The Economic Importance of Families with Children

By Mildred Warner and Rebecca Baran-Rees, Cornell University
March 2012

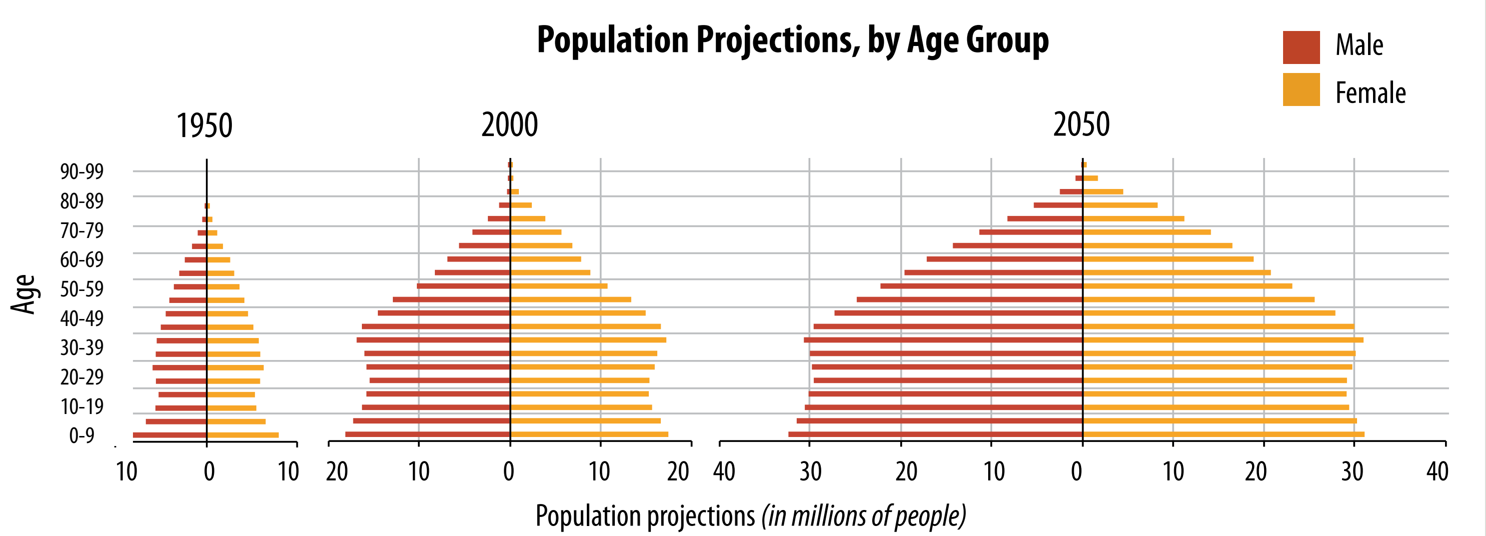
Planners and local government officials should give more attention to the economic benefits of families with children. While some strategies for economic development have included marketing cities as retirement destinations for wealthy adults (grey gold) or as creative hot-beds for young talent (creative class), ***vibrant communities need people of all ages for long-term economic stability.***

FAMILIES WITH CHILDREN PROVIDE A CRITICAL GENERATIONAL BALANCE

A 2008 American Planning Association (APA) survey of practicing planners found that 97 percent of responding planners agree that families with children are important to community growth, sustainability and diversity, and 90 percent agree that communities that keep residents for the whole life cycle are more vibrant (Israel and Warner 2008). While popular strategies for economic development have targeted young professionals and empty nesters, it is time to give more attention to meeting the needs of families with young children. Why – because demographic transformation is leading to a smaller pool of young people, and vibrant communities need a balanced demographic profile to meet the needs of residents across the life cycle.

Traditionally, we have thought of the population age structure as a pyramid, but it actually looks more like a house with a very large roof of aging baby boomers and an overhanging eave of working age adults sitting atop a smaller set of children and youth that form the foundation for the future.

While the working age population bears most of the costs of service delivery, demands on services by aging baby boomers will create new stresses on local government to provide transportation, health, recreation and housing support systems. To meet the rising needs of the elderly (projected to grow from 35 million in 2000 to 86.7 million by 2050 (U.S. Census 2000), cities must strengthen support for children and youth who represent the future. To do so, ***we must move beyond the silos of age segregated services and begin to think about how to integrate and share services across agencies and across the life cycle.***

