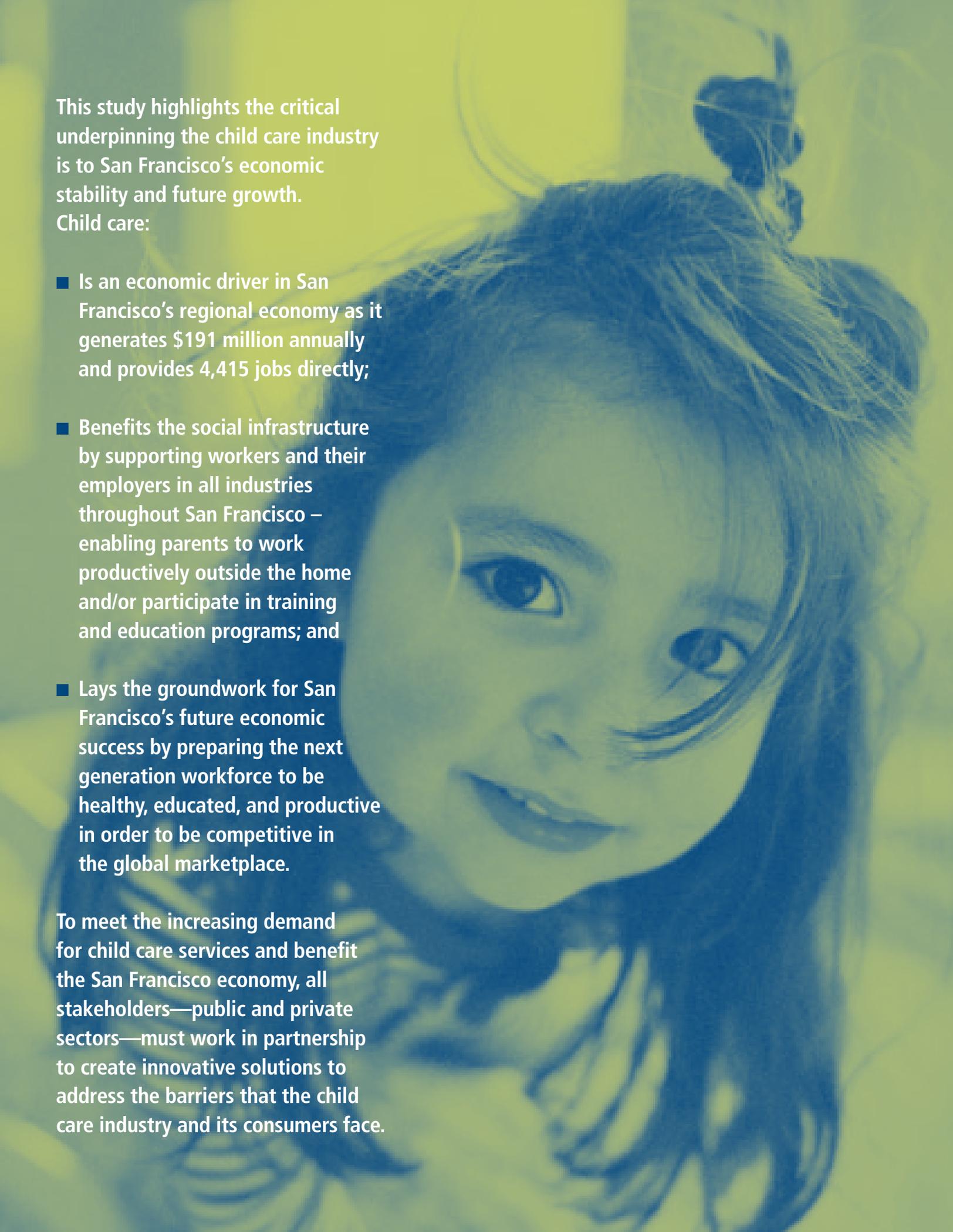




The Economic Impact of the Child Care Industry in the City and County of San Francisco

**EXECUTIVE SUMMARY
JANUARY 2006**





This study highlights the critical underpinning the child care industry is to San Francisco's economic stability and future growth.

