

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN CONTRA COSTA COUNTY

A study sponsored by the:



And prepared by:

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER



BACKGROUND

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

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Section 1

Introduction

High-quality child care enables parents to work and increases school readiness for traditional K-12 education.

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

First, child care enables parents to work. The nature of working America has changed, and child care has changed with it. Primary caregivers are joining the labor force in record high numbers and are also returning to work more quickly following the birth of each child. In Contra Costa County, over 44,000 families have children under six with all parents in the labor force, and more than 117,000 families have children between six and seventeen with all parents working.¹ Similar to transportation and housing, without available and affordable child care services, parents are unable to effectively participate in the workforce.

Second, high-quality child care ensures a strong economy in the future. Historically, child care has been perceived primarily as a social service or, at best, an educational service for parents who want and can afford to provide their children with early learning experiences. Recent research on early brain development demonstrates that far from being a luxury, quality child care is a vital service, improving children's health, school readiness and future contribution to society. The value added from quality child care and early education decreases future public sector spending in the criminal justice system and welfare assistance.

Third, child care is a major industry in Contra Costa County in its own right. Research presented in this report demonstrates that licensed child care is a significant income-generating, job-creating industry sector, on par with major industries in the county such as accounting services and computer systems design. Contra Costa County's licensed child care industry supports 4,757 full time equivalent (FTE) local jobs directly and generates approximately \$231.4 million per year in gross receipts.²

¹ U.S. Census Bureau, Census 2000.

² See Section 3 for further discussion of results and methodology.

Contra Costa County's licensed child care industry directly supports 4,757 full-time equivalent (FTE) local jobs and generates an estimated \$231.4 million in gross receipts annually.

This industry strains to meet the increasing demand for affordable child care services, and faces a number of barriers. These barriers include an unstable child care workforce created by low wages, few benefits and high turnover.

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

- Outline the economic profile of Contra Costa County, and the effects on the child care industry
- Quantify the local economic effects of the licensed child care industry in Contra Costa County
- Assess the extent to which child care currently supports the economic performance of Contra Costa County
- Enumerate other economic benefits of child care, including public sector savings that result from investments in quality child care
- Discuss strategies about how to include child care in economic development planning

Defining Child Care

Child care incorporates a range of services that educate and nurture young children, while at the same time, enables parents to work or attend school. Child care includes full- and part-day child development programs for young and school-age children that are publicly or privately supported, such as pre-school, private child care centers, Head Start, before- and after-school programs, summer school, nursery schools and early care and education in family child care homes because all of these are part of the system of care that parents rely on during working hours.

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

Local partnerships of businesses, government, and the child care community can increase the child care industry's capacity to respond to Contra Costa County's need.

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

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

Because licensed child care is a formal part of the economy (i.e., the sector is subject to taxes, state regulations, etc), its economic impact is more easily quantified. Licensed child care is tracked through local resource and referral agencies, which maintain current, accurate files to enable parents to find available care. Although unlicensed child care arrangements are widely used by parents and also add much to the economy, it is more difficult to ascertain their impact. This report focuses primarily on licensed care and quantifiable license-exempt programs run by schools or governments.

The Local Investment in Child Care Project

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

Outline of the Report

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

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

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

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

Section 6 summarizes and integrates the findings from the previous sections. The report concludes with **Section 7**, which provides recommendations based upon the concepts articulated in this report. It suggests key areas for Contra Costa County's policymakers, business and civic leaders, economic development planners and child care advocates to consider when planning for local urban and economic development activities.

Section 2

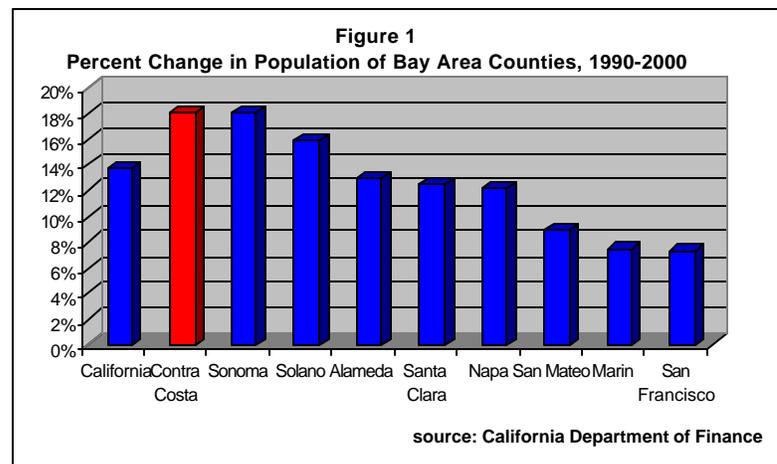
Economic Profile of Contra Costa County

As one of the fastest growing counties in the Bay Area, Contra Costa County's population increased by 18% from 1990 to 2000.³ It is currently one of the most heavily populated counties in the Bay Area and in the nation, with an estimated 981,600 residents in 2002.⁴ Contra Costa's changing demographic characteristics have a significant impact on the child care industry.

From 1990-2000, Contra Costa's population increased by 18%, outpacing the state's population growth by 5%.

Population

- ◆ Contra Costa County outpaced the State of California in population increase during the past decade by almost 5%. From 1990 to 2000, the California statewide population increased by over 13% while the Contra Costa County population increased by 18% (see Figure 1).⁵



- ◆ Compared to other Bay Area counties, such as Santa Clara, Alameda and San Mateo. Contra Costa County's population grew up to 6% faster in the last decade.⁶

³ California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10 Year Increments*. 2001

⁴ CA State Department of Finance, Demographic Research Unit. *Interim County Population Projections, 2000*.

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

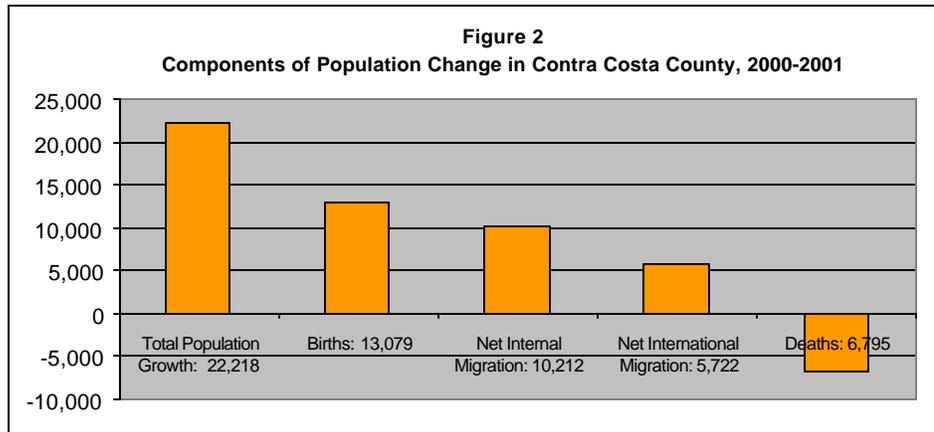
⁶ Ibid.