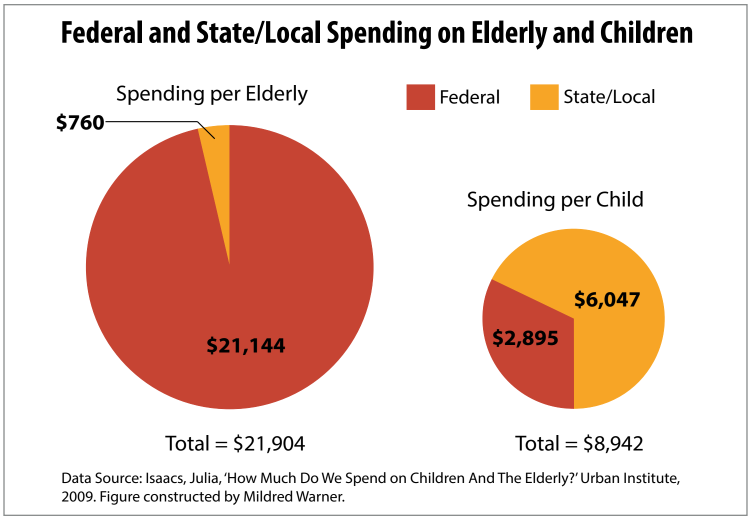


Source: U.S. Census Bureau, decennial census 2000, 2050. Raw data for 1950 Census from Hobbs, Frank and Nicole Stoops, 2002. "Demographic Trends in the 20th Century." U.S. Census Bureau, Census 2000 Special Reports, Series CENSR-4, U.S. Government Printing Office, Washington D.C.

This brief is part of the Planning Across Generations project directed by Mildred Warner, Professor of City and Regional Planning, Cornell University, Ithaca, NY. It was supported in part by the Peppercorn Foundation and the USDA National Institute for Food and Agriculture research grant #2011-68006-30793. Additional issue briefs and case studies can be found at www.mildredwarner.org.

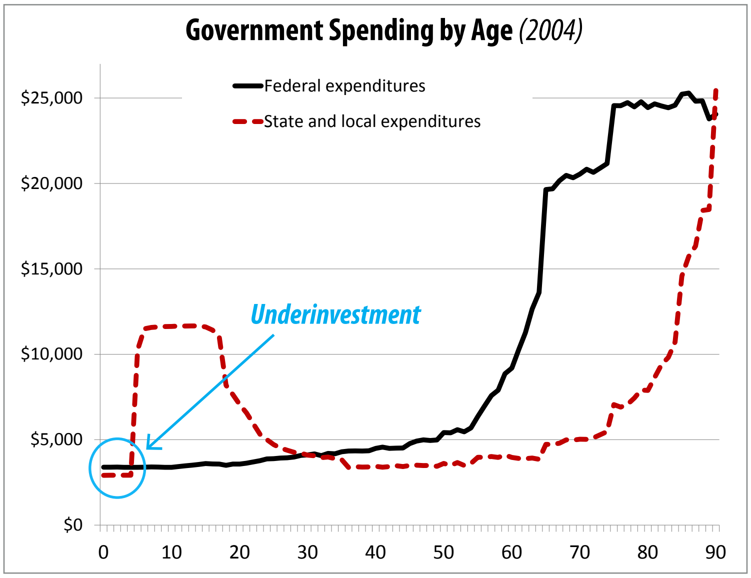
Public Expenditures Across the Life Cycle

Everyone is dependent when they are young and when they are old. But the distribution of costs is shared unevenly between the federal and state and local levels of government. Public support for seniors in the US is three times the size of support for children ($8,942 per child as compared to $21,904 per senior person) (Isaacs 2009). The federal government provides 97 percent of support for seniors, but less than one third of the public support for children.



Author analysis based on data from Isaacs, 2009.

State and local expenses are highest for young children (primarily due to K-12 schooling), and for seniors especially after age 75 (when local support services are needed to help seniors remain independent or to cover the costs of nursing homes) (Edwards 2010).



Based on estimates by Edwards, 2010.

State and local governments are the levels primarily entrusted with investing in our children's future. ***The economic development concern is that we are not investing enough in our children and youth to secure our future.*** Under-investment is particularly acute at the youngest years of life (birth to five) when nutrition, health care and early education are especially critical to long term brain development (Shonkoff and Phillips 2000).

Families with children are often perceived as a cost to the local economy because of high levels of school spending. Fifty three percent of planners in the APA survey believed that families do not generate sufficient tax revenue to cover the cost of services they demand (Israel and Warner 2008). Responding to pressures to limit tax increases, some communities attempt to restrict affordable family housing as a way to reduce local service delivery costs. Costs of community services studies promoted by the American Farmland Trust in 26 states (AFT 2010) assign all the costs of education to residents - as if the commercial and industrial sectors gained nothing from a prepared work force.

This is short sighted and ignores the increasing importance of human capital investment as a critical economic development strategy for state and local governments (Bartik 2011). It also ignores the possibility of shared services between schools and local government to better meet the needs of both children and seniors. Indeed, the APA survey found that 64 percent of planners believe that the needs of seniors and children are similar with respect to transportation, affordable housing and services (Israel and Warner 2008).

While some local governments pursue older retirees "gray gold" as an economic development strategy, they often fail to look ahead to the increased costs and decreased revenues as seniors age.

