,471 small licensed family child care homes
- 447 large licensed family child care homes
- 331 in licensed child care centers
- 75 Head Start programs
- 3 Early Head Start programs
- 1 Migrant Head Start program<sup>68</sup>

In 2005, the licensed child care industry can serve no more than 45,300 children at any one time, just 20 percent of children from birth through age 13 with all parents in the workforce. In 2003, Riverside has the lowest percentage of licensed capacity per child with all parents working of any county in California.

Currently, the licensed child care industry in Riverside County has an estimated 45,300 licensed active spaces.<sup>69</sup> In 2004, there were an estimated 228,025 children ages 0 through 13 with all parents in the labor force.<sup>70</sup> The licensed child care industry has the capacity to serve just 20 percent of those children at any one time.

<sup>67</sup> Riverside County Office of Education. State Fiscal Year 2004 Information. "Licensed active spaces" refers to the capacity of licensed child care providers who are active in the resource and referral database.

<sup>68</sup> Riverside County Office of Education Division of Children and Family Services and First Five Riverside.

<sup>69</sup> Riverside County Office of Education Division of Children and Family Services, 2005.

<sup>70</sup> U.S. Census Bureau. *Census 2000*.

A similar estimate was done 2003 by the California Child Care Resource and Referral Network, which found that the industry had the capacity to serve just 18 percent of children with all parents in the labor force. This county-by-county analysis indicated that Riverside County was tied with Orange County for having the lowest percentage of child care capacity per child with all parents in the labor force of any county in California.<sup>71</sup> Not all families prefer licensed child care arrangements- some may arrange work schedules so that one parent is home with children and others may place children with family, friends or neighbors. However, Riverside County's shortage of licensed child care capacity, especially the shortage of subsidized child care, suggests that many parents may have no other option but to use informal care arrangements.

## MAXIMIZING BENEFITS OF CHILD CARE

The child care industry is expected to one of the top fifty occupations from 2001 to 2008 in terms of industries that are adding jobs.<sup>72</sup> This is based on recent growth of the industry and expectations that demographic and economic trends contributing to that growth will continue. There are challenges, however to the increased demand for quality, affordable, and accessible programs. These include:

- Shortage of integration with economic development activities
- A shortage of facilities
- Barriers to increased quality
- Insufficient investment by other industries and government

Although child care programs are part of the economic infrastructure that enables parents to work and obtain education and training, they are often not included in traditional economic development activities designed to stimulate the county's economy. For example, though child care providers are one of the largest groups of self-employed individuals in Riverside County and represent a significant portion of small businesses in the county, resources available to other small businesses and entrepreneurs in Riverside County, such as business skills training and technical assistance in getting loans, are often not available or targeted to them.

In addition, language in city and county-wide general plans does not require developers to address child care and there are few public incentives for developers who do consider child care need in developments. As a result, developers often leave child care out of new housing, commercial, transportation and education developments, despite the evidence that there is an extreme shortage of licensed child care already in the county.

There are a few exceptions. Benchmark Pacific, for example, surveyed the community of Romoland and found that child care was something that the community desperately needed. They responded by including a child care center in their proposed plan for development. As Benchmark Pacific notes, "We've developed a reputation for designing communities that prioritize quality living. By working closely with members of the community, we can quickly identify local needs and weave these into our design and development plans. It's an approach that generates long-term community benefits and lasting goodwill with decision-makers. In the case of Romoland, child care was one of the local needs we identified and we have adjusted our development plan to meet this need."<sup>73</sup>

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<sup>71</sup> California Child Care Resource and Referral Network. *The 2003 California Child Care Portfolio*. This includes single-parent households where the parent participates in the labor force and dual-parent working households.

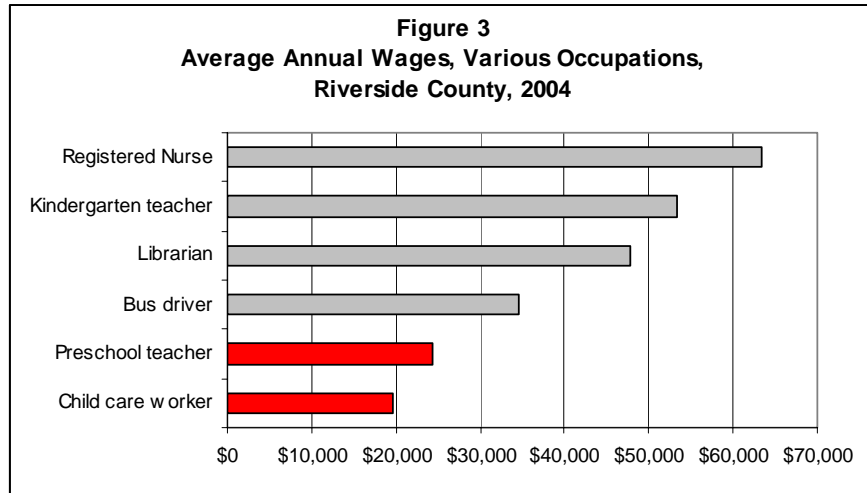
<sup>72</sup> California Employment Development Department. *Occupations with the Greatest Growth, 2001-2008*, Riverside County.

<sup>73</sup> Interview. Rick Robotta, Benchmark Pacific. National Economic Development and Law Center. June 2005.



Also, to improve quality, increasing the educational credentials of the early care and education workforce is critical. Three key indicators for quality child care are education, wages, and longevity of care. Low wages, poor benefits, and a shortage of resources for higher education opportunities lead to high turnover and an unstable and less educated workforce. In 2004, the average hourly wage of a “child care worker” in Riverside County was just \$9.45. If that worker worked full-time, he/she would earn an annual wage of just \$19,656. Likewise, “preschool teachers” earned just \$11.67 per hour or \$24,278. In comparison,

kindergarten teachers earn on average \$53,448 per year, and bus drivers earn \$34,499 (see Figure 3 for more comparisons).<sup>74</sup> It is not surprising that industry struggles to retain skilled professionals when they can make substantially more in other occupations.



A survey of the child care workforce in eight counties in California in 2001 assessed turnover rates among child care professionals. Turnover ranged from just 16 percent for assistant teacher in San Francisco to 35 percent of assistant teachers in San Mateo County with the majority of counties having at least 28 percent turnover. Turnover rates for teachers ranged from 15 percent in San Francisco to 29 percent in Santa Clara with the vast majority of counties having at least a 25 percent turnover rate for their teachers.<sup>75</sup>

The same survey also assessed the educational attainment of the workforce in these seven counties. Family child care providers in the counties surveyed were significantly less likely to have a bachelor’s degree than the general population. No county experienced higher than 25 percent of their family child care providers having a bachelor’s degree. Child care center assistant teachers and teachers were significantly more likely to have a bachelor’s degree than family child care providers but teachers and assistant teachers were still less likely than the general population to have a bachelor’s degree.<sup>76</sup>

The Riverside County Child Care Careers Academy, run by the Child Care Consortium, is one example of a program aimed to promote job retention and stability in the child care field while increasing child development education and professional development. There are some recognized barriers for people wishing to access college-level early childhood development programs in Riverside County. As, Leslie Young, Assistant Early Childhood Professor at the College of the Desert says, “The early childhood education program is the fastest growing program on campus and our classes are always full. However there are a number of barriers to accessing these classes. Transportation is one of the biggest. Besides Palo Verde College in Blythe, we are the only college that offers an early childhood development program in Eastern Riverside County, leaving many students with no other option but to drive long hours to class each week. Second, the costs of classes

<sup>74</sup> California Employment Development Department. *Occupational Employment and Wages Data*. Wages data based on 2004 3<sup>rd</sup> Quarter. Wages defined for “child care worker.”

<sup>75</sup> M. Whitebook, F. Kipnis, L. Skai, I. Voisin, and M. P. Young. *The California Child Care Workforce Study: 2001 Preliminary Results and Future Plans, 2003*. This study analyzed the workforce of seven counties in California (Alameda, Kern, Monterey, San Francisco, San Mateo, Santa Clara, and Santa Cruz).

<sup>76</sup> Ibid.

have increased dramatically, from \$11 per unit in 2003 to \$26 per unit in 2004. Also, technology and language issues present barriers to our ECE students.”<sup>77</sup>

A shortage of funding to annually inspect licensed child care facilities is another barrier for quality child care in Riverside County. The California Department of Social Services is charged with licensing and visiting child care facilities. Prior to 2003, licensed child care centers received annual visits and family child care homes received tri-annual visits. Beginning in 2003 visits of both types were reduced to only visiting a 10 percent random sampling and 10 percent of all problem facilities due to budget cuts and statutory changes. As a result, the number of required visitations after 2003 have dropped dramatically (see Table 1). In 2001, 530 child care centers and 647 family child care homes were visited. By 2005 just 115 centers were visited and only 487 homes were visited.<sup>78</sup> This drop in visits may inhibit some child care providers from meeting basic standards for quality. The National Child Care Information Center (NCCIC), California licensing staff now has the highest caseloads in the nation. Each staff member now has a caseload of 191 child care centers and 309 family child care homes.<sup>79</sup> Increased investment is needed to ensure that these facilities are meeting at least the minimum standards that they are required to uphold.

<b>Year</b>	<b>Licensed Child Care Centers</b>	<b>Visits To Centers</b>	<b>Family Child Care Homes</b>	<b>Visits to Family Child Care Homes</b>	<b>Total Visits</b>
2001	530	530	1961	647	1177
2002	549	549	2162	713	1261
2003	553	111	2307	461	572
2004	568	113	2464	492	605
2005	575	115	2437	487	602

Lastly, relying on parents to pay the full cost of quality, accessible child care is not realistic. As household expenditures in other areas increase (see the previous section), and in many cases, wages go down, quality child care is cost-prohibitive for families in many income brackets. On the other side of the ledger, providers face many barriers to increasing supply and improving affordability and accessibility. For example, many rural providers have to contend with transportation issues and low population density. Family child care homes and child care centers also face a number of difficult legal barriers to increasing supply, including “land use and deed restrictions, zoning ordinances, objections from landlords, and liability concerns.”<sup>80</sup> Child care is also not included in city and county general plans, and therefore most new developments are not required to consider child care.