Contra Costa County's population is projected to grow by 16.5% over the next twenty years.

There are over 13,000 births in Contra Costa County every year.

The infant population is more diverse than Contra Costa County's general population.

- ◆ Contra Costa's population is projected to grow by 16.5% over the next 20 years, totaling upwards of 1.1 million residents in 2020.⁷
- ◆ A full 16 % of Contra Costa residents live in unincorporated areas of the county, 13% live in Concord, 10% live in Richmond and 10% live in Antioch. Other heavily populated cities in Contra Costa County include Pittsburg, San Ramon and Walnut Creek.⁸
- ◆ From July 2002 to July 2001, an estimated 11,753 people moved from other counties in the U.S. into Contra Costa County (internal migration). An estimated 7,151 people moved from outside of the U.S. into Contra Costa (international migration).⁹ With 13,000 births, the primary driver of increased population was childbirth, which out-paced both internal and international migration into the county (see Figure 2).¹⁰



- ◆ Approximately 52% of infants are Caucasian, 23% are Latino, 14% are Asian/Pacific Islander and 11% are African-American or Black, representing greater diversity than the whole population.¹¹

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

⁸ California Department of Finance, Demographic Research Unit. California State Data Center, *Table One, Population Change 1990-2000, Cities by County*, based on Census 2000.

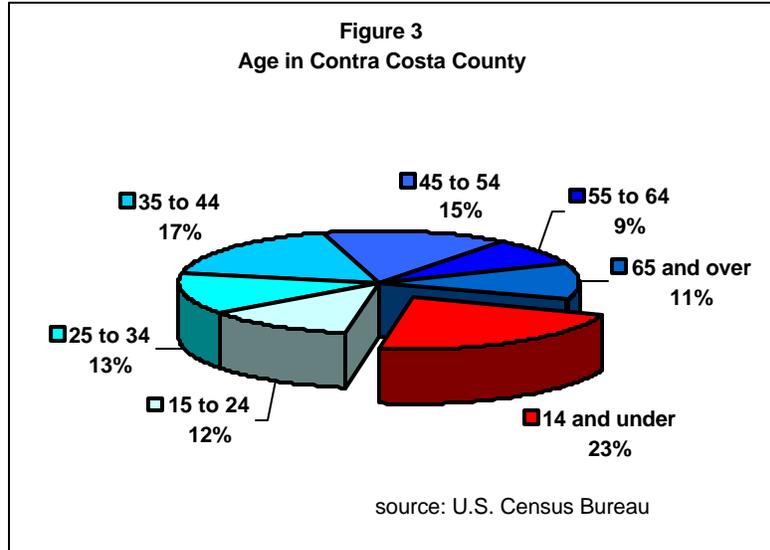
⁹ U.S. Census Bureau. Population Division, *Table CO-EST2001-02-06 – California Components of Population Change: April 1, 2000 to July 1, 2001.*

¹⁰ Ibid.

¹¹ U.S. Census Bureau, Census 2000.

Children 14 years old and under make up one-fifth of the total population in Contra Costa County.

- ◆ Children ages 14 and under comprise over one-fifth of the total population in Contra Costa County, while adults over 65 comprise 11% (see Figure 3).¹²



- ◆ In Contra Costa County 7% of the population is under 5 years of age and 8 % are between 5 and 9 years of age. Another 8 % are between 10 and 14 years old.¹³

Diversity

- ◆ Figure 4 depicts the diversity of Contra Costa County. The county is becoming increasingly diverse each year. In particular, the Asian and Pacific Islander population increased by over 54% from 1990 to 2000 and the Latino population increased by nearly 39% from 1990 to 2000.¹⁴

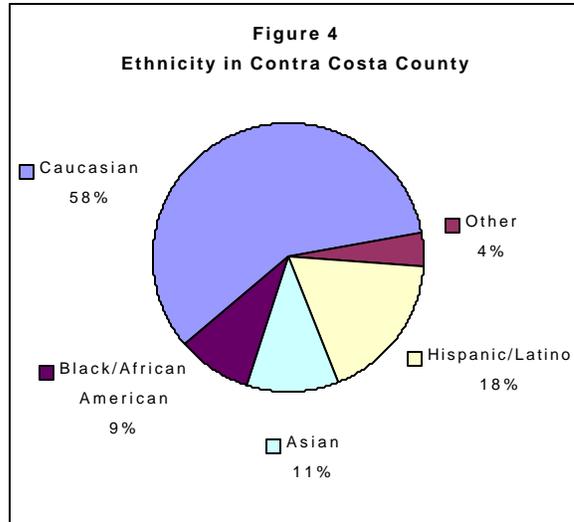
Contra Costa County is becoming increasingly diverse.

¹² U.S. Census Bureau, Census 2000.

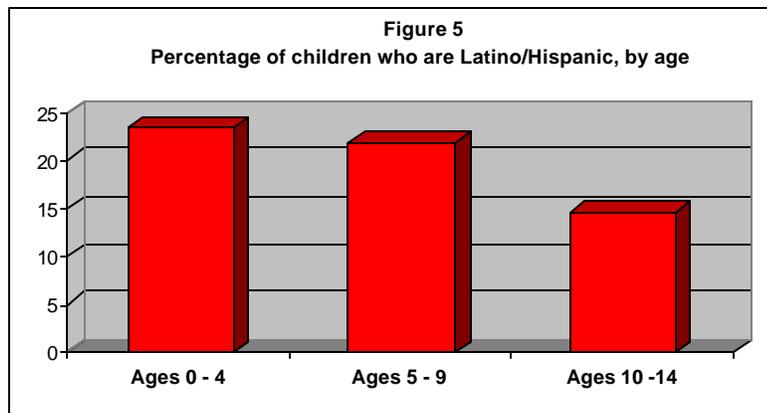
¹³ U.S. Census Bureau, Census 2000, *Summary File 1*.

¹⁴ California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10 Year Increments*.

Minorities make up 42% of the total population of Contra Costa County, and 47% of the youth of Contra Costa County.