Retirement migration is viewed positively for its impact on the real estate market, local consumption and community volunteerism especially in civic and cultural realms (Brown and Glasgow, 2008). However, communities often overlook the local costs of care for an aging population - in expanded para-transit, meals on wheels, housing, health care and recreational services.

To help reduce the local tax burden on seniors, many states offer property tax abatements to people over the age of 65 who own and live in their home (Reynolds, 2004). The revenue loss can be significant. In New Hampshire, the number of abatements has been growing at ten percent a year as older people move in, and this resulted in a $20 million loss in local tax burden in 2007 alone (Francese 2008). Better recognition of the costs and revenues generated by individuals across the lifecycle can help city leaders realize the importance of a balanced growth strategy for long term economic development success.

A generational balance is critical to community sustainability. This issue brief focuses on the economic impact of families with young children and on approaches planners and economic developers can take to build a better generational balance. **Families with young children are a source of economic growth because:**

1. ***Families with children spend the most in the local economy.***
2. ***Services for children are an important part of local and regional economies.***
3. ***Investment in children builds a productive future workforce leading to long-term growth.***

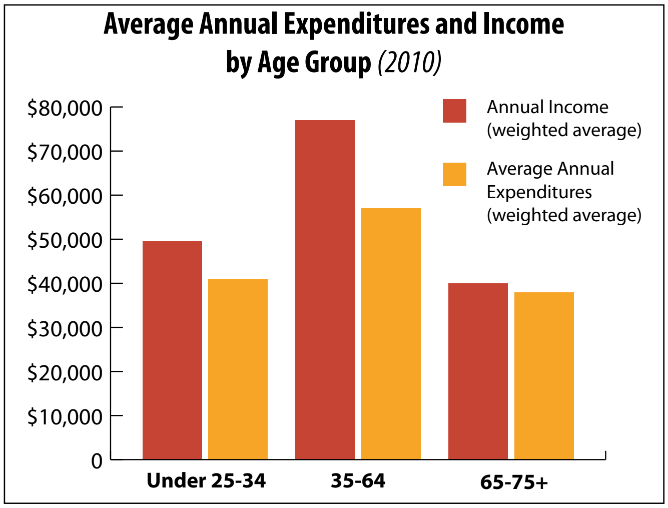
Planners and economic development officials can take substantive action to support multi-generational planning. Innovative approaches include:

- ***Creatively using impact fees and universal design in physical planning.***
- ***Integrating services across age groups and between schools and cities.***
- ***Building coalitions across age groups to promote shared vision for a balanced future.***

FAMILIES PROMOTE ECONOMIC GROWTH

#1. Families with children spend the most in the local economy

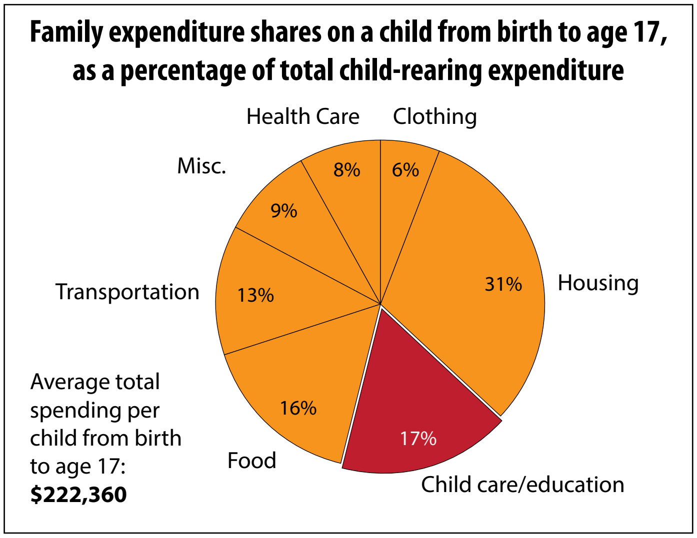
Although young professionals and empty nesters have the most disposable income and lower service needs, it is families with young children that spend the most locally. Consumer Expenditure Survey data (2010) show families of child-rearing age (35-64) earn and spend more than other age groups. These families are responsible for a greater percentage of overall expenditures, spending $15,046 more than 25-34 year olds, and $18,787 more than 65-75 year-olds on average. Yet in many cities, families of this age move away due to lack of appropriate housing or quality schools. ***Cities which retain families with children enjoy both higher earners and higher spenders and this helps explain the stronger economic performance of these communities*** (Reese 2012).



Author analysis based on Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, Average Annual Expenditures, Oct. 2010.

#2. Services for families are an important part of regional and local economies

Children are expensive to raise. Lower income families spend $8-9,000/yr per child and higher income families spend more than twice that (Lino, 2010). **The majority, 77 percent, of expenditures on children are spent in the local economy** (Lino 2010). These expenditures help maintain the basic core services of the local economy – housing, food, transportation and retail.