<sup>77</sup> Interview. Leslie Young, Assistant Professor, Early Childhood Education, College of the Desert. Interview. National Economic Development and Law Center, May 2005.

<sup>78</sup> California Department of Social Services. Licensing Information System. May 2005.

<sup>79</sup> National Child Care Information Center. *Child Care Licensing Staff Information, 2004*.

<sup>80</sup> The Child Care Law Center. *Increasing the Child Care Supply*. As cited on: <http://www.childcarelaw.org>, 2004.

# Section Four

## Child Care, Business and Economic Development

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In addition to being a significant job-creating, income-generating industry in its own right, the child care industry is linked to Riverside County businesses and the economy as a whole in four key ways. Child care:

- Supports the current labor force in Riverside by facilitating parents' participation, enabling parents' career development and educational advancement, and attracting young working families and businesses to the county and retaining them
- Drives labor force productivity by decreasing absenteeism, reducing turnover, and enhancing recruitment at existing businesses
- Cultivates Riverside County's future workforce by improving the cognitive skills and emotional well-being of children and ensuring they enter the traditional K-12 school system ready to continue learning
- Offers a financial return by reducing future public spending in such areas as criminal justice, remedial education, unemployment, and welfare

### ENABLING THE CURRENT WORKFORCE

The child care industry:

- Sustains labor force participation rates of parents
- Promotes career development and educational advancement
- Attracts and retains young working families to the county

#### *Sustaining Labor Force Participation*

Most parents work. Almost two in ten labor force participants in Riverside County are parents with children under 13 living in households where all parents work. Over 7 percent of the county's labor force live in a household with children under six and have all parents in the household working. In total, 101,258 families with children under 13, in which all parents work, earn over \$2.8 billion annually in Riverside County. Working parents with children under 6 earn over \$1.1 billion dollars every year.<sup>81</sup>

Two in ten workers in Riverside County have children under 13 and live in households where all parents work. These families earn over \$2.8 billion per year in Riverside County.

Clearly, not all families who currently have a parent at home would choose to have that parent in the workforce, even if there were increases in accessible, affordable, quality child care capacity; however, these estimates provide a snapshot of the vital role that working parents play in the economy. Child care also offers the county's economy an untapped labor force in those who wish

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<sup>81</sup> Based on Census 2000 income for various family types with and without children. Updated to 2004 population by using provisional California Department of Finance Estimates. Updated to 2005 dollars by using the CPI.

to work but who are unable to do so because they are caring for children.

### *Enabling Career Development and Educational Attainment*

Child care supports educational advancement for parents. This benefits:

- Parents through higher incomes
- Government through larger tax revenues, decreased parental reliance on government programs, and lower unemployment
- Businesses through a more skilled workforce and better productivity.

In a long-term study of low-income families who needed government assistance to meet basic family needs, mothers with children who participated in an intensive child development program, which included parental involvement, achieved higher educational and employment status than similar mothers whose children were not randomly assigned to the program.<sup>82</sup>

Strengthening child care supports for parents so that they can attend post-secondary education programs benefits the economy.

Higher educational attainment for parents also reduces the likelihood of needing various government supports. A recent study investigating higher education opportunities for individuals transitioning from welfare to work found that 88 percent of people receiving welfare assistance who obtained four-year college degrees discontinued participation in welfare after earning their degree.<sup>83</sup> Unemployment is also less likely for those who have attained higher education. For example, while 9 percent of the nation's labor force with less than a high school diploma were unemployed between October 2002 and October 2003, 5.4 percent of those that graduated high school, 4.8 percent of those with an associate's degree or some college, and 3.1 percent of those with a Bachelor's degree or higher were unemployed.<sup>84</sup>

Ensuring access to higher education for parents will not only help them remain employed but will also allow Riverside County to better meet its skilled labor force demands in the coming years—something it's currently unprepared for. As the *2004 Inland Empire Economic Indicators Report*

“It is important for the Inland Empire to have an educated workforce that is prepared to assume the jobs that exist in the emerging high-technology economy.”

*The Inland Empire Economic Partnership Foundation*

highlights, “It is important for the Inland Empire to have an educated workforce that is prepared to assume the jobs that exist in the emerging high-technology economy. If the Inland Empire lags, then it risks missing the opportunity to take advantage of the opportunities available from high-skill, high-wage employment.”<sup>85</sup> Riverside County's workers need access to skills training and higher education degrees to prepare them to enter the workforce as skilled professionals or to retrain them in mid-career for changing labor force demands. The availability of affordable, quality child care affects parents' ability to pursue their own schooling or training.

<sup>82</sup> Discussion of results of *The Abecedarian Study*, as cited on [www.fpg.unc.edu/~abc/](http://www.fpg.unc.edu/~abc/).

<sup>83</sup> T. Karier, *Welfare Graduates: College and Financial Independence*, Levy Economics Institute of Bard College, as cited in *Grassroots to Graduation: Low-income Women Accessing Higher Education*. Boston: Wellesley College Center for Research on Women and Women's Institute for Housing and Economic Development, 2003.

<sup>84</sup> U.S. Department of Labor. *The Employment Situation: October 2003*. Washington, D.C.: U.S. Department of Labor Bureau of Labor Statistics, 2003.

<sup>85</sup> The Inland Empire Economic Partnership Foundation. *The Inland Empire 2004 Economic Indicators Report*.

The Economic Development Agency of Riverside County recognizes the vital role that child care plays in economic and workforce development. As Jerry Craig, the Managing Director notes:

“When you consider Riverside County is one of the top job-producing counties in the country and over 200 people, approximately 50-80 children of child care age migrate to or are born in our county on a daily basis, you can begin to understand how critical child care is to our expanding businesses and workforce. Child care enables parents to get to work or obtain the skills necessary in becoming productive workforce participants.”<sup>86</sup>

*Jerry Craig, Managing Director, Economic Development Agency of Riverside County*

Many colleges and universities are committed to ensuring that parents have access to higher education and provide onsite child care facilities to accommodate parents pursuing both undergraduate and graduate degrees, although funding for these programs to make them affordable to students is often in jeopardy. For example, UC Riverside has invested in an onsite, subsidized child development center, which is licensed to serve 144 children. The center is fully enrolled with 300 children on the waitlist service, and serves children of both students and employees of UC Riverside. The center meets a significant need at UC Riverside, enabling a number of student-parents to get education who might not otherwise attend the school. As Judith Wood, Director of the University of California Riverside Child Development Center notes:

“We know that many students would not be able to attend school without the Center. Most students are very low-income but are ineligible for local child care supports because they have not lived in the county prior to attending school.”<sup>87</sup>

*Judith Wood, Director, UC Riverside Child Development Center*

Each of Riverside County’s four community colleges (Riverside Community College, College of the Desert, Mt. San Jacinto, Palo Verde Community College) subsidize on-campus child care centers on all of their campuses for the purpose of enabling parents to access skills they need. For example, Mt. San Jacinto College has two child development centers; both of which are fully enrolled with substantial waiting lists for all ages. The programs play an important role in workforce development enabling parents to update their skills and serving as a lab for future early childhood educators. As Donna Greene, Program Director says, “College lab schools are in the unique position of serving not only as a community resource, but also as a place to train teachers for the future. Most of our student parents would not be able to attend school if we did not have these services available with a subsidy.”<sup>88</sup>

Policies that enable parents with limited incomes to pursue higher education and offer assistance with child care costs benefit the economy. Research also demonstrates that student parents using on-campus child care:

- Have higher graduation rates than their campus counterparts,<sup>89</sup>

<sup>86</sup> Interview. Jerry Craig, Riverside County Workforce Development Board, Managing Director. National Economic Development and Law Center, 2005.

<sup>87</sup> Interview. Judith Wood, Director, UC Riverside Child Development. The National Economic Development and Law Center, April 2005.

<sup>88</sup> Interview. Donna Greene, Program Director, Mt. San Jacinto Community College Child Development Centers. The National Economic Development and Law Center, May 2005.

<sup>89</sup> *Impact of Campus-based Child Care on Academic Success Student Parents at SUNY Community Colleges, 1989, and Child Development Center Participant Analyses, Bronx (New York City) Community College, 1994.* As cited by The National Coalition for Campus Children’s Centers in their policy brief: *Campus Child Care Bill: Child Care Access Means Parents in School Act, S1151 and H.R. 3936, 1999.*

- Are more likely to remain in school and graduate in fewer years;<sup>90</sup> and
- Have higher grade point averages.<sup>91</sup>

Similarly, student parents indicate that the availability of child care is critical to their decision to enroll in college.<sup>92</sup> Limited capacity in child care programs offered during non-traditional hours prevents parents from enrolling in classes or programs that are offered outside of the traditional workday.

### *Recruiting and Retaining Businesses and Skilled Young Workers*

High migration levels and extremely high job growth clearly demonstrate that Riverside County is an attractive place for workers and businesses. However, when it comes to retaining and attracting workers with high skills, U.S. Census data indicates that Riverside County may be struggling. Of the 100 largest metropolitan areas in the nation, Riverside County is ranked only 98<sup>th</sup> in terms of having a “young and educated” workforce. The county experiences only an average proportion of younger adults (ages 25 to 34; 28 percent) and of those younger adults only 13 percent have a bachelor’s degree.<sup>93</sup> Recruiting and retaining young professional families is critical to maintaining a healthy workforce in the county. Riverside County’s future economic success largely depends on its ability to retain skilled workers and attract businesses that pay higher wages.

## A CATALYST FOR INCREASED LABOR FORCE PRODUCTIVITY

Like other components of a strong economic infrastructure, the child care industry supports businesses by increasing employee productivity. The availability of affordable, accessible, quality child care has positive effects on businesses’ bottom lines.