Child care:

- Is an economic driver in San Francisco's regional economy as it generates \$191 million annually and provides 4,415 jobs directly;
- Benefits the social infrastructure by supporting workers and their employers in all industries throughout San Francisco – enabling parents to work productively outside the home and/or participate in training and education programs; and
- Lays the groundwork for San Francisco's future economic success by preparing the next generation workforce to be healthy, educated, and productive in order to be competitive in the global marketplace.

To meet the increasing demand for child care services and benefit the San Francisco economy, all stakeholders—public and private sectors—must work in partnership to create innovative solutions to address the barriers that the child care industry and its consumers face.



CHILD CARE IS A SIGNIFICANT ECONOMIC SECTOR IN ITS OWN RIGHT

- The San Francisco child care industry generates \$191 million annually in gross receipts—more than public relations agencies, graphic design services, and nursing care facilities (see Figure 1).
- The industry directly supports 4,415 full time-equivalent jobs—employing almost as many people as advertising, and more people than investment banking and apparel manufacturing. In terms of employment, the industry is 73 percent the size of building construction (see Figure 2).

“Every morning parents drop their children off at our child care centers, which are at or near their worksites in San Francisco. This reliable child care translates into benefits for San Francisco’s economy: less absenteeism, less disruption of work schedules, less turnover, and happier, more productive workers. High-quality child care also provides a return on investment by promoting a family-friendly city where parents feel welcome and children are valued.”

– MELINDA KANTER-LEVY
 Director of External Affairs, Marin Day Schools /
 Bright Horizons Family Solutions

THE CHILD CARE INDUSTRY IS OF ECONOMIC IMPORTANCE IN SAN FRANCISCO

Enables parents to participate in San Francisco’s workforce and upgrade their skills

- More than one in ten workers in San Francisco has a child ages birth through 13 and lives in a household where all parents work. Together these working parents earn \$1.4 billion every year.

“The nature of the Bay Area requires a well-trained workforce that has capacity to update their skills and meet the needs of emerging industries. That can’t happen, without an affordable and high-quality child care system.”

– JIM WUNDERMAN
 President & CEO, The Bay Area Council

Shortages of high-quality, affordable, and accessible child care reduces San Francisco’s economic stability and productivity

- The average annual rate for full-time, licensed, center-based child care for an infant is over \$13,370 in San Francisco, which is significantly more expensive than the in-state undergraduate tuition at San Francisco State University (\$3,128 for two semesters).
- Approximately 3,900 children are currently on eligibility waitlists for subsidized child care in San Francisco, 87 percent of public preschool programs have waitlists, and 80 percent of subsidy-eligible families seeking infant/toddler care are unable to find it.
- Parents who are transitioning off of welfare into the workforce lose their child care assistance when they earn more than \$48,408 (single parent with one child). However, the self-sufficiency wage for a single parent with one child is \$50,239 -creating an annual gap of over \$1,800.

“Increased investment in child care supports for low-income families has had a critical economic impact in San Francisco... many of the families who were on welfare have entered the workforce directly due to child care supports.”