Author analysis based on Lino, 2010 (2009 data).

Family Services are Critical for Economic Growth

Standard economic analyses tend to downplay or even exclude such local spending from overall measures of economic growth by arguing that the size of a regional economy is only as strong as its export base. However, research shows that expenditures on local services are large drivers in the local and regional economy (Kay et al. 2008, Warner and Liu 2005). These local services and their economic linkages are increasingly critical sources of employment growth for cities (Markusen and Shrock 2006).

Research on child care, in particular has shown the sector has linkages greater than other local services and infrastructure sectors. Regional economic multipliers show on average for each new dollar spent on child care, the total statewide economic impact is two dollars. Similarly, for each new job in child care, and additional half job is generated statewide (Warner and Liu 2005). These multipliers demonstrate the importance of child care and local services to regional economic growth.

Moreover, mothers, usually the primary caregivers, now make up the majority of the workforce. ***Working parents are especially important as the overall workforce shrinks due to retiring baby boomers.*** Employers, aware of these challenges, are looking to local economic development planners to help address the critical infrastructure shortages in child care. Statewide surveys in New York and Wisconsin found that the majority of economic developers recognize the lack of quality affordable child care is an impediment to economic development in their communities (Warner 2007). Communities that invest in child care help boost productivity by allowing companies to retain skilled parents and by reducing the number of lost workdays (Morrissey and Warner 2007).

Affordable, quality child care is now recognized as a critical social infrastructure for economic development.

Economic Impacts:
Child Care and Other Sectors

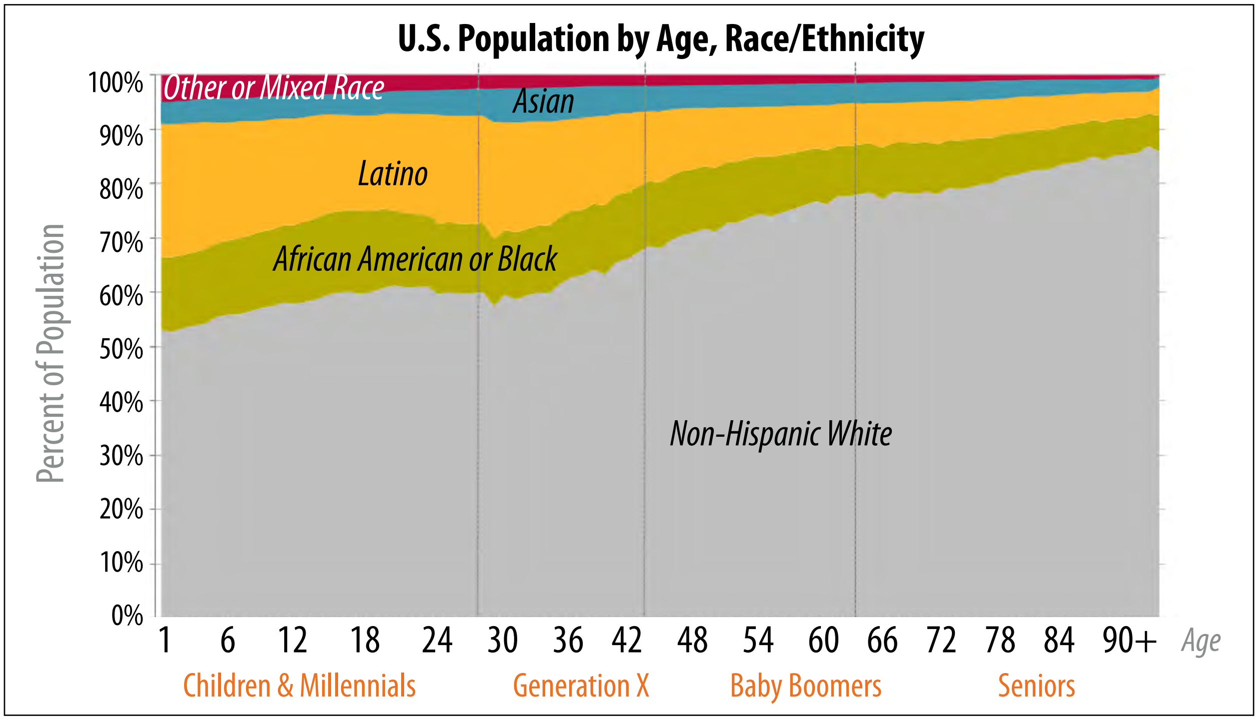
MULTIPLIER COMPARISONS	OUTPUT	EMPLOYMENT
Infrastructure Sectors		
Elementary and Secondary Schools	1.91	1.31
Colleges, Universities, & Schools	1.84	1.37
Local Interurban Passenger Transit	1.91	1.50
Quality of Life Sectors		
Eating and Drinking	1.72	1.31
Amusement and Recreation Services	1.69	1.26
Traded Sectors		
Wholesale	1.62	1.86
Retail (Apparel and Accessory)	1.60	1.30
Business Services (Mgmt & Consulting)	1.81	1.91
Financial Services	1.48	2.20
Tourism (Hotel and Lodging Places)	1.71	1.50
Manufacturing (Tool and Die)	1.63	1.71

Source: Warner and Liu, 2005. Average Type II multipliers across all 50 states and District of Columbia.