Nationally and locally, businesses are starting to realize that they can increase their profitability by working to ensure that good child care options exist for their employees. For individual businesses, child care helps them increase productivity by:

- Increasing employee retention
- Reducing absenteeism
- Enhancing recruitment of the most skilled workers

### *Increasing Employee Retention*

Particularly for companies that rely on highly skilled workers, retaining existing staff is a priority. Employees with young children may consider discontinuing work or moving to a more family-friendly company. Those who feel supported in their new family roles and who feel that their workplaces offer a balance between work and home obligations are less likely to leave their jobs.<sup>94</sup> When employees do leave because of child care problems or transfer to a company with better child care options, companies lose human capital and incur high turnover costs.

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<sup>90</sup> *Impact of Campus-based Child Care on Academic Success Student Parents at SUNY Community Colleges, 1989, and Child Development Center Participant Analyses, Bronx (New York City) Community College, 1994.* As cited by The National Coalition for Campus Children’s Centers in their policy brief: *Campus Child Care Bill: Child Care Access Means Parents in School Act, S1151 and H.R. 3936, 1999.*

<sup>91</sup> *Ibid.*

<sup>92</sup> National Coalition for Campus Children’s Center. Policy Brief entitled *Campus Child Care Bill: Child Care Access Means Parents in School Act, S1151 and H.R. 3936, 1999.*

<sup>93</sup> U.S. Census Bureau. *Census 2000.* As cited by The Brookings Institution, Center on Urban and Metropolitan Policy. *Labor Supply Pressures and the “Brain Drain”: Signs from Census 2000.*

<sup>94</sup> Blue Cross Blue Shield of Massachusetts. “Blue Cross Blue Shield of Massachusetts Named One of the 100 Best Companies for Working Mothers Nationwide.” September 23, 2003, [www.bcbsma.com](http://www.bcbsma.com).

There is considerable evidence that child care benefits increase employee retention. A national study of companies that offer child care centers to their employees found that turnover was nearly one-half in those who used the center compared to other workers.<sup>95</sup> The survey also found that more than half of the center users had been with their company for more than five years and nearly half had been with their company for more than ten years. In a national survey, 19 percent of employees at companies with child care programs indicated that they have turned down another job rather than lose work-site child care.<sup>96</sup>

While the number of employers offering child care benefits as a means to attract and retain quality employees grows, most employers miss out on this opportunity. In a survey of businesses by the U.S. Chamber of Commerce, only 32 percent reported actively assisting “their employees in addressing employment challenges such as child or dependent care, transportation or housing.”<sup>97</sup> In a survey of employees, a human resources and consulting firm found a disconnect between employers and employees. Caring for dependents was one of the top six benefits *employees* desire. However, *employers* in a similar survey did not consider it essential.<sup>98</sup>

According a U.S. Chamber of Commerce survey, only 32 percent of employers nationwide reported actively assisting “their employees in addressing employment challenges such as, child or dependent care, transportation or housing.”

A meta-analysis of 15 different turnover cost studies found that average turnover costs for a full-time employee making \$8 per hour are over \$9,000, 56 percent of the annual wages for that employee.<sup>99</sup> For salaried employees, costs are at least 150 percent of the base salary, and increase for higher-paid and more valued staff.<sup>100</sup>

Locally, Valley Health Systems, which operates hospitals in Hemet, Moreno and Menifee, recognizes the benefits of meeting child care needs and increasing retention among their employees. One way they work to retain their employees is by subsidizing an onsite child development program at the Hemet hospital, which serves children ages 18 months to age 5 from parents of all three hospitals. The company subsidizes the total cost of the high quality child care by 15 to 20 percent. Valley Health Systems conducts yearly surveys to assess the child care needs of their employees.<sup>101</sup> The manager of the program notes:

“I know this program is reducing turnover because I am now caring for the children of of employees that I cared for when they were children over 20 years ago. I also know this center reduces absenteeism because we require parents to have a back-up child care provider in case their child gets ill. It also increases presenteeism because the parents know their children are in a high quality setting and they can focus on their jobs.”<sup>102</sup>

*Beth Parrot, Manager, Valley Health Systems Child Development Center*

<sup>95</sup> Bright Horizons Family Solutions. *The Real Savings from Employer-sponsored Child Care: Investment Impact Study Results*. Boston, MA: Bright Horizons, 2003.

<sup>96</sup> Simmons College, *Benefits of Work-Site Child Care*, 1997, as cited by Bright Horizons Family Solutions.

<sup>97</sup> U.S. Chambers of Commerce, Center for Workforce Preparation. *Keeping Competitive: Hiring, Training, and Retaining Qualified Workers*, 2001.

<sup>98</sup> Merk. *Using Benefits to Attract and Retain Employees*, 1999. As cited on [www.probenefits.com](http://www.probenefits.com).

<sup>99</sup> Sasha Corporation. Turnover costs in 15 different studies. [www.sashacorp.com](http://www.sashacorp.com). November 2003.

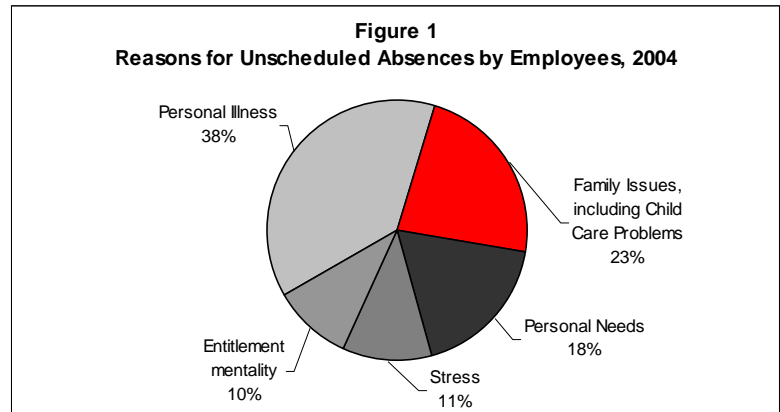
<sup>100</sup> W. Bliss. *The Business Cost and Impact of Employee Turnover*. New Jersey: Bliss & Associates, Inc., 1999, [www.blissassociates.com](http://www.blissassociates.com).

<sup>101</sup> Interview. Beth Parrot, Manager, Valley Health Systems Child Development Center. National Economic Development and Law Center, April 2005.

<sup>102</sup> Ibid.

## Reducing Absenteeism

Unscheduled absenteeism in 2004 cost businesses an average of \$610 per employee per year. Unscheduled absences due to “family issues” which includes child care breakdowns and the illness of a child, accounted for 23 percent of all absences (see Figure 1). Onsite child care and emergency back-up child care were listed as two of the top three most effective work-life programs that reduce unscheduled absenteeism.<sup>103</sup>



Nationally, approximately 16 percent of major employers offer sick or emergency back-up child care to reduce absenteeism of their employees.<sup>104</sup> These programs have a significant return on investment. J.P. Morgan Chase found that operating a back-up child care center, as well as providing employees with resource and referral consulting to help them find stable quality care, had an annual savings of \$800,000, a 112 percent return on the company’s investment in child care benefits.<sup>105</sup> Similarly, PNC Financial Services Group, a 6,000 employee company based in Pittsburgh, Pennsylvania, found a 91.7 percent return on investment from a newly implemented back-up child care program, recovering 3,060 parent-days at work and receiving positive feedback from parent-employees, their coworkers, and their managers, who report less distraction and more loyalty.<sup>106</sup>

Locally, Guidant Corporation, a medical equipment manufacturer with 10,000 domestic employees nationwide and 1,370 employees in Temecula, has recently enhanced its back-up child care and elder/adult care benefit program. Employees with dependent care breakdowns can access a network of high quality providers who meet specific qualifications for the company. Guidant subsidizes the majority of the costs of the care, so employees pay a significantly reduced rate. The program was upgraded in February in 2005 and has already begun to show signs that it will not only cover the expenses but may far surpass the break-even point.<sup>107</sup> As Carla Diez-Canseco, Director of Human Resources, highlights:

“With a conservative estimate, we are on track to cover our back-up dependent care expenses and earn a return on our investment by the end of the year. The back-up program is also an important recruitment, retention and motivational tool for us. It not only allows our employees to focus on work and increase productivity, but it also lets our employees know that we want to help them balance their work and family responsibilities.”<sup>108</sup>

*Carla Diez-Canseco, Director of Human Resources, Guidant*

<sup>103</sup> CCH Incorporated. *2004 CCH Unscheduled Absence Survey*.

<sup>104</sup> Hewitt Associates. “Hewitt Study Shows Work/Life Benefits Continue to Grow Despite Slowing Economy” April 23, 2001. [www.was.hewitt.com](http://www.was.hewitt.com)

<sup>105</sup> Bright Horizons Family Solutions. *Return on Investment*. Presentation, 2003.

<sup>106</sup> K. D’Appolonia. *The Business Case for Back-Up Child Care*. PNC Financial Services Group. Presented at the 2003 WorkFamily Congress in New York, NY, October 2003.

<sup>107</sup> Interview. Carla Diez-Canseco, Director of Human Resources, Guidant Corporation. The National Economic Development and Law Center, August 2005.

<sup>108</sup> *Ibid.*



ABC Child Care Center and ABC Child Care Village, which are both located in Temecula, provide care for mildly ill children—helping meet a significant need in the county. The centers have partnered with Paradise Chevrolet and Milgard Windows to provide back-up child care for their employees. They are also part of Guidant’s network of back-up child care providers. Their back-up program is unique in that it is modeled to accommodate both small and large employers alike by charging employers based on the size of the company, and the program has been quite successful providing a separate revenue for the centers to provide high quality child care. As Malinda Smith, owner and executive director notes, “It’s an easy sell to employers. The costs are significantly lower than the savings they get from increased recruitment, retention and reduced absenteeism and turnover. Employers know that this program enables their employees to come to work and focus.”<sup>109</sup>

Bank of America-Inland Empire Market invests \$25,000 in the Family Services Association to provide mildly ill child care programs for low-to-moderate-income workers in Riverside County.<sup>110</sup> They recognize that:

“Many low- to moderate-income workers do not have sick pay or related benefits that will allow them time off with pay to stay home with their sick child...Productivity is compromised at their jobs, and some may even risk losing their jobs by making their children a priority.”<sup>111</sup>

*Barbara L. Robinson, President, Bank of America Inland Empire Market*

### *Enhancing Recruitment*

The accessibility of quality, affordable child care, onsite or in the community, is a strong recruitment tool for businesses. Family-friendly policies indicate a company’s commitment to the well-being of potential new employees and their personal lives, and make the company more attractive in a competitive workforce market. Particularly for highly specialized workers, company values are critical to attracting the best of the labor pool, with or without young children.