– TRENT RHORER
 Director, San Francisco Human Services Agency

FIGURE 1
 Gross Receipts by Industry,
 San Francisco 2005

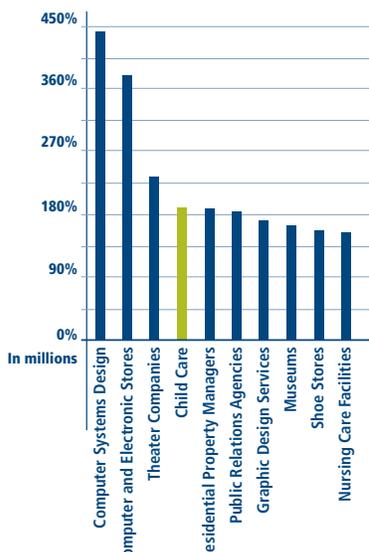
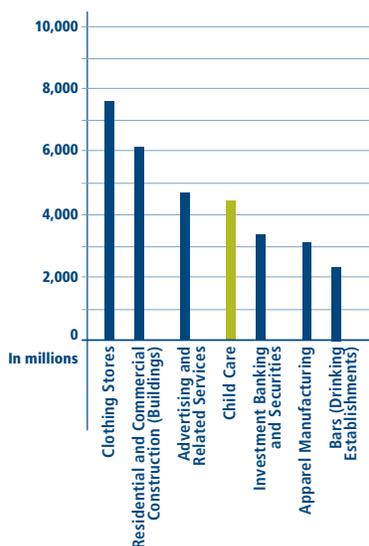


FIGURE 2
 Direct Employment by Industry,
 San Francisco 2003

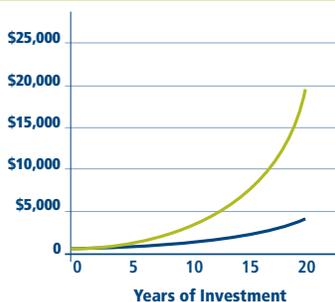


“Early learning begets later learning and early success breeds

Has a multiplier effect that supports employee productivity across San Francisco’s industries

- Unscheduled absenteeism in 2004 cost businesses nationally an average of \$610 per employee. Unscheduled absences due to family issues, which includes child care breakdowns, accounted for 23 percent of all absences. On-site child care and emergency back-up child care are two of the top three most effective work-life programs that reduce unscheduled absenteeism.
- Smaller and medium businesses can also benefit from providing cost-effective child care benefits, such as flexible time scheduling. As Kevin Westlye, executive director of the Golden Gate Restaurant Association notes, “Employees in the restaurant industry work non-traditional hours and therefore need child care available to match their work schedules. In many restaurants that means they need child care on evenings and weekends. Increasing the availability of child care would allow more parents to return to their restaurant employment, especially single parents.”

FIGURE 3
Return on a \$1,000 Investment,
High/Scope Perry Preschool Program vs. U.S. Stocks



■ Rate of return on investment in the High Scope/Perry Preschool program (16%, over \$19,000)
■ Long-term rate of return on investment in U.S. stocks (7% less than \$4,000)

Source: Rolnick and Grunewald, 2003. Both rates are adjusted for inflation.

THE CHILD CARE INDUSTRY ENABLES FUTURE ECONOMIC SUCCESS IN SAN FRANCISCO

Helps prepare young children for opportunities in the new economy

- Children in high-quality preschool settings show greater language development, mathematical ability, reasoning and attention skills, and fewer behavior problems in kindergarten than children in lower quality care settings.
- Longitudinal studies of child-focused, high-quality education programs for low-income children show significant long-term positive benefits for children, including higher I.Q., greater school achievement and grade retention, and a decreased need for special education.

“Childhood literacy is the foundation of academic and life success. Though San Francisco’s test scores compare favorably with other large California districts, we still have work to do: only 36 percent of our third graders meet or exceed grade level standards for English Language Arts. To improve this figure, I will invest in child care programs that prepare young children to learn.”

– GAVIN NEWSOM
San Francisco Mayor

Provides a positive rate of return on investments

- Longitudinal studies show that high-quality programs, particularly for low-income children, provide significant economic gains through increased earnings and decreased public expenditures on special education, juvenile delinquency, adult incarceration, health care, and social services. This increases the quality of life for all citizens and reduces government spending.
- The Federal Reserve Bank in Minneapolis analyzed rates of return from investing in a model early childhood program for low-income children. They found a 16 percent rate of return on investment—considerably higher than the long-term return from U.S. stocks of 7 percent (see Figure 3).
- According to RAND, a nonprofit research organization, universally accessible preschool in California, if implemented throughout the state, would generate an estimated \$2.62 for every dollar invested.