- ◆ Although minorities comprise 42% of the total current population in Contra Costa County, minority children comprise a much higher percentage, at almost 47%, and the proportion of children who are Latino increases at younger age groups indicating that diversity will continue to increase in future years (see Figure 5).¹⁵

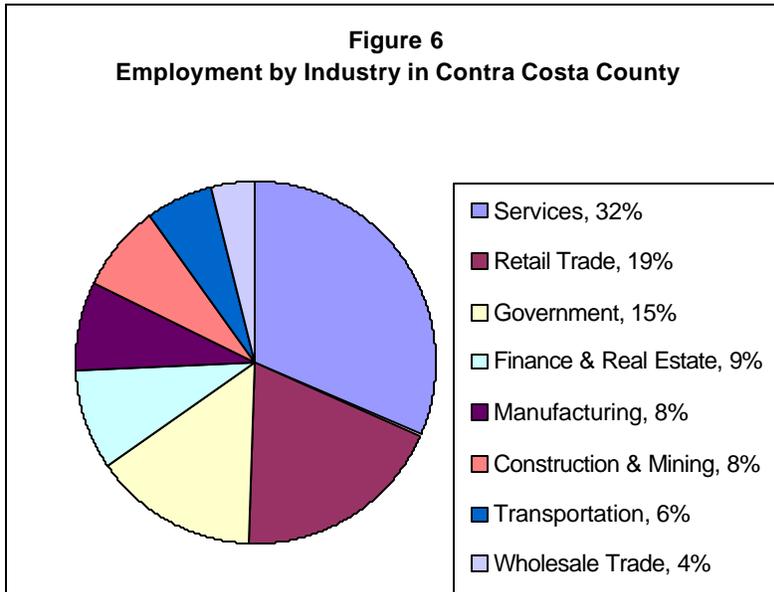


¹⁵ California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10 Year Increments.*

One-third of the Contra Costa County labor works in the service sector.

Labor Market

- ◆ Contra Costa County's 2000 civilian labor force was 505,100.¹⁶
- ◆ Contra Costa's leading industry, with nearly one-third of total employment, is the service industry, which includes industry classifications for health service workers and child care professionals (see Figure 6).¹⁷
- ◆ Other large industry areas in Contra Costa are retail trade with 19% of total employment, and government with 15% of total employment (see Figure 6).¹⁸



Approximately 150,000 of Contra Costa County's residents commute to other counties to work.

- ◆ There are an estimated 340,700 jobs in Contra Costa.¹⁹
- ◆ Services, retail trade and government account for 66% of all jobs in Contra Costa.²⁰
- ◆ There are over 150,000 more workers in Contra Costa than jobs, meaning a significant commute out of the county into other counties such as San Francisco, Sacramento, or Alameda Counties.²¹

¹⁶ California Employment Development Department, Labor Market Information Division. *County Snapshot, Contra Costa County, 2001.*

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ U.S. Census Bureau, Census 2000, *Summary File 1.*

Six of the fastest growing occupations in Contra Costa County pay less than \$10 per hour.

The self-sufficiency wage for one adult and two young children in Contra Costa County is \$48,487.

The median price for a home in Contra Costa County is \$345,000.

- ◆ Six of the fifteen fastest growing occupations Contra Costa County pay less than \$10 per hour for entry-level positions.²²
- ◆ Many jobs for Contra Costa residents are outside of the county. Almost 18% of CalWORKs participants report work or job training trips outside of the county.²³
- ◆ Unemployment remains relatively low in Contra Costa County, at 5%, or about 26,000 people.²⁴

Cost of Living

- ◆ Contra Costa County has one of the highest costs of living in California, with one of the top ten highest Self-Sufficiency Wages of all the California counties, at \$48,487 for one adult, an infant and a preschooler.²⁵
- ◆ The median price of a home in Contra Costa County in May 2002 was \$345,000. The median price of a home increased almost 13% between May, 2001 and May, 2002, while the Bay Area average increase was only 9%.²⁶
- ◆ The price and availability of housing in Contra Costa affects more than just low-income families, since “fewer than 2 in 10 Bay Area households can afford a median-priced home. The ratio is even lower in Contra Costa.”²⁷
- ◆ In Contra Costa, there was a 9% increase in the number of renter households in the county, from 97,395 in 1990 to 105,680 in 2000.²⁸
- ◆ The fair market rate for renting a two-bedroom apartment in the county is \$1,243 per month, or \$14,916 annually. The hourly wage needed to afford a two-bedroom apartment is \$23.90.²⁹
- ◆ Approximately 16.2% of all Contra Costa County households earn an annual income less than \$25,000.³⁰

²² California Employment Development Department, Labor Market Information Division. *County Snapshot, Contra Costa County, 2001*.

²³ Crain and Associates. *Transportation Survey of CalWORKs participants, Final Report*. Prepared for: Contra Costa County Employment & Human Services Department, September 2000.

²⁴ California Employment Development Department, Labor Market Information Division. Monthly labor force data for Counties for June 2002, not seasonally adjusted.

²⁵ Wider Opportunities for Women. *The Self-Sufficiency Standard for California*, Washington, D.C.: Wider Opportunities for Women, 2001.

²⁶ DataQuick Information Systems, www.DQNews.com

²⁷ Hannah, D. and Russell, K. “Affordable-housing shortage threatens dreams in Bay Area.” *Contra Costa Times*, July 28, 2002.

²⁸ National Low Income Housing Coalition. *Out of Reach: America’s growing wage-rent disparity*. National Low Income Housing Coalition, 2001.

²⁹ Ibid. Hourly wage is based on the assumption that rent is 30% of total income.

³⁰ U.S. Census Bureau, Census 2000.

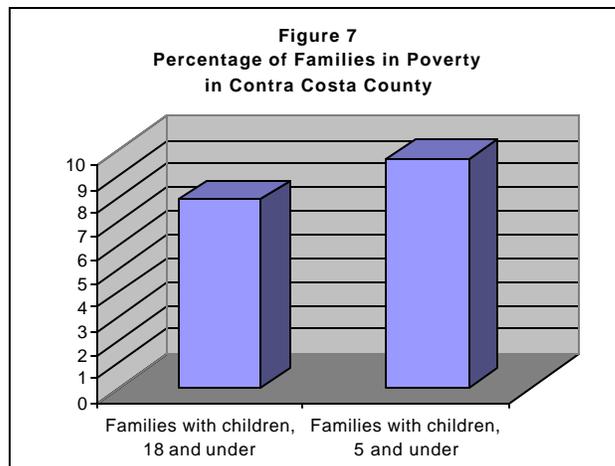
Center-based child care for an infant costs approximately \$11,000 per year.

Almost 10% of all children in the county live below the federal poverty line.