In an internal survey of working parents, Carlson Companies in Minnesota found that 78 percent of parents who were hired since an onsite child care center opened and who use the center reported that the benefit played a significant role in their decision to seek employment at Carlson.<sup>112</sup>

## CHILD CARE OPTIONS FOR BUSINESSES

There are a range of options that businesses have to support the child care needs of their employees (see on the following page). Strong benefits packages, which may include child care and/or a public commitment to work-life issues, increase loyalty and reduce the likelihood that employees will leave the company, either to stay home or to work for another company.

<sup>109</sup> Interview. Malinda Smith, Owner and Executive Director of ABC Child Care Center and ABC Child Care Village. National Economic Development and Law Center, April 2005.

<sup>110</sup> Interview. Christi Gordon, Vice-President, Market Development Manager—Inland Empire Region and Barbara L. Robinson, Inland Empire Market President, Bank of America. The National Economic Development and Law Center, June 2005.

<sup>111</sup> Ibid.

<sup>112</sup> Carlson Companies, Inc. Internal survey, 2001. Minneapolis, MN.

### Family Friendly Options for Employers

- Flexible personnel policies
- Flextime, flexi-place, compressed work week, and job sharing
- Sick/personal leave to meet dependent care needs
- Dependent care resource and referral agencies partnerships
- Family & parenting seminars/brown bag lunches, parent newsletters
- Dependent care financial assistance
- Cafeteria-style benefit plan or a dependent care pre-tax account
- A child care voucher program or corporate discounts
- Onsite child care
- A network of child care providers for employees
- Local child care providers support (funds, training, etc.)

Aside from investing in child care benefits for their own employees, some businesses choose to directly invest in the county's child care infrastructure. For example, Bank of America Inland Empire Market gives grants from the Bank's Foundation to child care centers and programs, because, as the Inland Empire Market President Barbara L. Robinson states "[child care] was clearly identified as a 'crisis' in conversations with key leaders in the Inland Empire community...and an issue that was identified in which [Bank of America] Foundation could make a positive difference by funding programs." In addition, the bank provided a \$25,000 grant to the Children's Center of the Inland Empire, which is the only private child care center that provides child care for children with special needs in the region.<sup>113</sup>

The overwhelming majority of businesses in Riverside County are small businesses,<sup>114</sup> and face particular challenges to providing employee benefits, including child care. While most employee benefits provide an economy of scale for larger companies, they are less economically efficient for smaller companies. There are cost-efficient ways that small employers can support the child care needs of their employees. For example, three low-cost options that may work for smaller employers who are trying to increase retention, loyalty, morale and productivity include:

- Supporting a child care program or programs that serve employees from participating companies
- Creating or joining existing community partnerships to work towards improving the affordability, quality, and supply of child care
- Offering pre-tax flexible spending accounts for child care costs<sup>115</sup>

## RIVERSIDE COUNTY'S FUTURE LABOR FORCE

There is a demonstrable link between high-quality child care programs and the preparation of qualified, skilled individuals entering the labor force.

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<sup>113</sup> Interview. Christi Gordon, Vice-President, Market Development Manager—Inland Empire Region and Barbara L. Robinson, Inland Empire Market President, Bank of America. The National Economic Development and Law Center, June 2005.

<sup>114</sup> The Inland Empire Economic Partnership Foundation. *The Inland Empire 2004 Economic Indicators Report*.

<sup>115</sup> Bureau of Child Care & Development. *Ohio Employer Tool Kit of Child Care Options, 1998*. This report was written for the Ohio Corporate Child Care Work Group by the Corporation for Ohio Appalachian Development and funded by the Ohio Department of Job and Family Services.

However, data demonstrates that, in terms of preparing children for the future workforce, Riverside County is lagging behind other counties in California. For example, In the 2002-2003 school year, only 30.5 percent of graduates in Riverside County had completed coursework necessary for UC or CSU admission, which is significantly lower than the statewide average of 33.5 percent.<sup>116</sup> Furthermore, low Academic Performance Index (API) for the county's elementary schools indicate that the county's young children may be entering school unprepared for success.<sup>117</sup> It should be noted that school readiness is just one factor in school performance. For example, demographic indicators, including an increasing proportion of English-language learners and extreme growth also present barriers to a high quality K-12 education system.

David Long, Ph.D., Superintendent of Education, Riverside County recognizes the importance of quality early childhood experiences as an integral part of the educational system. As he notes:

“Through providing early childhood education programs in Riverside County we are playing a significant role in preparing preschool age children to successfully transition into a positive and productive K-12 experience. However, due to unprecedented growth in Riverside County there is a gap in the availability of preschool services with many children on waiting lists. By focusing on improving the availability of preschool services, especially to low API schools, we can better ensure long-term school and economic success for all children in Riverside County.”<sup>118</sup>

*David Long, Ph.D. Riverside County Superintendent of Schools*

While not every child care program can guarantee lifelong success for its participants, quality early childhood education and care can increase children's ability to enter traditional K-12 schooling ready to continue learning so that they are prepared for future opportunities.<sup>119</sup> Decades of research have been dedicated to understanding the effects of child care on young children. A number of large surveys and long-term studies have consistently found that quality child care programs are beneficial to young children.

A national survey found that young children who attended higher quality and more stable child care centers had the following characteristics through elementary school, compared to peers in care settings rated as having poorer quality:<sup>120</sup>

- Improved math and language ability
- Enhanced cognitive and social skills
- Fewer behavioral issues

<sup>116</sup> California Department of Education, Education Demographics Unit. *Graduates with UC/CSU Required Courses by Ethnicity, Riverside County, 2002-2003.*

<sup>117</sup> California Department of Education, Education Demographics Unit. *API Scores for Elementary Schools, Riverside County, 2002-2003.*

<sup>118</sup> Interview. Dr. David Long, Riverside County Superintendent of Schools. The National Economic Development and Law Center. June 2005.

<sup>119</sup> J. Brooks-Gunn. “Do You Believe in Magic? What We Can Expect from Early Childhood Intervention Programs.” *Social Policy Report*, 17, 1. Society for Research in Child Development, 2003.

<sup>120</sup> E. S. Peisner-Feinberg, M. R. Burchinal, R. M. Clifford, M. L. Culkin, C. Howes, S. L. Kagan, and N. Yazejian. “The Relation of Preschool Child-Care Quality to Children's Cognitive and Social Development Trajectories through Second Grade.” *Child Development*. September/October 2001, Volume 72, Number 5, Pages 1534-1553. Quality was assessed in this study using the following criteria: classroom quality measures using the Early Childhood Environment Rating Scale (ECERS), teacher sensitivity using the Caregiver Interaction Scale (CIS), child-centered teaching style using Early Childhood Observation Form (ECOF), teacher responsiveness using Adult Involvement Scale (AIS). In addition, teacher-child relationship and child assessment measures were used.

The National Academy of Sciences recently brought together a committee of experts to synthesize research on early childhood development. They agreed that “the effects of child care derive not from its use or nonuse but from the quality of the experiences it provides to young children.”<sup>121</sup>

“Early learning begets later learning and later success.”  
-James J. Heckman, Nobel Prize-Winning Economist, University of Chicago

Schools and universities receive public and private investments because their role in educating and preparing children for the future labor market is clear. While more research will enable a better understanding of the long-term effects of high-quality child care for all children, current findings indicate that investments in early education have greater returns than educational investments in later life because younger people have more time to generate returns on investments and because “skill begets skill.”<sup>122</sup>

Government and economic development leaders have openly discussed the need for a skilled workforce prepared for the economic demands of tomorrow. As Governor Arnold Schwarzenegger said recently, “Nothing is more important than education, because nowhere are our stakes higher; our future depends on the quality of education of our children today.”<sup>123</sup> Recognition that quality child care programs are a vital component of an outstanding educational system will go a long way in building a skilled workforce that can help current and future employers succeed in a demanding global marketplace.

The Committee for Economic Development (CED), a national nonpartisan research and policy organization of 250 business leaders and educators highlights the need for an inclusive education system, “CED urged the nation to view education as an investment, not an expense, and to develop a comprehensive and coordinated strategy of human investment. Such a strategy should redefine education as a process that begins at birth and encompasses all aspects of children’s early development, including their physical, social, emotional, and cognitive growth.”<sup>124</sup> Other business leaders are also recognizing the link between high quality child care and a strong future economy. Lewis Platt, chairman of Boeing has become one such champion: “It’s the way businesses value things and something they understand,” he says of the return on investment from quality preschool. “We really have a problem in California. We have jobs, but our schools aren’t producing people qualified for those jobs. We constantly have to hire out of state because high school graduates in California don’t measure up.”<sup>125</sup>

“[The nation] should redefine education as a process that begins at birth and encompasses all aspects of children’s early development.”  
*The Committee for Economic Development (CED)*

## AN INVESTMENT WITH A SIGNIFICANT RETURN

Money spent on the high quality child care is not just an expense, it’s an investment. However not all child care in Riverside County is of high quality. The Riverside County Office of Education, Division of Children and Family Services believes that parents should consider the

<sup>121</sup> J. Shonkoff and D.A. Phillips, Editors. *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Washington, D.C.: National Academies Press, 2000, p. 307.