“Initially the Wells Fargo Back-up Child Care Program was implemented as an attraction and retention tool; however, conservative analysis concludes the program not only pays for itself, but provides a return on investment.”

– SUSAN PON-GEE
Work/Life Programs Manager, Wells Fargo

Potential Outcome Variables



Source: Shellenback, Cornell University, 2004

Recommendations

The short term economic benefits to working families and their employers are apparent. The long term benefits to human development and the future workforce are also obvious. Ultimately, San Francisco’s future economic productivity depends upon investment in quality child care as a critical industry that must be seen as a significant contributor to the city’s economic development.

The child care industry is a good economic development investment, both for its direct effects on employment and its relatively high linkage effects on the regional economy. Now is the time for government, business, labor, the child care industry, and the general public to work in partnership to ensure that:

- Local businesses are effectively engaged and educated about the return on investment from high-quality, affordable child care; advocate for a high-quality child care system and early learning infrastructure; and provide family-supportive benefits that address the child care needs of employees.
- High-quality child care programs and services are affordable and accessible to all families who want and need them.
- There is a strong supply of qualified, diverse, and well-compensated child care/early education professionals.

BUSINESS STRATEGIES:

- Become a San Francisco Child Care Champion and play an active role by:
 - » Advocating and influencing public policy at the local, state, and national level to ensure a comprehensive and integrated child care and early learning system that provides high-quality care and education for children ages birth through 13—showing a commitment to a strong educational system at all levels.
 - » Leading by example and offering cost effective family-supportive policies and practices for employees (e.g., back-up child care, resource and referral services, on- or near-site child care, reimbursements for child care expenses, flexible schedules, etc.).
 - » Encouraging and supporting other businesses, large and small, to institute workplace policies and practices that are family-supportive.
 - » Using peer networking strategies that endorse and raise awareness about why quality child care and early learning matters to businesses’ bottom line -both now and in the future.
 - » Participating on the boards of local child care programs, committees, and taskforces.
- Underwrite the cost of developing a communication strategy (with funds or in-kind donations of time and expertise) for the child care industry to better engage and educate the business community about the economic benefits of child care.

PUBLIC SECTOR STRATEGIES:

- Include strong language in the General Plan that prioritizes the development of child care facilities in San Francisco.
- Include on-site child care as part of new public developments, such as the Transbay Terminal Project.
- Target child care subsidies for families whose income is at or below the self-sufficiency standard (\$50,239 for a single adult with a preschooler).
- Expand the Developer Child Care Impact Fee to include residential and other types of commercial development. This expansion should be in accordance with the findings in the forthcoming San Francisco Child Care Nexus Study.
- Support policies that build the capacity of the local higher education system to ensure the child care workforce’s education and training needs are met.
- Continue to support child care provider wage enhancement and augmentation programs such as WAGES Plus and SFCARES.
- Work with the Office of Economic and Workforce Development to develop a comprehensive strategy for business attraction and retention that includes child care information into a package of incentives for businesses.
- Create economic incentives for businesses who offer child care benefits, invest in the local child care infrastructure, and/or offer free or below market value rent to child care programs.

CHILD CARE INDUSTRY STRATEGIES:

- Develop a clear communications and outreach strategy that educates and engages business leaders and stakeholders about the return on investment (ROI) from high-quality, affordable child care.
- Create a clearinghouse of information about how to develop employer-sponsored child care and other family-supportive practices and benefits.
- Work with the Child Care Facilities Fund of the Low Income Investment Fund to provide technical assistance to businesses who want to build on-site child care programs.
- Develop an “Economics of Child Care” one-page brief that details the true costs of operating and administering a child care business in San Francisco.
- Link with local business leaders to develop a taskforce of San Francisco Child Care Champions, who can advocate at the local, state, and national level to support public policy platforms and changes that will strengthen the child care and early education system.
- Publicly recognize businesses who are child care champions.
- Create a career path for licensed child care providers to increase recruitment and retention of qualified professionals to the industry.
- Partner with the Small Business Commission to work with the Small Business Administration and Neighborhood Economic Development Organizations to coordinate and lower the costs of providing training to child care providers on business skills.