- ◆ The average cost of child care for an infant in a child care center in Contra Costa County is currently estimated at \$10,996 per year.³¹
- ◆ Center-based child care for an infant and a toddler in Contra Costa has an annual cost of over \$18,000 per year. For families with a median family income, these child care costs are almost 25% of their total annual income.

Low-income Families

- ◆ An estimated 64,331 children 0 to 17 years of age live in low-income households.³²
- ◆ In 1999, there were 11,739 children and infants receiving Women, Infants and Children (WIC) benefits in Contra Costa County.³³
- ◆ In Contra Costa County, 71,575 of the residents live under the federal poverty line -- over 7% of the total population.³⁴
- ◆ The percentage of those living in poverty is higher among children than among the general population. Almost 10% of all children in the county live below the federal poverty line.³⁵
- ◆ The percentage of families living in poverty increases for families with younger children (see Figure 7). While 8 % of families with children 18 and under are in poverty, 10% of families with children 5 and under live in poverty.³⁶



³¹ Based on current survey from the Contra Costa County Child Care Council, 2002.

³² U.S. Census Bureau, Census 2000. *Table DP-3. Profile of Selected Economic Characteristic: 2000*. Low-income is estimated at 185% of poverty level and below.

³³ Ibid.

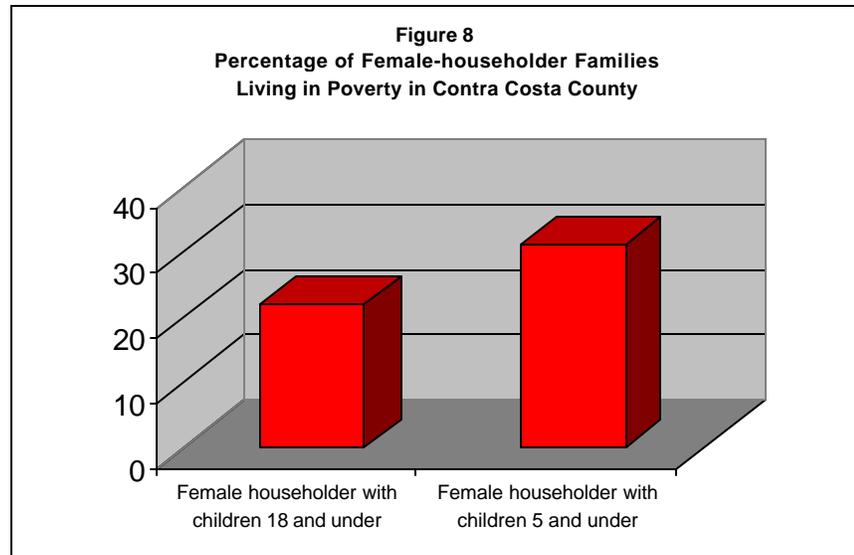
³⁴ Ibid.

³⁵ Children Now. "The Children of Contra Costa County." *California County Data Book*. Oakland, CA: 2001.

³⁶ U.S. Census Bureau. Census 2000.

In Contra Costa County, 31% of single-mother families with children under five live in poverty,

- ◆ The percentage of families living in poverty increases dramatically for single-mother families (see Figure 8). Twenty-two per cent of single-mother families with children 18 and under live in poverty, compared with 8 % of all families with children 18 and under. Similarly, 31% of single-mother families with children 5 and under live in poverty, compared with 10% of all families with children 5 and under.³⁷



In 2000, 26% of all Contra Costa County children were classified as low-income children eligible for subsidized school meals.

- ◆ Contra Costa County is ranked among the top ten counties in California with the largest percentage of children 0 to 4 years old living in poverty.³⁸
- ◆ In 2000, 26% of all Contra Costa County children were classified as low-income children eligible for subsidized school meals.³⁹
- ◆ Nearly 40% of the jobs in Contra Costa County's largest industry sectors do not pay enough to keep a family of four out of poverty (\$11.15 per hour).⁴⁰

³⁷ U.S. Census Bureau. Census 2000.

³⁸ Children Now. "The Children of Contra Costa County." *California County Data Book*. Children Now: 2001.

³⁹ California Department of Education, "County Data Table." *The State Of Our Children*, 2000.

⁴⁰ Ibid.

The increasing diversity among the population in Contra Costa County will require more culturally appropriate child care services.

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

Implications for Child Care

Contra Costa County's shifting economic and demographic landscape creates a challenge to its burgeoning child care industry. Changing and evolving economic and social conditions--a greater number of low-paying jobs, higher unemployment, natural population increase, escalating housing prices and welfare reform--will fuel continued growth in demand for child care services in the county. These conditions have the following implications for the county's child care industry:

Population

- ◆ Contra Costa's aggressive population growth creates a challenge for the entire education system, for children of traditional school ages and for children ages 0 to 5 as well.

Diversity

- ◆ The increasing diversity in Contra Costa County requires more culturally appropriate child care services, including dual- or multi-lingual staff and programs, and culturally sensitive curricula and care.
- ◆ The increasing demand in all sectors for skilled Spanish speakers creates a shortage for Spanish-speaking child care professionals.

Labor Market

- ◆ The county's strong service and retail sectors contribute to a greater demand for child care during hours outside of the traditional 8am – 6pm child care schedule.
- ◆ Many Contra Costa County residents who commute to work outside of the county need child care facilities near residential areas that are open extended hours to care for their children during their long commute times, as well as during their hours at work.
- ◆ The low- to medium-wage nature of jobs in the services and retail sectors contribute to the number of individuals who cannot afford the high cost of living in Contra Costa County, jeopardizing the economic vitality of those sectors in Contra Costa.

High rental and housing costs shrink the portion of a family's income that is available for child care.

Contra Costa County must expand its supply of affordable child care to meet a growing need.

Cost of Living

- ◆ The county's high cost of living threatens the stability and continued growth of the licensed child care industry.
- ◆ High rental and housing costs also continue to shrink the portion of a family's income available to pay for child care.
- ◆ With Contra Costa's high cost of housing, the recruitment of trained professionals in all industries is increasingly difficult, and the growing need cannot be met without additional incentives to move to Contra Costa, such as affordable, accessible child care.

Low-income Families

- ◆ The increasing number of people in low-income occupations will impair their ability to afford child care.
- ◆ Because of the high number of children in poverty in Contra Costa County, child care programs continue to experience aggressive demand for subsidized slots.
- ◆ Continued implementation of the state's CalWORKs program contributes to the need for more subsidized child care, as parents receiving aid are required to work or participate in training programs.