#3. Families with Children are Important for Long-Term Economic Growth

Economic developers now recognize that human capital and workforce development are critical strategies for future economic competitiveness (Bartik 2011). The approaching decline in skilled labor coincides with the rising proportion of seniors who require labor-intensive services (Myers 2007).

Given the demographic challenges of an aging society—state and local governments will need to make serious workforce investments.



Source: PolicyLink 2011: p14. Based on 2005-2009 Public Use Microdata.

There is a demographic divide of race and income between today's elders and the younger generation. Census projections forecast that by 2040, half of the population will be people of color. But these younger Americans will be poorer and less well educated than the retiring baby boomers unless investments are made in educational and community infrastructure to support the workforce of tomorrow (PolicyLink 2011).

Early education and care is part of this investment strategy. It provides a three part benefit to communities:

1) it promotes the social, emotional and intellectual development of young children so they are more successful in school and later life,

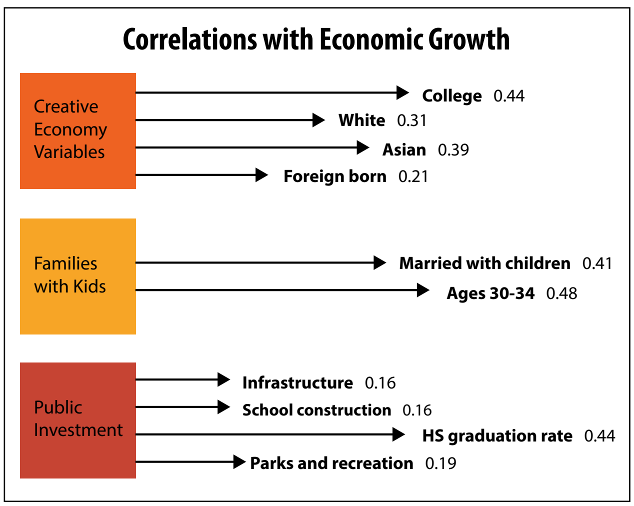
2) it promotes career ladders for parents and job retention for employers, and

3) it is a significant economic sector in its own right (Warner 2006).

Multi-generational planning is a superior growth model.

Across the US more than 90 teams of planners, economic developers and business leaders have formed to study their local child care sectors and identify strategies to improve this critical infrastructure (Warner 2006). For example, Oklahoma Champions for Early Opportunities (a partnership between business and education), promotes family-friendly business practices, strengthens the supply of child care in the community and reaches out to parents with educational programs (Wade 2011). Oklahoma City, like many cities across the country, is recognizing the critical link between early childhood education and a strong workforce. A national coalition, ReadyNation, has formed to promote more investment in children to ensure future economic success (www.readynation.org).

Communities with families have higher economic growth. Richard Florida's (2002) "creative class" strategy for promoting economic development by attracting young, single people has been popular among communities across the country. But economic development leaders now recognize that maintaining workers as they form families is equally critical. In a recent study of 233 cities, Reese (2012) shows that despite the strength of some of Florida's variables (college educated, diversity), the most significant factors also include investment in public infrastructure, and demographic variables, such as married adults with children. Variables positively correlated with economic growth include capital investment in education, infrastructure and construction, parks and recreation, adults age 30-34, and graduation rates from high school. These are the investments that build a broad comprehensive approach to community economic development.



Author analysis based on Reese, 2012.

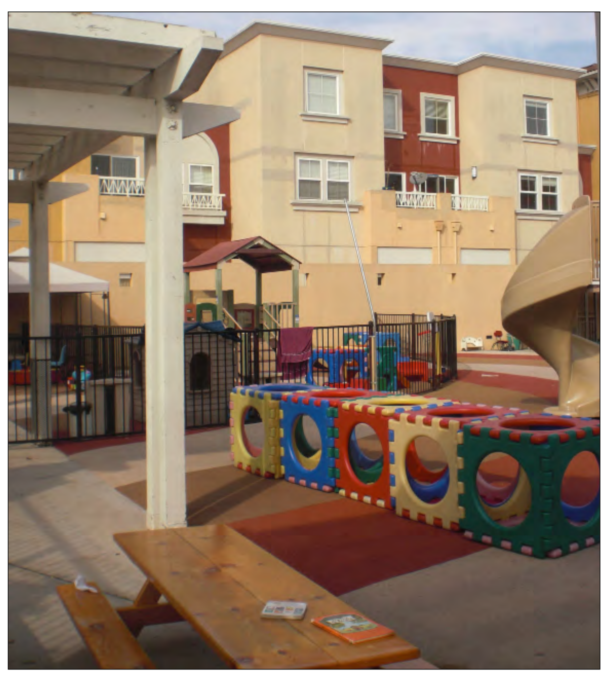
WHAT CAN PLANNERS DO?