For additional recommended strategies, see the full report available at www.dcyf.org/cpac.

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN THE CITY AND COUNTY OF SAN FRANCISCO

The Honorable Mayor Gavin Newsom appointed the San Francisco Advisory Board consisting of leaders in the fields of business, government, child care and economic development. It was the hard work of this board that provided the vision, direction, and expertise needed for the development of this report.

SAN FRANCISCO ADVISORY BOARD MEMBERS:

- **Agnes Briones-Ubalde**, San Francisco Small Business Commission
- **Loren Brown**, Providian Financial
- **Dennis Conaghan**, San Francisco Center for Economic Development
- **Alicia Daniel**, Family Child Care Provider Association of San Francisco
- **Richard Eijima**, Department on the Status of Women
- **Lisa Jaicks**, Local 2 / Hospitality Industry Child and Elder Care Plan
- **Linnea Klee**, Children's Council of San Francisco
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- **Lisbet Sunshine**, San Francisco Chamber of Commerce
- **Bill Tompkins**, GAP Inc.
- **Kevin Westlye**, Golden Gate Restaurant Association
- **Candace Wong**, San Francisco Child Care Planning and Advisory Council

ACKNOWLEDGEMENTS

The Honorable Mayor Gavin Newsom would like to acknowledge the National Economic Development and Law Center (NEDLC) who was commissioned to lead the San Francisco Advisory Board in the development of this report; in particular, the Early Care and Education program staff of NEDLC, Brentt Brown, Program Specialist; Saskia Trill, Senior Program Specialist; and Jen Wohl, Senior Program Manager, as principal authors, and Roger A. Clay, Jr., NEDLC President, as a contributor.

The National Economic Development and Law Center (NEDLC) is a national research and consulting organization dedicated to building economic health and opportunity in vulnerable communities. NEDLC partners with a diverse range of colleagues to develop innovative strategies and programs that result in systemic change and help people become-and remain-economically secure. 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 with policy makers, community and business stakeholders aimed at increasing the industry's capacity to respond to the shifting child care needs of families.

The Honorable Mayor Gavin Newsom would also like to recognize and appreciate the Department of Children, Youth, and Their Families (DCYF) for providing leadership in the development and design of this report, especially Mardi Lucich, the Citywide Child Care Administrator, as staff-lead responsible for coordinating the collaborative work of the San Francisco Advisory Board and NEDLC in the creation of this report.

The San Francisco Department of Children, Youth, and Their Families (DCYF) is one of the few city departments in the country dedicated exclusively to young people; DCYF enhances the lives and futures of San Francisco's children and youth through innovative partnerships with parents and youth, community organizations, city departments, schools, funders and the private sector. The goal of DCYF is to help San Francisco realize the vision of the "Quality of Life Benchmarks" adopted by the City's Board of Supervisors and the Mayor:

- Our city's children and youth are healthy;
- Our city's children and youth are ready to learn and are succeeding in school;
- Our city's children and youth live in safe, supported families and safe, successful, supported communities; and
- Our city's children and youth contribute to the growth, development and vitality of San Francisco.

Lastly, the Honorable Mayor Gavin Newsom would also like to thank the San Francisco Foundation for their generosity in hosting the monthly Advisory Board meetings, the San Francisco Child Care Planning and Advisory Council for its financial support of the project, and our small local business contributors Paragon Strategies and Creative i Studio for their pro-bono technical assistance with the artistic inspiration, design and production of this report.