Conclusion

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

Section 3

The Economic Impact of the Child Care Industry

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

- The size of the industry as reflected in output or gross receipts
- The total direct employment of the industry
- The extent of the industry's local economic integration, as reflected in indirect employment
- Occupational characteristics of workers

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

Measuring the Child Care Industry Output or Gross Receipts

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

Economists typically analyze industries and their impacts based on a set of definitions and tools developed by the U.S. Department of Commerce (DOC) or by survey results developed by the U.S. Department of Labor (DOL). However, both the DOC and DOL categories for "Child Day Care Services" and "Child Care Workers" significantly undercount the licensed child care industry.⁴¹

Neither categorization explicitly includes licensed family child care homes. In Contra Costa County, 35% of the licensed child care slots are in family child care homes. In addition, the DOL category does not include centers operated by public schools. This omission is significant because a significant percentage of state subsidies for child care and early education in the county are directed to school districts.

⁴¹ The U.S. Department of Commerce uses a categorization system called the North American Industry Classification System (NAICS) and the Department of Labor uses the Standard Industry Classification (SIC). "Child Day Care Services" are NAICS code 624410 and SIC code 8351. The California Employment Development Department uses Standard Occupations Codes (SOC) from the Department of Labor, which for "child Care Workers" is 39-9011.

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

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

There are 1,815 licensed child care facilities in Contra Costa County that care for approximately 30,000 children.

Gross receipts for the child care industry in Contra Costa County total an estimated \$231.4 million annually.

A more accurate method of measuring the size of the child care industry relies upon data from the Contra Costa Child Care Council. As the Resource and Referral agency for the county, the Council is required to keep current, accurate data on child care capacity, cost and enrollment. The locally derived estimates are much more reliable than the DOC- or DOL- generated estimates because they are current and capture the entire universe of licensed child care services. Gross receipts are calculated in Contra Costa by multiplying the number of children enrolled in each type of care (i.e. infant care, part-time, state-subsidized) by the average rate for that type of care (please see Appendix A for detailed methodology).

There are approximately 1,815 licensed child care facilities in Contra Costa County (1,433 family child care homes and 382 centers) that care for 29,695 children.⁴² Based on the methodology briefly described above, the estimated annual gross receipts for licensed child care in Contra Costa County is \$231,355,077, including \$86,375,798 for child care centers and \$44,979,279 for family child care homes (see Table 1).

Local data compared with DOC and DOL data show how much the industry classifications underestimate the total impact of the licensed child care industry. The California Employment Development Department (EDD) and the DOL both collect information on the number of people employed in each industry in Contra Costa County, from which we can estimate gross receipts. The gross receipts are 58% and 51% of the estimates from the more comprehensive local data. The DOC reports gross receipts from the 1997 Economic Census, which were adjusted to 2002 for comparison. The DOC estimates are only 21% of those derived from local data. This may be, in part, due to the growth of the licensed child care industry over the last few years. The next Economic Census data will be available in 2004.

Table 1 Licensed Child Care Industry Estimates, Contra Costa County, 2002	
Methodology	Gross Receipts
<i>Contra Costa Child Care Council</i>	\$231,355,077
CA Employment Development Dept.	\$135,888,624*
U.S. Department of Labor	\$118,421,456*
U.S. Department of Commerce	\$48,843,662**

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

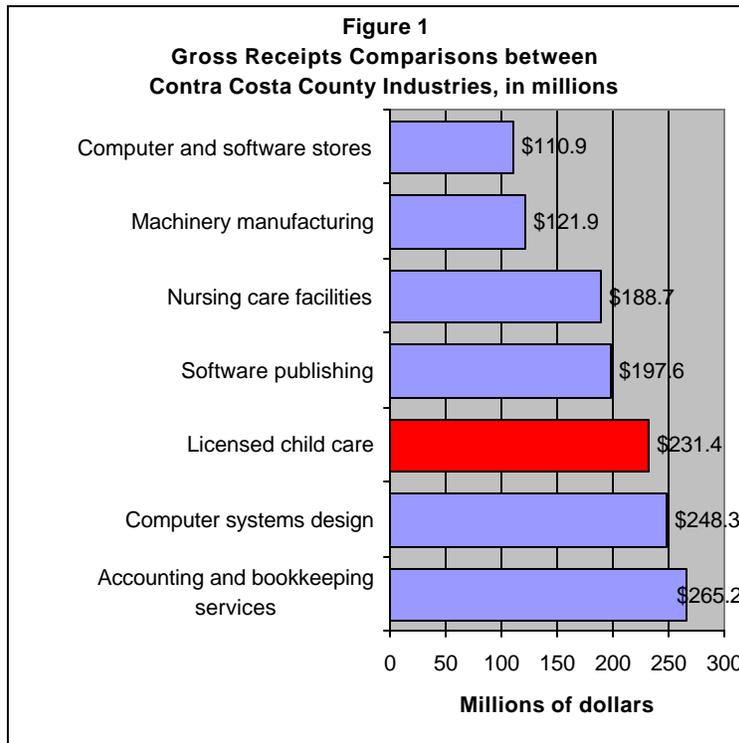
** Data from 1997 Economic Census, adjusted to 2002.

⁴² Current survey results from Contra Costa Child Care Council, 2002.

The child care sector generates more gross receipts than software publishing or total annual sales of computer and software stores in the county.

Gross Receipts Compared with Other Industries in the County

When compared with gross receipts of several other industry groupings in Contra Costa County, licensed child care is found to be similar in size to computer systems design and software publishing (see Figure 1). The child care industry contributes significantly more to the gross product of the county than all of the sales from computer and software stores in the county and all the gross receipts from nursing care facilities.



All gross receipts values except for child care values are from the 1997 Economic Census, adjusted to 2002. Child care values come from Table 1.

The Contra Costa County's child care industry directly supports 4,757 full-time equivalent (FTE) jobs.

Direct Employment

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

- Data generated from the Contra Costa Child Care Council information
- California EDD data
- Survey results from the DOC
- Data from the DOL.

Direct employment in 2002 in Contra Costa County's licensed child care industry is 4,757 full-time equivalent (FTE) jobs (see Table 2). The actual number of people working in the child care industry is higher since some

child care professionals work part time. This figure is derived from the number of children in different types of care, assuming compliance with minimum staffing requirements imposed by licensing laws for different age groups, relying on the local data from the Contra Costa Child Care Council (see Appendix A).

Again, estimates from the EDD, the DOC and DOL show how underestimated the licensed child care industry is. The EDD estimates are 58% of the estimates from the more comprehensive local data, while the DOL are slightly over half. The DOC estimates are 34% of those derived from local data.