Multi-generational planning is becoming increasingly important as local governments see the cost of fragmented service delivery, and the changing demographic profile of their communities (Warner 2010). Fiscal stress, tax pressures and changing service needs require a more thoughtful comprehensive approach. As our population both ages and grows younger, services to these groups will benefit from coordination and integration. New approaches to physical development, service integration and political coalition building are required.

Creative Use of Impact Fees & Universal Design

Zoning for affordable housing, accessory units, child care in residential units, density bonuses—as well as mandating sidewalks, improving street lighting and park access and promoting universal design are all planning tools which can be used to promote a family friendly community. While impact fees and proffer agreements have been used to restrict families with children in new developments, they can, instead, be used to promote development of needed infrastructure. The City of South San Francisco developed a Child Care Impact Fee ordinance to plan for child care demand (Anderson 2006). Cities throughout California have used developer agreements to provide incentives to build child care into new projects (Anderson and Dektar 2010).

The sprawling design of US communities raises the cost of service delivery. One way to increase residential density is to promote accessory units (elder cottages or granny flats). Twenty five percent of respondents to the APA survey allow accessory flats in their communities by right (Israel and Warner, 2008). These help address a wide range of housing needs – creating mixed income and mixed age communities. They also allow for incorporation of universal design principles in construction – enabling seniors to age in place near family and friend support networks (Chapman and Howe 2001).



Fruitvale, CA: Mixed use affordable housing development, Head Start Center, and a light rail station.
Photo Kristen Anderson

An example of such efforts can be seen in Florida. Since 2000, more than 160 localities now participate in the State of Florida's "Communities for a Lifetime" which provides statewide coordination of community planning, transportation, housing and social services for both youth and older adults. Among the projects promoted include universal-access home and business designs, mixed-use development, and improving physical health through better access to social interaction (Florida Dept of Elder Affairs 2004).

Photo by Josephine Heitzman.

Shared Services Promote Efficiency

Service integration – across agencies and age groups – can promote more efficient use of resources and more effective programming. ***Across the country, schools and cities are collaborating to share recreational facilities.*** This may involve the school using a public park or pool, or the broader community using the school gym, playing fields and auditorium (Vincent et al. 2010). This promotes better coordination of community resources and integration across the generations – building community connections.

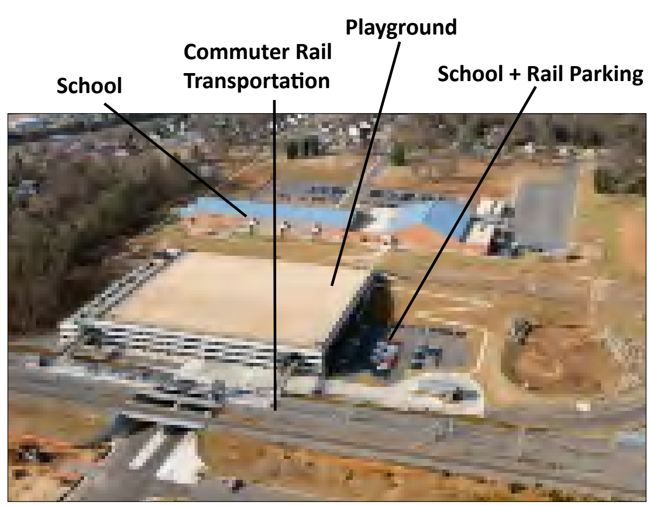
The City of Emeryville, CA, home to Pixar and Novartis, recognized that it did not have facilities to encourage its creative class of young professional workers to stay when they formed families. The city is now planning a Center for Community Life which will house the public school, provide job training and adult recreation, a drop in center for children, public library and community common grounds. The senior center, Head Start Center and Child Care center are nearby (www.emeryvillecenter.org).

The challenges of joint use projects involve concerns over liability, allocation of maintenance costs, coordinating different funding streams and time lines, but these can be resolved through collaborative planning.

Charlotte-Mecklenburg, NC for example, coordinates capital projects and facility planning between local governments and school districts. Schools have donated land to build transportation hubs next to elementary schools—complete with school playfields atop parking decks, and the county has jointly invested in a public library and performance space in a middle school (Wells 2011).

Political Coalitions Build Common Vision

Planners can help to build political will for multi-generational planning and shared services through broadening the participatory planning process. ***Both youth and seniors can be brought into the planning process to share their ideas.*** YPLAN (Youth - Plan, Learn, Act, Now) is a curriculum developed by the Center for Cities and Schools and used in numerous school districts throughout California (McCoy et al. 2010). Charlotte, NC has emphasized local neighborhood planning and implementation since 1998 through the creation of Neighborhood Action Plans developed by residents and interdisciplinary teams from city government. This provides technical support and more flexible and responsive planning



In Charlotte, North Carolina, the community built a school, a light rail station for commuters, and parking for both.

for Charlotte's poorest areas, broadening public support for new initiatives (Potapchuck et al. 1998).