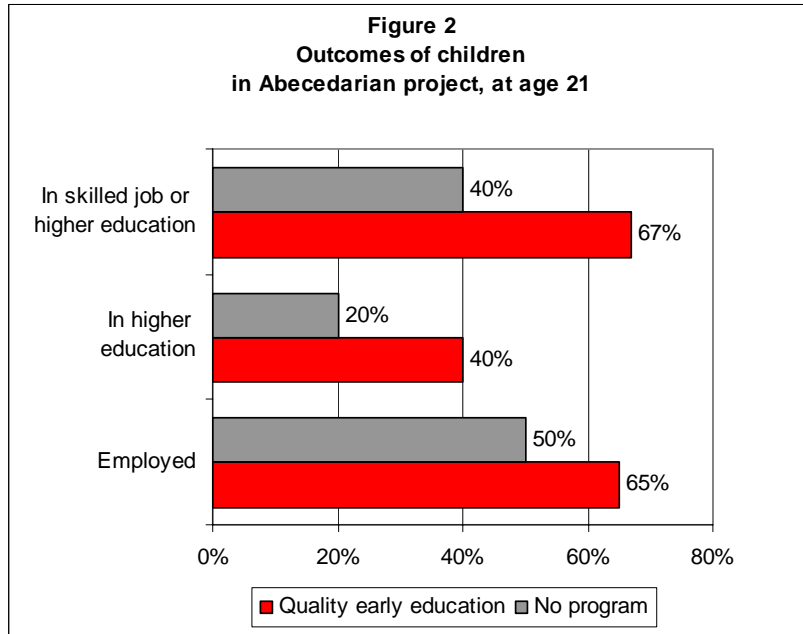
<sup>122</sup> James J. Heckman and Aaron Wildavsky Forum. Policies to Foster Human Capital Joint Center for Poverty Research working paper, Northwestern University/University of Chicago, page 39.

<sup>123</sup> Governor Schwarzenegger’s Remarks Introducing his Coalition for Education Reform

<sup>124</sup> Committee for Economic Development (2002). As cited from *Exceptional Returns* by the Economic Policy Institute, 2004.

<sup>125</sup> M. Kinsman. “CEO’s Preschool Plan Could Yield Huge Human R.O.I.” San Diego Tribune. April 10, 2005.

following key indicators when choosing child care for their children: facilities, equipment and materials, provider/teacher quality, cost, meals, discipline, transportation, and daily activities.<sup>126</sup> A complete guide to choosing child care is reprinted in Appendix E. Cost-benefit analyses of three long-term, high-quality, early education intervention programs indicate that there are significant future public savings when money is invested in high-quality child care, particularly for low-income children. In the three studies discussed below, common quality elements include qualified staff



comprised of teachers with specific training in early education, low teacher turnover rates, and classrooms with low child-to-teacher ratios.<sup>127</sup> In the Abecedarian Study, a group of low-income children was randomly assigned to an early intervention program and a second group of participants was not offered the program. The investigators found that children who participated in the early intervention program were, at age 21, significantly more likely to be in a high-skilled job or in higher education (see Figure 2).<sup>128</sup>

In another long-term study, the Chicago CPC Study, low-income children in a high-quality, child-focused intervention program were less likely to drop out of high school, be in special education, repeat a grade, or be arrested as juveniles than peers.<sup>129</sup> A third study, The High/Scope Perry Preschool Project, released findings when comparing adults at age 40 who received high-quality child care as young children with peers who did not. The study found that the group who received early childhood education instruction earned more money, were more likely to have a savings account, and less likely to be repeat criminal offenders than their peers who were not randomly assigned to the program. Cost-benefit analyses of these differences reveal that the high-quality programs returned as much as \$17 on every \$1 spent in early childhood.<sup>130</sup>

Economists have analyzed the overall costs and benefits of these three child care programs, revealing that significant cost savings were realized in each program (see Table 1 for a summary).<sup>131</sup>

<sup>126</sup> Riverside County Office of Education, Division of Children and Family Services. *Choosing Child Care*.

<sup>127</sup> While experts differ on the precise definition of what constitutes "high quality" for defining early care and education programs, there is general agreement that programs with these three elements qualify.

<sup>128</sup> See The Frank Porter Graham Child Development Institute at the University of North Carolina at Chapel Hill, *Early Learning, Later Success: The Abecedarian Study*. [www.fpg.unc.edu/~abc/](http://www.fpg.unc.edu/~abc/).

<sup>129</sup> A. J. Reynolds, J. A. Temple, D. L. Robertson, E. A. Mann. "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, pp. 2239-2346.

<sup>130</sup> L. J. Schweinwart, H. V. Barnes, and D. P. Weikart. *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.

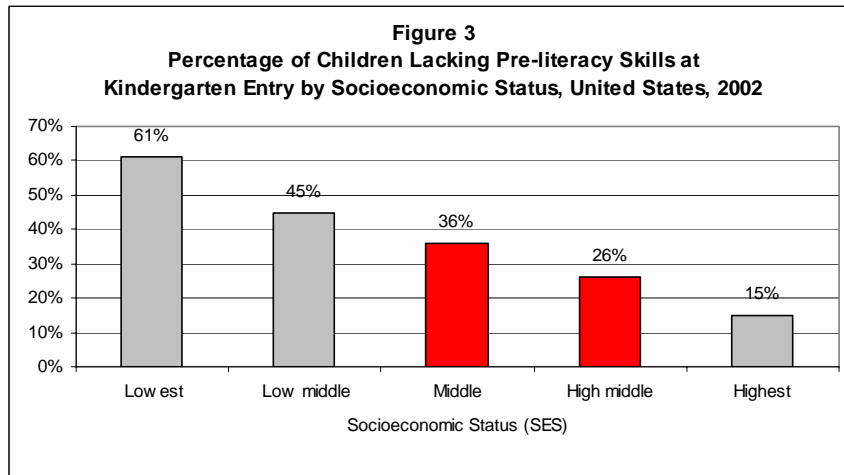
<sup>131</sup> Reynolds, Arthur J., Temple, Judy A., Robertson, Dylan L., Mann, Emily A. "Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Center Program: Executive Summary", 2001, and Reynolds, A. J., Temple, J. A. Robertson, D. L., Mann, E. A. & Ou, S. "Prevention and cost-effectiveness in the Chicago Child-Parent Centers." Paper presented at the Biennial Meeting of Society for Research in Child Development, Tampa, FL, April 2003. Values are in 1998 dollars, and benefits are based on a 3% discount rate evaluated at beginning of preschool participation. Barnett, Steven, W. *Lives in the Balance: Age 27 benefit-cost analysis of the High/Scope Perry Preschool Program*. Ypsilanti, MI: High/Scope Press. Values are in constant dollars and based on a 3% discount rate. Leonard N. Masse and W. Steven Barnett. A Benefit Cost Analysis of the

Table 1 Economic Benefits of Early Education Programs for Low-income Children				
	Number of Years of Program	Average Annual Cost per Child	Total Cost of Program per Child	Lifetime Benefit to Society per Child
Chicago CPC Study	2, half-day	\$3,500	\$7,000	\$48,000
Perry Preschool Project	2, half-day	\$6,000	\$12,000	\$108,000
Abecedarian Project	5, full-day	\$7,200	\$36,000	\$136,000

All dollar values are based on a three percent discount rate.

These findings indicate the economic value of investing in quality child care, especially for low-income children. However, children in middle- and high-income families also experience academic problems, including significant grade retention and high school dropout rates.<sup>132</sup> Nationally, 12 percent of middle-income children are held back at some point during school, and 11 percent drop out of school before graduating high school. One study shows that there is a linear relationship between income and school readiness (see Figure 3).<sup>133</sup> A third of middle-income children and a fourth of upper-middle-income children lack “key pre-literacy skills when they enter kindergarten.”<sup>134</sup> These findings provide evidence that high quality preschool programs may be cost effective for children in most income brackets.

As one economist notes, “If you were to get one-tenth the public savings from high quality preschool for middle-income children (as you do for low-income children), high quality preschool programs would still be cost effective.”<sup>135</sup>



The evidence of numerous studies demonstrate the importance of high quality preschool for preparing children for success in school and success in life.

Riverside County has the lowest preschool enrollment rate of any nearby county and trails both the state and the country significantly in preschool enrollment (see Figure 4). Only 36 percent of preschool age children in Riverside County attend preschool programs, compared to 40 percent of in San Bernardino County and 47 percent in the state.<sup>136</sup>

Abecedarian Early Childhood Intervention. New Brunswick, NJ: National Institute for Early Education Research, 2002. Values are in 2002 dollars, and are discounted at 3 %.

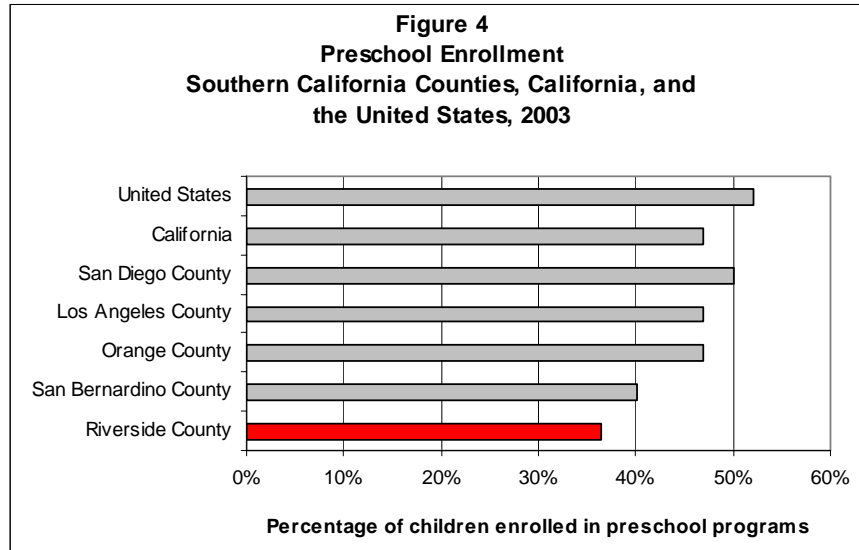
<sup>132</sup> W. S. Barnett. *Characteristics of Successful Early Education Programs*. Presentation at *The Economics of Early Childhood Development: Lessons for Economic Policy* conference, Federal Reserve Bank of Minneapolis, October 17, 2003. Information is based on the National Center for Education Statistics.