Table 2 Licensed Child Care Direct Employment, Contra Costa County, 2002	
Data Source	Direct Employment (FTEs)
<i>Contra Costa Child Care Council</i>	4,757
CA Employment Development Dept.	2,754*
U.S. Department of Labor	2,400*
U.S. Department of Commerce	1,624**

* 2000 figures adjusted to 2002

**1997 Economic Census, adjusted to 2002

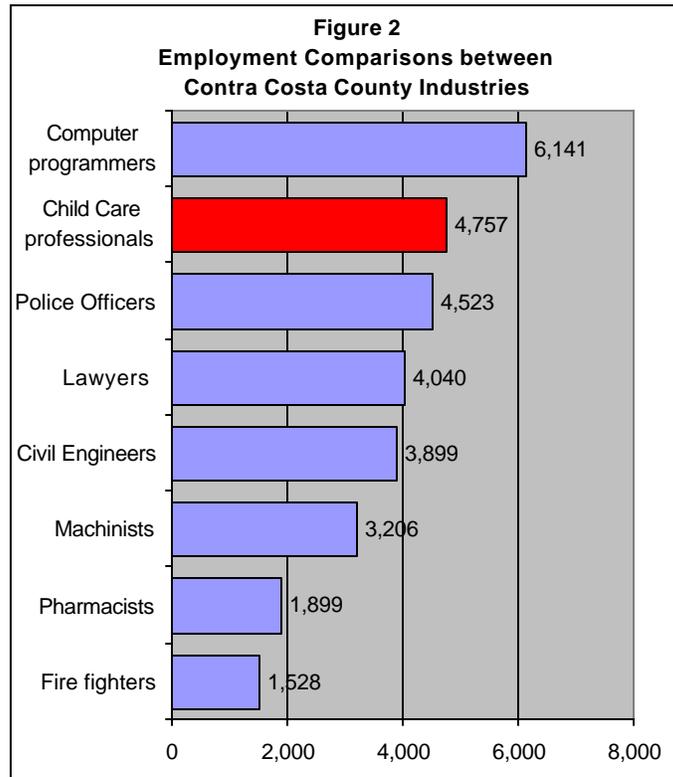
While the locally derived estimate is much higher than DOC and DOL estimates, it also understates total child care economic activity because it only counts licensed child care establishments, excluding informal, individual care provided by nannies, babysitters, relatives, or neighbors and public and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

Direct Employment Compared with Other Industries

When compared with direct employment of several other industry groupings in Contra Costa County, there are more child care professionals than police officers or lawyers in the county, and more employees in the child care

There are more child care professionals working in Contra Costa County than police officers, fire fighters, or lawyers.

industry than there are civil engineers, firefighters, or industry machinists (see Figure 2).



Industry information besides that of the child care industry is based on California Employment Development Department 2000 data, adjusted to 2002.

The child care industry supports 2,314 indirect and induced full-time equivalent (FTE) jobs in other Contra Costa County industries.

Measuring Indirect and Induced Employment

The licensed child care industry, like most other industries, generates indirect and induced employment in other industry sectors through its purchase of goods and services. Indirect employment refers to the jobs that exist in other sectors because of the industry in question. Without the child care industry, these indirect jobs would not exist. Affected industries include business services (due to bookkeeping needs), tax compliance and audits, agriculture (due to food purchases) and other suppliers used by child care programs. Induced employment refers to the economic stimulation that an industry supports as its dollars ripple throughout the economy, in second-level indirect industry support, government spending of tax revenue and other economic activities.

The IMPLAN input-output modeling system (see Appendix B for an explanation of this widely used model) traces how dollars move throughout the economy. Using data tables specific to Contra Costa County and separated into over 500 industry classifications, IMPLAN collects data to

Federal and state child care subsidies include funding for Head Start, CalWORKs, the Child Care Food Program and the Alternative Payments Program for low-income working families.

create multipliers that show how much a part of the economy is affected by a dollar invested in the child care industry. Using IMPLAN, we can trace how a dollar invested in Contra Costa child care moves throughout the local economy in terms of direct employment, indirect employment and induced effects.

The indirect employment multiplier provides a tool to measure the number of jobs in other industries that are sustained by the licensed child care field. Based on a direct employment estimate of 4,757 FTE jobs in licensed child care, an additional 2,314 indirect and induced FTE jobs (835 indirect and 1,479 induced) are sustained by the licensed child care sector in Contra Costa County. In total, the Contra Costa County licensed child care industry supports an estimated 7,071 FTE jobs.

This indirect and induced effects of the child care industry are low because the model uses DOL codes to categorize industries, and the DOL undercounts both child care and gross receipts for child care, and thus the impact it has on the local economy. Reliable information on tax revenues cannot be calculated, although given the number of people employed and the gross receipts of the industry itself, tax revenues from child care are clearly a significant contribution to the local economy.

Capture of Federal and State Subsidies

The federal and state governments provide subsidies for child care primarily to aid low-income families in paying for child care so they can participate in the workforce or in training or educational activities. These subsidies are provided in two basic forms: direct contracts with child care centers based on the number of low-income children they serve and the number of days of care provided, and an “Alternative Payment” (AP) program, administered by the California Department of Education, which enables families to choose their own licensed or license-exempt child care provider. The California Department of Education also administers the US Department of Agriculture’s Child Care Food Program, which provides meals for low-income children.⁴³ Another significant portion of child care subsidies are awarded via the federally-funded Head Start and Early Head Start programs, designed to increase school readiness of young children in low-income families.⁴⁴

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

⁴³ California Department of Education, Nutrition Services Division website at www.cde.ca.gov/nsd/.

⁴⁴ US Department of Health and Human Services, Administration for Children, Youth and Families; Head Start website at <http://www2.acf.dhhs.gov/programs/hsb/about/index.htm>

created its own version of welfare reform to comply with the new federal system, called CalWORKs (California Work Opportunity and Responsibility to Kids). Under CalWORKs, child care subsidies are expanded. This expansion is mainly because welfare recipients are required to engage in work activities within a specific time frame although most existing child care services are not affordable for them.

CalWORKs replaced separate welfare-related child care systems with an integrated three-stage child care system, coordinated by two state agencies. “Stage One” child care services are administered by the California Department of Social Services (CDSS) through county welfare departments. Stages Two and Three child care services are administered by local agencies under contracts with the California Department of Education (CDE). Funding for each of the three stages of child care assistance is determined annually through the budget process.