Seniors can be key partners in community planning efforts. A 2005 AARP report finds 84% of respondents 50 and older want to age in place (Kochera et al. 2005). ***The features that seniors need to age in place are similar to features children need for healthy development: walkability, public transit, affordable housing, conveniently located services, parks, and opportunities for civic engagement.***

Seniors have many skills to share from a lifetime of experience. Civic engagement also promotes the social and emotional well being of seniors. Widening the circle of involvement to link seniors and children helps residents recognize shared needs and mobilize local resources for multi-generational planning.

CONCLUSION

The US stands at a critical juncture. ***Communities will face more demand for public services in the future as baby boomers age.*** Investing more in services for children and youth now, not only builds the workforce of the future and supports parents, but it also helps communities recognize new ways to promote development, integrate services and build political support for critical services.

Planners are recognizing that the needs of children and seniors are similar. But more work needs to be done to at the local level to identify new approaches to planning and development, taxation and fees, and service integration to better meet the needs of residents across the life cycle.

Families with young children provide an important generational balance – one that communities must strive to maintain – especially in tight fiscal times. This issue brief has outlined the economic importance of families to communities – not just in local spending on children, but also through human capital and workforce development. Planners can help bring long-term economic stability to their communities by encouraging family friendly policies in physical design, service integration and broadening the net of public participation. This creates vibrant, resilient communities for residents across the lifecycle.

RESOURCES

Cornell Multi-generational Planning Project: http://www.mildredwarner.org/

Center for Cities and Schools at University of California-Berkeley: http://citiesandschools.berkeley.edu

AARP Public Policy Institute - Livable Communities: http://www.aarp.org/research/ppi/liv-com/

Partnership for Livable Communities: http://livable.org/

"Family Friendly Communities" PAS Memo, American Planning Association, Nov/Dec 2008. https://www.planning.org/pas/memo/open/nov2008/

"Multi-generational Planning: Linking the Needs of Children and Elders," Issue brief, 2010. http://cms.mildredwarner.org/p/147

"Joint Use: School Community Collaboration," Issue brief, 2012. http://cms.mildredwarner.org/p/130 http://cms.mildredwarner.org/p/147

REFERENCES

Anderson, K. 2006. *Planning for Child Care in California*. Point Arena, CA: Solano Press Books.

Anderson, K. and Dektar, E. 2010. "Child Care and Community Development." Ithaca, NY: Planning for Family Friendly Communities Briefing Paper, April 2010. Available at: http://economicdevelopmentandchildcare.org/documents/technical_assistance/planning_family_friendly/issue_child_care.pdf.

American Farmland Trust. 2010. "American Farmland Information Center Fact Sheet: Cost of Community Services Studies, 2010." Washington D.C. Available at: http://www.farmland.org/documents/Cost-of-Community-Services-08-2010.pdf.

Bartik, T. 2011. *Investing in Kids: Early Childhood Programs and Local Economic Development*. Kalamazoo, MI: UpJohn Institute.

Brown, D. and Glasgow, N. 2008. "Are Older In-Migrants to Rural Communities Grey Gold?" Ithaca, NY: Community and Rural Development Institute, Rural New York Minute, Issue 4. Available at: http://devsoc.cals.cornell.edu/cals/devsoc/outreach/cardi/publications/loader.cfm?csModule=security/getfile&PageID=219025.

Chapman, N. and Howe, D. 2001. "Accessory Apartments: Are They a Realistic Alternative for Ageing in Place?" *Housing Studies*, 16: 5, 637 — 650.

Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, Average Annual Expenditures, October, 2010, Washington DC. Available at: http://www.bls.gov/cex/#data.

Edwards, Ryan D. 2010. Forecasting Government Revenue and Expenditure in the U.S. Using Data on Age-Specific Utilization, Working Paper no. WP10-01, National Transfer Accounts Project. http://qcpages.qc.edu/~redwards/Papers/edwards-forecasting-0210.pdf [accessed August 19, 2010].

Florida Department of Elder Affairs. 2004. Communities for a Lifetime Blueprint. Available at: www.communitiesforalifetime.org/docs/blueprint2007web.pdf.

Francese, P. 2008. "Age Restricted Housing in New England." Boston, Massachusetts: Federal Reserve Bank of Boston. Available at: www.bostonfed.org/commdev/c&b/2008/fall/Francese_age-restricted_housing.pdf.

Florida, R. 2002. *The Rise of the Creative Class*. New York: Basic Books.