<sup>133</sup> Coley, R.J. *An Uneven Start*. Educational Testing Service, Princeton, New Jersey 2002. As cited in *Kids Can't Wait to Learn: Achieving Voluntary Preschool for All in California*, Preschool California, 2004.

<sup>134</sup> Coley, R.J. *An Uneven Start*. Educational Testing Service, Princeton, New Jersey 2002. As cited in *Kids Can't Wait to Learn: Achieving Voluntary Preschool for All in California*, Preschool California, 2004.

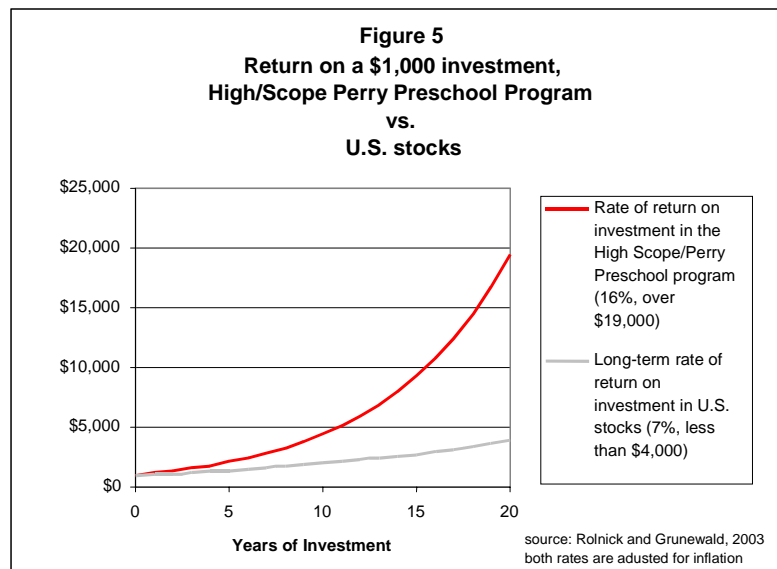
<sup>135</sup> W.S. Barnett. Preschool-for-All Hearing, Sacramento, CA, August 4<sup>th</sup>, 2004.

<sup>136</sup> California Research Bureau at Source: <http://www.library.ca.gov/crb/04/03-003.pdf>. As cited by The Inland Empire Economic Partnership Foundation. *The Inland Empire 2004 Economic Indicators Report*.



Locally, Riverside Police Chief Russell Leach is very concerned about the shortage of high quality preschools and after-school programs in the area. As he notes, “The high-number of at-risk children in our community who are waiting to get into preschool troubles me. We need to use every weapon in our arsenal to fight crime and the research is clear: denying these kids quality preschool programs increases the chances that they will drop out of school and become career criminals later on. It’s much more cost-effective to invest in children today, than pay to lock them up later in life.”<sup>137</sup> Riverside County has significantly higher crime rates than the rest of the state, and juvenile and adult arrest rates have been increasing significantly since 1998.<sup>138</sup> High crime rates reduce Riverside County’s attractiveness to businesses and skilled workers.

A recent study by economists at the Federal Reserve Bank in Minneapolis used the High/Scope Perry Preschool Project findings to estimate the returns on public investment from reduced spending and increased tax payments resulting from quality early education and care. Quality early childhood development programs for low-income children generate a 16 percent rate of return on investment, 12 percent of which is a public rate of return. They found that, “Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, studies find that well-focused investments in early childhood



<sup>137</sup> Fight Crime Invest in Kids. *Law Enforcement Report Finds Riverside Preschool Shortage Threatens Public Safety*. Wednesday, February 9<sup>th</sup>, 2005.

<sup>138</sup> The Inland Empire Economic Partnership Foundation. *The Inland Empire 2004 Economic Indicators Report*.

development yield high public as well as private returns.” They demonstrate that the High/Scope Perry Preschool Program’s 16 percent return on investment when adjusted for inflation is considerably higher than the long-term return on U.S. stocks, 7 percent (see Figure 5).<sup>139</sup>

After-school programs for school-age children also save public sector dollars. A review of multiple research studies to evaluate the effects of after-school programs showed significant gains in school engagement, school attendance, academic performance, and positive youth development.<sup>140</sup> A cost-benefit analysis found financial benefits from improved school performance, increased compensation, reduced juvenile and adult criminal activity, and reduced welfare costs outweighed the costs of increased attendance at school and the cost of programs.<sup>141</sup>

Universal Preschool, if implemented throughout California, would generate an estimated \$2.62 for every dollar invested.

*The Economics of Preschool For All*

Largely because investing in high quality child care and preschool has been framed as a sound economic development policy, there has been a recent surge in advocates for universal preschool in California. In 2005, RAND, a nonprofit research organization, analyzed the costs and benefits of a universally accessible preschool program in California. Using a conservative methodology it found that universal preschool, if implemented throughout California, would generate a return on investment of \$2.62 for every dollar spent. RAND also highlights that this investment provides a higher return than other investments made by local and state governments in the name of economic development. As RAND writes, “Notably, in the case of early childhood investments, the net gains to government and society as a whole are not zero sum but constitute real benefits in terms of lower government outlays, a more skilled future workforce, and a more responsible future citizenry. Moreover, these conclusions rest on scientific evidence that these outcomes are attributable to the investment in preschool education itself and would not occur under the status quo.” RAND also highlights the indirect benefits that a universal preschool program would have on California’s economy through enhanced quality of life, increased labor force participation, and productivity drags, such as turnover and absenteeism.<sup>142</sup>

“There are some areas of clear agreement between market economists and child development researchers. The time has come to invest in young children, and there are substantial gains to be made from these investments if they are made wisely.”

-Jack Shonkoff, Co-Editor of *From Neurons to Neighborhoods*<sup>143</sup>

<sup>139</sup> A. Rolnick and R. Grunewald. *Early Childhood Development: Economic Development with a High Public Return*. Fedgazette. Minneapolis, MN: Federal Reserve Bank of Minneapolis, January, 2003.

<sup>140</sup> B.M. Miller. *Critical Hours: Afterschool Programs and Educational Success*.

<sup>141</sup> W.O. Brown, S.B. Frates, I.S. Rudge, and R.L.Tradewell. *The Costs and Benefits of After-school Programs: The Estimated Effects of the After School Education and Safety Program Act of 2002*. Claremont, CA: The Rose Institute, September, 2002.

<sup>142</sup> RAND Corporation. *Labor and Population. The Economics of Investing in Universal Preschool Education in California, 2005*.

<sup>143</sup> J. Shonkoff. Closing remarks at *The Economics of Early Childhood Development: Lessons for Economic Policy* conference, Federal Reserve Bank of Minneapolis, October 17, 2003.



# SECTION FIVE

## CONCLUSION AND RECOMMENDATIONS

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The child care industry in Riverside County plays an important role in economic development in the county. It generates \$230.8 million in gross receipts annually and provides almost 5,886 full-time jobs. This puts it on par with other significant Riverside County industries such as machinery manufacturing, poultry and livestock products, accommodation, and building construction. In addition to creating a direct economic impact through revenue and employment, the child care industry is also an economic driver of all industries by enabling parents to work and update their skills.

County demographic and economic trends indicate an astounding amount of growth. From 2003 to 2004, Riverside County added 14,000 additional children ages 0 through 13 for a total of 408,000 children. Projections indicate that this growth will continue and investments in the child care industry are needed to meet the growing demand. In addition, the growth in lower wage jobs during non-traditional hours highlights the need for a child care system that is financially accessible to low- and middle- income families.

Finally, Riverside County's future economy benefits when children participate in high-quality child care. Children in high-quality programs are better prepared for kindergarten and more likely to become life-long learners who are ready to meet the demands of the future economy. Children participating in high-quality programs at a young age have a reduced likelihood of negative outcomes, which saves the government money and increases the quality of life for all the county's residents.

Six main challenges constrain the child care industry from growing and maximizing the impacts of investment by families, employers, and state, county and municipal governments:

- A lack of integration with economic development
- A shortage of facilities
- Insufficient financial investments
- Economic barriers to improving quality
- A shortage of qualified child care professionals
- Financial limitations of consumers

To overcome these barriers, child care must be recognized as a vital component in Riverside County's economy. Government, business, the child care industry, and the general public have the ability to maximize the economic contributions of child care in Riverside County. Understanding the link between child care and the economy, these groups should work together to ensure that:

- Riverside County becomes a statewide leader in increasing the supply of high quality, affordable and accessible child care.
- The child care industry is incorporated as a vital part of the county's economic development, workforce development and overall education system.
- More local businesses provide family friendly benefits, including benefits that address the child care needs of their employees

First 5 Riverside and Riverside County Child Care Consortium should oversee the creation of a task force of business, government, economic development and child care leaders and a strategic plan to achieve these overarching goals. The following recommendations offer strategies to achieve these goals.

***Recommendation Number 1: Strive to make Riverside County a statewide leader in increasing the supply of high-quality, affordable and accessible child care.***

QUALITY

*Business Examples:*

- Advocate at the local, state and national level for a comprehensive child care system that provides both high-quality preschool and wrap-around care for preschool-age children, high quality child care programs that serve infants and toddlers, and before- and after-school programs for school-age children.
- Advocate to government for increased investment in workforce development activities for the child care workforce, including the local C.A.R.E.S. Project, which provides training and stipends for skilled providers, and other activities that promote increased educational attainment and wages.
- Contribute financial support to quality enhancement initiatives, such as C.A.R.E.S. or the accreditation fund.
- Partner with other businesses to find solutions to increasing quality of the child care industry.

*Government Examples*

- The County Board of Supervisors should mandate the creation of a task force that implements, tracks and reports the recommendations and strategies in this report.
- Create a roundtable of key leaders in the fields of government, education, business, and child care to discuss issues related to quality of child care programs.

*Child Care Examples*

- Create incentives for quality improvement, such as improved scores on the Early Childhood Environment Rating System (ECERS) or accreditation attainment for both licensed homes and centers.
- Create an entity charged with engaging businesses to be “champions” for children.
- Develop career paths and options for recruitment.
- Create an accreditation fund and invest in strategies that increase the number of programs accredited by the National Association for the Education of Young Children (NAEYC) in the county.
- Outreach to license-exempt providers to become licensed.
- Educate child care providers on aspects of quality.