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

In 2001, Contra Costa County drew down over \$86 million in state and federal child care-related subsidies (see Table 3 for breakdown). Most of these funds were distributed through licensed child care facilities, however, a

CalWORKs Child Care at a Glance

Stage One: Child care assistance eligibility begins when the parent or caretaker enters into the CalWORKs cash assistance program. To qualify for child care, parents must be in receipt of cash assistance, participating in an approved Welfare-to-Work activity and have a need for child care to enable them to begin or to continue to participate in the activity. Participants are served in Stage One for up to six months or until their activity is stable. If their situation remains unstable, they may continue in Stage One Child Care.

Stage Two: Once work activity is stable or parent transitions 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, they have a need for child care to continue this activity and they 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.

Contra Costa County draws down over \$86 million annually in state and federal child care-related subsidies.

Targeted local investments in child care will help the county garner a larger share of available child care subsidies.

Thousands of children in Contra Costa County are put on wait lists for child care programs, jeopardizing the ability of their parents to work.

The construction of a new child care center in Richmond in 2001 created an estimated 70 direct, indirect and induced FTE jobs for one year in the county.

significant proportion of child care vouchers were redeemed by license-exempt child care providers. Because lower-wage occupations lead much of Contra Costa County’s projected job growth, the availability of federal and state child care subsidies play an increasingly important role in supporting local economic development. Targeted local investments in child care will 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.

**Table 3
Sources of Subsidies for Child Care
in Contra Costa County, 2001**

Head Start	\$ 18,499,435
Early Head Start	\$ 1,825,148
CDD Center-based Contracts	\$ 22,498,213
CalWORKs, Stage 1	\$ 5,515,991
CalWORKs, Stage 2	\$ 21,044,830
CalWORKs, Stage 3	\$ 8,468,879
Alternative Payment Programs	\$ 4,010,765
USDA Child Care Food Program ⁴⁵	\$ 4,073,351
Contra Costa County	\$ 258,209
Total:	\$ 86,194,821

Total federal and state expenditures on child care are still well below the amount needed to serve all of California’s low-income households, and California counties have not benefited equally from the capture of federal and state child care subsidies. Each year thousands of children in Contra Costa County are put on waitlists for child care subsidy programs.

Multiplier Effects of Child Care Capital Investments

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

Child care facility construction has a stimulating effect on the local economy. The construction of a new Head Start facility in Richmond in 2001 cost \$5,107,050. Using the IMPLAN economic model, this one-time investment in the economy created an estimated 70 direct, indirect and induced FTE jobs for one year in the county, 38 of which were in the construction industry itself.⁴⁶ Other areas affected include business services and retail trade, eating and drinking establishments, miscellaneous services

⁴⁵ FY 1999-00 County Profile for California Child Care Food Program, Contra Costa County

⁴⁶Using IMPLAN modeling, Appendix B.

The substantial size of the child care industry means that it not only supports the economy by allowing parents to work, but also contributes to its vitality by employing significant numbers of workers, increasing tax revenue, and purchasing the goods and services of many other industry sectors.

The child care industry supports all other industries of the economy.

and wholesale trade. Because these multipliers apply to the construction of an average facility, it may understate the extent of economic effects of child care facility development. Child care centers are specialized, highly regulated facilities that must conform to a number of safety, health and other state licensing guidelines; therefore, construction costs to meet these regulations and demands involve categories of expenditures not found in typical office or commercial construction.

Section Summary

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

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

Section 4

Child Care and Economic Productivity

Child care improves the productivity and the quality of life of Contra Costa County's residents.

Quality child care supports Contra Costa County's future workforce by ensuring that students enter the traditional K-12 school system ready to learn.

Like transportation, education, public works and affordable housing, child care is a necessary and vital part of the economic infrastructure.

Child care, like other economic infrastructures, builds the local economy and improves the quality of life in the county. Greater economic health reduces crime, enables individuals and families to live better and more fully, and increases governments' budgets by increasing tax revenues to provide better services for all residents. Public and private investments in child care infrastructure contribute to Contra Costa's overall productivity and economic competitiveness by:

- Expanding local labor force participation by enabling people to work. This contributes to increased output, greater personal income, more business formation and higher revenues from local taxes
- Increasing productivity and retention of employees in businesses in the county
- Ensuring future public savings on social needs by lowering drop-out and crime rates and decreasing special education and welfare costs
- Cultivating Contra Costa County's future workforce by improving the cognitive skills and emotional well-being of children and ensuring that they enter the traditional K-12 school system ready to learn
- Capturing more federal and state child care subsidies which, in addition to bringing new dollars into the local economy, make child care more affordable for Contra Costa workers

The Impact of Child Care on Economic Competitiveness

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

By the year 2010, 85 % of the labor force will consist of parents.

There are currently 30,966 children in Contra Costa County whose parents are able to work because their children are in licensed child care.

Forty-three percent of parents indicate that a lack of acceptable child care prevents either them or their spouse from taking a job they want.

sector collaborate to increase the availability of affordable housing in order to attract a skilled workforce, they benefit from investing together in the child care infrastructure.

By the year 2010, it is estimated that 85 % of the labor force will consist of parents.⁴⁷ These changing workforce demographics, as well as current economic trends, have made businesses more concerned about child care and the potential advantages of providing child care benefits to their employees. The licensed child care industry supports Contra Costa's productivity, enabling businesses to increase output given the same level of input. Licensed child care contributes to productivity by increasing labor force participation, permitting parents to advance in their positions and achieve higher wages, and by lowering absenteeism and turnover rates.

Increasing Employee Participation

Child care enables parents to participate in the labor force. Based on estimates that 87% of the demand for child care in Contra Costa County is work-related, there are currently 30,966 children whose parents are able to work because their children are in licensed child care.⁴⁸ In a survey of the child care needs of working parents, 43% of parents indicate that a lack of acceptable child care prevents either them or their spouse from taking a job they want.⁴⁹

Other Contra Costa parents are able to work because they use license-exempt child care, such as a nanny or a relative, to care for their children. Choosing child care is a complicated process for many working parents, and involves factors such as availability and affordability. Child care may be used because a parent chooses to pursue a profession or supplement the household income, or because it is an economic necessity. In the latter case, affordable child care is vital for a family's economic self-sufficiency. In both instances, the provision of child care services increases the available labor pool. While licensed child care is not necessary for all parents who choose to work, it is the only answer for some. The supply of licensed child care is a crucial variable in the capacity of a local area to experience economic growth.

⁴⁷ U.S. Census Bureau, *Current Population Reports*, P20-514, 1999.

⁴⁸ Derived from Contra Costa Child Care Council data that 87% of parents requesting referral assistance indicate that they need child care to get to work. The figure represents 87% of the number of children 0-13 currently enrolled in licensed child care in Contra Costa County.