Isaacs, J. 2009. "How Much Do We Spend on Children and the Elderly." Economic Studies Report, Washington, DC: The Brookings Institution. URL: www.brookings.edu/reports/2009/~/media/68F7781F1612493E8AD0F419F7A35E65.pdf.

Israel, E. and Warner, M. 2008. "Planning for Family Friendly Communities." PAS Memo. Chicago, IL: American Planning Association. URL: http://www.planning.org/pas/memo/open/nov2008/index.htm.

Kay, D., Pratt, J. and Warner, M. 2007. "Role of Services in Regional Economy Growth." *Growth and Change* 38(3): 419–442.

Kochera, A., Straight, A. and Guterbock, T. 2005. "Beyond 50.05, A Report to the Nation on Livable Communities: Creating Environments for Successful Aging." Washington, D.C.: AARP. Available at: http://assets.aarp.org/rgcenter/il/beyond_50_communities.pdf.

Lino, M. 2010. "Expenditures on Children by Families, 2009." Misc. Pub. No. 1528-2009. Washington, DC: U.S. Department of Agriculture, Center for Nutrition Policy and Promotion. URL: www.cnpp.usda.gov/publications/crc/crc2009.pdf.

Markusen, A. and Schrock, G. 2006. "The Distinctive City: Divergent Patterns in Growth, Hierarchy and Specialization." *Urban Studies*, 43(1301 - 1323).

McCoy, D., Bierbaum, A., Suwalsky, A., Boas, E. and Kronovet, A. 2010. YPlan Handbook, Berkeley, CA: Center for Communities and Schools. URL: citiesandschools.berkeley.edu/yplan.html.

Morrissey, T., & Warner, M. 2007. "Why Early Care and Education Deserves As Much Attention or More Than Pre-Kindergarten Alone." *Applied Developmental Science*, 11(2), 57 - 70.

Myers, D. 2007. *Immigrants and Boomers: Forging a New Social Contract for the Future of America.* New York: Russell Sage Foundation.

PolicyLink. 2011. "The Changing Face of America: Demographic Change and the New Policy Agenda." Presentation by Manuel Pastor at PolicyLink Equity Summit, 2011. Oakland, CA: PolicyLink. URL: www.policylink.org/site/c.lkIXLbMNJrE/b.7516957/k.B02D/Americas_Tomorrow.htm.

Potapchuk, W., Crocker, J. and Schechter, W. 1998. "Systems Reform and Local Government: Improving Outcomes for Children, Families, and Neighborhoods." Program for Community Problem Solving, Baltimore, MD: Annie E. Casey Foundation.

Reynolds, L. 2004. "Taxes, Fees, Assessments, Dues, and the "Get What You Pay For" Model of Local Government," *Florida Law Review* 56: 373 – 441.

Reese, L. 2012. "Creative Class or Procreative Class: Implications for Local Economic Development." *Theoretical and Empirical Research in Urban Management,* February 2012: 5-26.

Shonkoff, J. and Phillips, D. 2000. *From Neurons to Neighborhoods: The Science of Early Childhood Development.* Washington DC: National Academy Press.

U.S. Census Bureau. 2000. U.S. Population Projections, Interim Projections 2000-2050 based on Census 2000. Washington DC: U.S. Census Bureau. URL: www.census.gov/population/www/projections/natproj.html.

Vincent, J., Filardo, M., Allen, M. and Franklin, J. 2010. "Joint Use of Public Schools: A Framework for a New Social Contract." Center for Cities and Schools. Washington, DC: 21st Century School Fund. URL: http://citiesandschools.berkeley.edu/.

Wade, B. 2011. "Early learning important for economic growth." Oklahoma City, OK.: The Oklahoman, March 30, 2011.

Warner, M. 2007. "Child Care and Economic Development: Markets, Households and Public Policy," *International Journal of Economic Development*, 9(3):111-121. URL: http://economicdevelopmentandchildcare.org/documents/special_journal_issues/ijed/warner.pdf.

Warner, M. 2006. "Putting child care in the regional economy: Empirical and conceptual challenges and economic development prospects." *Community Development* 37(2): 7–22. URL: http://economicdevelopmentandchildcare.org/documents/special_journal_issues/jcds/warner.pdf.

Warner, M. and Liu, Z. 2005. "Economic development policy and local services: The case of child care." *International Journal of Economic Development*, 7(1):25-64.

Warner, M., Homsy, G. and Greenhouse, E. 2010. "Multigenerational Community Planning: Linking the Needs of Children and Elders." Planning for Family Friendly Communities Briefing Paper, Ithaca NY: Cornell University. http://economicdevelopmentandchildcare.org/documents/technical_assistance/planning_family_friendly/issue_multigenerational.pdf.

Wells, J. 2011. Joint Use Task Force, Charlotte-Mecklenburg Planning Department. Charlotte-Mecklenburg, NC. URL: http://www.charmeck.org/city/charlotte/cats/lynx/Pages/lynxfastfacts.aspx.