## AFFORDABILITY

### *Business Examples:*

- Provide space or low-cost leases to child care providers.
- Provide child care benefits for employees, including partial re-imbusement for child care costs.
- Offer employees flexible time to volunteer their services for community planning committees, including participation on child care committees.
- Provide in-kind services to child care providers, including printing, free advertising, graphic design, etc.

### *Government Examples*

- Develop short- and long-term strategies for reducing the costs of child care and increasing supply, with emphasis on infant/toddler care.
- Ensure that all child care quality enhancement initiatives address the affordability of child care.
- Create a roundtable to discuss affordability issues.
- Identify existing facilities to rent at lower cost to child care providers.

### *Child Care Examples:*

- Advocate to local and state policymakers to promote policies that support the child care needs of low- and middle- income families in Riverside County.
- Engage parents and other child care consumers to advocate for policies that improve the affordability of child care.

## ACCESSIBILITY

### *Business Examples*

- Build partnerships with nearby child care providers and centers.
- Provide free business skills training to child care providers.

### *Government Examples*

- Conduct a countywide facility needs assessment that analyzes facility needs by supervisorial district.
- Expedite and simplify zoning, land use, permitting, and licensing regulations relating to child care.
- Ensure that there is an adequate supply of facilities for all child care programs, including infant/toddler care, preschool, and school-age care.
- Allow child care providers to rent existing un-used government owned facilities for child care at a reduced rate.

- Provide incentives for child care providers who offer the following types of child care: care for infants and toddlers, care for children with special needs, and care that is either flexible and/or occurs outside the traditional workday hours.
- Provide seed money for pilot programs to offer care for infants and toddlers, care for children with special needs, and care that is either flexible and/or occurs outside the traditional workday hours.
- Identify existing facilities that could be used for child care.

#### *Child Care Examples*

- Work with providers to increase the supply of child care that is flexible and/or operates during non-traditional hours.
- Co-locate child care programs in schools, transit hubs, housing developments, and retail centers.
- Engage community-based organizations and the faith-based community in increasing child care supply.
- Stabilize the existing supply of family child care and child care centers in the county.

#### ***Recommendation Number 2: Make the child care industry a vital part of the county's economic development, workforce development and overall education system.***

#### *Business Examples*

- Include child care representatives in economic development and business community planning efforts and activities, such as those of local Chambers of Commerce.
- Encourage business developers to create space for child care in future development projects in Riverside County, including housing, schools, industrial parks, shopping malls, etc.
- Provide loan products specifically designed for child care providers.
- Advocate to local and state government for quality child care as a vital component of current and future workforce development.
- Provide space for child care workforce development activities.

#### *Government Examples*

- Include language in county and city general plans around child care.
- Provide incentives for developers to include child care into their plans including new market-rate and affordable housing, commercial, retail, educational institutions, senior centers, parks and recreational facilities and transit hubs.
- Engage small business support services specifically designed to increase financial sustainability of existing and new child care providers (e.g. low-interest loans and incubator projects of the U.S. Small Business Administration, programs in accounting, facilities financing, and business planning).
- Increase the supply of subsidized, on-campus child care at all community colleges in Riverside County and enhance the capacity of community colleges to offer early care and education units, especially in outlying areas.

- Include child care as part of an economic development toolkit for attracting new business to Riverside County.
- Build the capacity of child care offered during non-traditional hours near existing and developing retail and restaurant districts.
- Reduce costs of child care establishments by providing free advertising, recruiting, and finger-printing.
- Designate family child care units or create space for child care centers in all new affordable and below-market housing developments.

#### *Child Care Industry Examples*

- Participate in public hearings on city and county general plans and advocate for including language about child care in these documents.
- Inform businesses and the community about the importance of early childhood education so they become effective advocates for countywide and local public policies that integrate child care into economic development, workforce development, and education policies.
- Educate child care providers, other businesses, and the general public that child care is big business in Riverside County.
- Incorporate business skills training in all child care activities and provider trainings.
- Create a career path for licensed child care providers to increase recruitment and retention of professionals in the industry.

#### ***Recommendation Number 3: Ensure that more local businesses provide family friendly benefits, including benefits that address the child care needs of their employees.***

#### *Business Examples*

- Offer child care benefits to employees. Three such options include reimbursements or direct payments to nearby or onsite quality establishments, back-up child care and/or offer pre-tax flexible spending accounts that include child care as an option for employees (see *Child Care Options* on page 33 for more examples).
- Advocate for policies that create incentives for businesses who provide child care benefits.
- Work with the task force to survey employees to identify child care needs of employees.
- Collaborate with local child care providers and businesses to meet child care demand more efficiently.
- Serve on child care councils and invite child care leaders to be on business boards, such as the Chambers of Commerce.
- Mentor companies who aren't currently offering child care benefits.

#### *Government Examples*

- Identify special incentives for businesses operating in or wishing to relocate to Riverside County that provide child care and work/family benefits.

- Increase the number of government agencies that offer child care benefits to employees, and mentor businesses to do the same.
- Explore reductions in public fees for businesses that offer on- or near-site child care.

#### *Child Care Examples*

- Educate businesses about the financial incentives of investing in child care benefits, and how investing in child care is a *win-win* situation for employers.
- Annually reward businesses in the county who are addressing the child care needs of their employees and the community at large.
- Train employee groups, such as Booster Clubs and unions, about how to advocate for child care benefits.
- Inform large and small businesses about cost effective and scaleable child care benefits, including: back-up child care, flexible spending accounts, on- or near-site child care, and partial reimbursement of child care costs.
- Hire a countywide Work/Life Coordinator to assist to businesses interested in providing family friendly benefits.
- Develop a well-crafted pamphlet on child care benefit options and establish a communication strategy to engage businesses.
- Educate human resource leaders across the county on child care benefits and how to implement them.

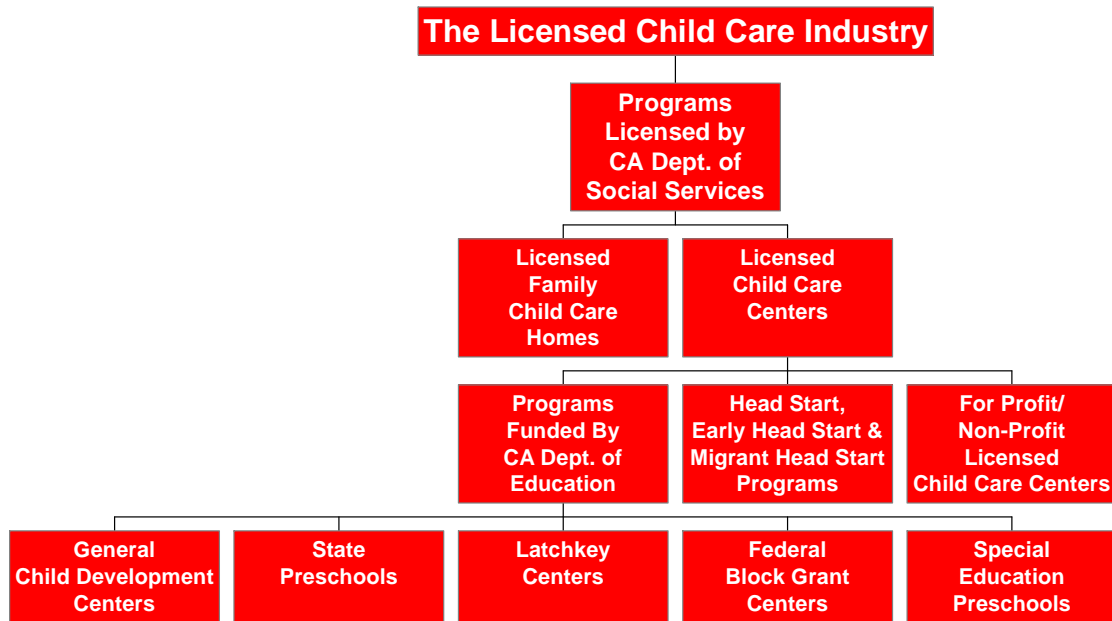
#### *CONCLUSION*

Given the comprehensive economic benefits of child care for business, government, and the Riverside County citizens, planning for and investing in a strong child care industry in Riverside County should not be the responsibility of providers alone. A diverse group of stakeholders—government, economic development, business, and industry leaders – have a role in the vitality of the industry and must work and plan together to reach innovative solutions to industry challenges.

# APPENDIX A

## The Licensed Child Care Industry

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# APPENDIX B

## The Self-Sufficiency Standard, Riverside County, 2003

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<b>The Table 1 The Self-Sufficiency Standard for Riverside County, 2003</b>								
<b>Monthly Costs</b>	Adult	Adult + Infant	Adult + Preschooler	Adult + Infant + Preschooler	Adult + Schoolager + Teenager	Adult + Infant + Preschooler+ Schoolager	2 Adults + Infant + Preschooler	2 Adults + Preschooler + Schoolager
Housing	\$596	\$729	\$729	\$729	\$729	\$1,011	\$729	\$729
Child Care	\$0	\$570	\$485	\$1,055	\$250	\$1,390	\$1,055	\$820
Food	\$182	\$266	\$276	\$358	\$473	\$481	\$515	\$565
Transportation	\$272	\$278	\$278	\$278	\$251	\$278	\$530	\$530
Health Care	\$68	\$186	\$198	\$205	\$336	\$224	\$243	\$254
Miscellaneous	\$112	\$203	\$197	\$262	\$195	\$338	\$307	\$290
Taxes	\$218	\$299	\$271	\$378	\$195	\$636	\$444	\$362
Earned Income Tax Credit (-)	\$0	-\$18	-\$37	\$0	-\$178	\$0	\$0	\$0
Child Care Tax Credit (-)	\$0	-\$70	-\$73	-\$120	-\$62	-\$100	-\$105	-\$110
Child Care Tax Credit (-)	\$0	-\$83	-\$83	-\$167	-\$109	-\$250	-\$167	-\$167
<b>Self- Sufficiency Wage</b>								
Hourly	\$8.23	\$13.40	\$12.73	\$16.92	\$11.16	\$22.77	*\$10.09	*\$9.30
Monthly	\$1,448	\$2,358	\$2,240	\$2,978	\$1,964	\$4,008	\$3,551	\$3,274
Annually	\$17,381	\$28,295	\$26,882	\$35,732	\$23,563	\$48,097	\$42,613	\$39,287
							*Per Adult	*Per Adult



# APPENDIX C

## Methodology for Calculating Gross Receipts and Direct Employment

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The economic contribution of the child care industry is significantly undercounted in traditional economic accounting tools and alternate methodologies for collecting data are necessary.

### UNIVERSE OF THE LICENSED CHILD CARE INDUSTRY

The child care industry includes formal programs that serve children birth through age 12:

- Licensed family child care homes
- Licensed child care centers (including CDE-funded child development programs)
- Head Start programs
- Early Head Start programs
- Migrant Head Start Programs

The estimates of gross receipts and direct employment represent a “snapshot” of the industry taken at a particular time. It is important to note that the estimates only capture the licensed child care sector, because enrollment and costs are difficult to measure for the informal education and care sector. Adding license-exempt care would increase gross receipts and direct employment figures. For a detailed description of the child care arrangements that are not included in the analyses of this report, please see page three.

Direct service dollars include the following programs and/or funding:

- Average cost of care in licensed child care settings, including private pay by parents, federal and state funds to low-income families, and federal and state funding for all programs supported through the California Department of Education
- Federal and state funds for all Head Start programs, including Head Start, Early Head Start, and Migrant Head Start

### GROSS RECEIPTS

Gross receipts estimates for licensed child care centers (including CDE-funded child development programs) and licensed family child care homes, are based on this calculation:

$$\text{Full-time Equivalent Enrollment} \times \text{Average Cost/Child/Year} = \text{Gross Receipts}$$

Full-time equivalent enrollment numbers are derived from the Riverside County Office of Education Division of Children and Family Services database which tracks capacity and vacancy in licensed child care centers by children’s age groups (infant, toddler, preschooler, and school-age child) as well as in licensed family child care homes. Full-time equivalent enrollment was calculated as capacity less reported vacancies (regardless of part-time or full-time vacancy).

In order to calculate the average yearly rate for each type of care and each age group the average rate was taken in March 2005. For center-based child care programs, this was broken down by age. For licensed family child care homes, because enrollment cannot be broken down by age, child care costs for preschoolers were used (see Table 1 for a range of county average rates).

Table 1 Countywide Average Annual Costs For Child Care Programs		
Program	Total Full-time Equivalent Enrollment	Average Annual Cost
Licensed Child Care Centers		
Infant/Toddler	1,233	\$9,620
Preschool-age children	14,251	\$6,760
School-age children	4,067	\$6,552
Licensed Family Child Homes (0-13)	11,846	\$6,500
State preschool*	3,757	Publicly Funded
Head Start	3,248	Publicly Funded
Early Head Start	286	Publicly Funded
Migrant Head Start	60	Publicly Funded
FHUD*	85	Publicly Funded
Latch-key Program*	381	Publicly Funded

\* The enrollment in these programs is also counted in the licensed child care centers.

Gross receipts for publicly funded programs equal the total budget spending in state fiscal year 2004, as reported by the Division of Children and Family Services and First 5 Riverside.

## DIRECT EMPLOYMENT

Direct employment is an estimate of the total number of jobs in the child care industry.

The number of people working in licensed family child care homes was calculated based on enrollment using licensing requirements. See below for the equation used to estimate full-time equivalent enrollment

$$\begin{aligned} \text{Family Child Care Homes licensed for 6-8} &= 1 \text{ FTE Employee} \\ \text{Family Child Care Homes licensed for 12-14} &= 2 \text{ FTE Employees} \end{aligned}$$

For licensed child care centers, licensing ratios were also used, according to Table 2. These were applied to enrollment, which was estimated according to the method described above.

Table 2 Staff to Child Ratios Used to Generate Employment Estimates, By Program, Riverside County				
Program	All ages	Infant	Preschool- age child	School- age child
Licensed child care centers		1:4	1:12	1:14

Full-time equivalent employment estimates for CDE-funded programs and Head Start programs (including Early Head Start and Migrant Head Start) was based on site staff numbers collected by the Division of Children and Family Services. For CDE-funded programs full-time equivalent employment was calculated assuming that two-thirds of the total number of employees work full-time and one-third work half-time.



# APPENDIX D

## INDIRECT AND INDUCED EFFECTS OF THE CHILD CARE INDUSTRY

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Every industry, including child care, is linked to the rest of the local economy through a number of avenues, reflecting the fact that establishments purchase supplies from other businesses and the industry's employees spend their earnings in part on locally produced goods and services. The linkages of the child care industry in Riverside County can be measured using an input-output model and its associated multipliers, a methodology used by some economic development specialists. While the multiplier methodology is not without controversy, these estimates illustrate that child care is an important integrated component of the Riverside County economy, both through its direct employment and output, and through its economic linkages.<sup>144</sup>

These estimates for the impact of child care on indirect and induced earnings and other productivity effects are based on the application of the 2002 Riverside County module of the IMPLAN Input-Output (I-O) model. 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).

I-O models use area-specific data on industrial and commercial activity to trace the linkages between industries. IMPLAN is based on a table of direct requirement coefficients which indicate the inputs of goods and services from various industries required to produce a dollar's worth of output in another, single industry. Standard economic "production functions"—the capital, labor and technology needed to produce a given set of goods—determine how changes in one industry's demand ultimately affect the demand for the inputs to that industry. 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 regional economic information. National data are adjusted for the industrial and trading patterns for the subject region. Based on this structure, IMPLAN estimates the regional economic impact that would result from a dollar change in demand of a particular industry.

The multiplier effect estimates the links between an industry and other areas of the economy. For this analysis, Type II multipliers, which exclude government spending, are used. Estimates for the impact of child care on the economy are based on three primary types of multipliers:

- Direct effects: Effects introduced into the county's economy as a result of spending on child care.
- Indirect effects: Effects reflecting spending by the child care industry.
- Induced effects: Effects on household spending by the child care workforce. These effects reflect changes in the county's economy caused by increases or decreases in spending patterns as a result of the direct and indirect activity.

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<sup>144</sup> Some experts have criticisms of the methodologies used to generate multipliers, and some experts criticize the overstated claims that are sometimes made about industries' gross effects rather than net effects.

For Riverside County, the multipliers for the child care industry are reported in Table 1.

<b>Table 1</b>			
<b>Child Care Industry Type II Multipliers, Riverside County</b>			
	Indirect	Induced	Total Type II
Output	.299	.374	1.67
Value-Added	.302	.408	1.71
Employment	.099	.140	1.24
Indirect Business Taxes	2.06	3.41	6.47
Labor Income	.238	.321	1.56

These multipliers may be used to assess gross indirect and induced effects of these economic indicators.<sup>145</sup> Based on a gross receipts of \$230.8 million in the child care industry, \$70.0 million in gross indirect output, including output in real estate (\$14.9 million), wholesale trade (\$4.3 million), and food services (\$3.7 million). Gross receipts totaling \$230.8 million also correspond to \$89.4 million in gross induced output, including eating and drinking establishments (\$5.1 million), real estate (\$4.9 million), and doctors' offices (\$4.5 million). In total, direct, indirect, and induced industry output for the Riverside County child care industry totals \$386.2 million.

Similarly, a direct employment estimate of 5,886 jobs in licensed child care corresponds to 584 gross indirect jobs sustained by the child care industry. These include jobs in food services and drinking places (83 jobs), real estate (64 jobs), employment services (63 jobs), and maintenance and repair services (42 jobs). In addition, 825 gross induced jobs are sustained, including those in health care (116 jobs), restaurants and bars (114 jobs), colleges and universities (4 jobs), and even in performing arts companies (3 jobs). In total, direct, indirect, and induced employment for the Riverside County child care industry totals 7,925 jobs in this analysis.

<sup>145</sup> Gross economic impacts do not account for the effects of other spending that would be curtailed if funds were directed towards the child care industry. For example, if \$1000 spent on child care had not been spent on child care, and had instead been spent on food, this food spending would also have multiplier effects. Net economic impacts take these negative effects into account. The multiplier effects reported in this appendix are gross economic effects.



# APPENDIX E

## Choosing Child Care

### Riverside County of Education, Division of Children and Family Services

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Each child is an individual with different needs and desires. Some children are happier in a home environment and some are better suited to the larger group setting of a center. The Riverside County Office Education, Division of Children and Family Services can assist you in deciding the best alternative for your child.

- Does your child need much individual attention? A family child care home offers care in a home setting.
- Is your child comfortable with a number of children? A child care center offers a rewarding group experience.
- Each home and center is unique in atmosphere and program. You, as a parent, are the person who can best determine what program meets the needs of your child and your family.

#### POINTS TO CONSIDER

##### CENTER/HOME

- Is the area large enough for the number of children?
- Is it safe (fence, gates, repairs)?
- Is it reasonably clean?
- How many children is the home/center licensed for?
- Are parents welcome to visit anytime?

##### EQUIPMENT AND MATERIALS

- Are the items appropriate for age level?
- Is there a variety for different experiences?

##### PROVIDERS/TEACHERS

- Do they like children and have an understanding of child development?
- What training or experience do they have?
- Do they encourage exploration and the desire to learn?
- Can the providers/teacher care for your child during illness?

#### FEEES

- How much does the care cost and what do the fees cover?
- Do you pay for absent days and holidays?

#### MEALS

- What types of food are the children fed? Is it nutritious?
- Is there an extra charge?

#### DISCIPLINE

- What does the provider/teacher expect of your child?
- Is the discipline consistent with your ideas?

#### TRANSPORTATION

- Is transportation provided to school or appointments?

#### DAILY SCHEDULE AND PLAY ACTIVITIES

- Will children get fresh air and exercise?
- Are arts and crafts, games, and music offered?
- Is TV allowed? How much? Which programs?