⁴⁹ The Harris Poll survey, January 14-18 1998, cited in *Polls Indicate Widespread Support for Investments in Child Care*, the Children's Defense Fund, www.childrensdefense.org/cc_polls.htm

Worker absenteeism due directly to child care problems cost U.S. businesses \$3 billion per year.

Fifty-two percent of parents report that the problems of finding child care affects their ability to do their job well.

Two thirds of employers report that benefits of child care programs exceed costs or that the programs are cost neutral.

American Express found that a newly created back-up child care service recovered 105 days in worker productivity.

Increasing Productivity

In addition to enabling parents to enter the workforce, quality child care also enables parents to be more productive in their jobs. Licensed child care contributes to a stable and productive workforce by lowering absenteeism and turnover rates. Nationwide, it is estimated that worker absenteeism due directly to child care problems cost U.S. businesses \$3 billion per year.⁵⁰ In a survey conducted by Parents Magazine, working mothers reported missing two full days and six partial days every six months due to child care problems working fathers reported missing one full day and four partial days every six months.⁵¹ The same survey highlights the lack of security many parents have in their child care arrangements. Only 40% of families surveyed were confident that their current child care arrangements would be in place six months from the date of the survey. This instability translates directly to reduced productivity in the workplace. In a survey of parents, 52 % reported that the problems of finding child care affected their ability to do their job well.

Increasing productivity by providing child care benefits saves businesses money. A study by the Families and Work Institute found that two-thirds of employers report that benefits of child care programs exceed costs or that the programs are cost-neutral. Numerous other studies point to the importance of child care in retaining employees and improving productivity. Employees using a Nations Bank child care subsidy program had one third the turnover of non-participants in similar jobs.⁵² American Express Financial Advisors found that a newly created back-up child care service recovered 105 days in worker productivity.⁵³ Such policies have become increasingly popular in recent years due to the growing crisis in available, affordable child care.

Some Contra Costa County companies and companies in neighboring counties with many employees who reside in Contra Costa County have recognized this need and responded accordingly. Contra Costa County has a child care program for its employees. In the private sector, The Bank of America, Chevron/Texaco and many others formed a national group called the American Business Collaborative (ABC) to respond to work and family issues, including child care. These companies recognize that child care

⁵⁰ As cited in *Building Blocks: A Legislator's Guide to Child Care Policy*, National Conference of State Legislatures, 1997, p. vii.

⁵¹ Parents Magazine survey, August 1997, cited by the Children's Defense Fund, *Polls Indicate Widespread Support For Investments In Child Care*, www.childrendefense.org/cc_polls.htm

⁵² Sandra Burud, citing Rodgers and Associates study in *Evidence That Child Care and Work-Life Initiatives Will Impact Business Goals*. Claremont Graduate University, 1999.

⁵³ Sandra Burud, *Evidence That Child Care and Work-Life Initiatives Will Impact Business Goals*. Claremont Graduate University, 1999.

benefits attract and retain the best employees and keep morale and loyalty high among existing employees. As Paul Orfalea, the founder of Kinko's, said, "wise business leaders know that their biggest asset is morale. In a tight economy, it's all the more important to strengthen your business, and take care of your people."⁵⁴

Increasing Economic Output

By enabling them to work, child care enables parents to contribute to the economy. One strategy for estimating the contribution of child care to economic output is to calculate the amount of wages parents are able to earn in their jobs, and from that, the output they contribute to the economy, when their children are in licensed child care. Using the IMPLAN economic modeling tool (see Appendix B), the gross receipts from the work they do across the county's industries can be traced as they stimulate others sectors of the economy in the form of indirect and induced effects and other economic benefits.⁵⁵

Working parents using licensed child care contribute \$4.92 billion to county industry output, through their work across Contra Costa County's industries.

To calculate the earnings of primary caregivers who can get to work because of licensed child care, U.S. Census Bureau data on working families with children in the county were used (see Appendix C for a detailed methodology). In Contra Costa County, there are an estimated 21,201 married-couple, 2,252 single-father and 5,011 single-mother families with children under 6 for whom all parents are in the labor force.⁵⁶ Previous studies have found that center and family-based care account for 48% of care provided to young children.⁵⁷ Thus, 10,176 married-couple, 1,081 single-father and 2,405 single-mother families using licensed child care in Contra Costa County to get to work. To estimate the wage earnings of these families, median incomes by household type for Contra Costa County were used. In the case of married-couple families, it was assumed that if child care were not available, only one parent would not work, and to estimate these earnings, the 2000 Census median income for females living alone, age 25-44, was used, which is \$39,561. The median income for working single-parent households with children was \$42,619 for males and \$31,659 for females.⁵⁸ The total earnings for Contra Costa County parents enabled to

⁵⁴ Paul Orfalea. Interview, the National Economic Development and Law Center, 2002.

⁵⁵ Steven Moss, MPP, Partner, M. Cubed Consulting, *The Economic Impact of the Child Care Industry in California*, sponsored by the National Economic Development and Law Center, Fall 2001.

⁵⁶ U.S. Census Bureau, Census 2000.

⁵⁷ Capizzano, J., Adams, G., and Sonenstein, F. *Child Care Arrangements for Children Under Five: Variation across States*. From The New Federalism: National Survey of America's Families. Washington, D.C.: The Urban Institute, March 2000.

⁵⁸ California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Sonoma County*.

work from licensed child care, adjusted to 2002, is estimated to be almost \$525 million.⁵⁹ The increased economic output from licensed child care is a significant contribution to the economy (see Table 1).

Table 1 Economic Output of Working Parents using Licensed Child Care in Contra Costa County	
Economic variable	Contribution to Contra Costa County Economy⁶⁰
Industry Output	\$4.92 billion
Value Added to Gross Product	\$2.66 billion
Labor Income	\$1.58 billion
Property Income	\$860 million
Indirect Tax Revenues	\$225 million
Employment	35,602

Specifically, the economic output of working parents using licensed child care:

- Increases county industry output by \$4.92 billion
- Contributes \$2.66 billion value added to the gross product in the county
- Creates \$1.58 billion in total direct, indirect and induced income in Contra Costa County
- Generates \$225 million in indirect county tax revenues⁶¹
- Provides for \$860 million in property income
- Supports approximately 35,600 FTE jobs in the county

Enabling Workforce Development

Child care is also a critical component of workforce development. Child care services are needed during various activities, such as education and training,

⁵⁹ See Appendix C for detailed methodology.

⁶⁰ Please see Appendix B for an explanation of the IMPLAN model.

⁶¹ Indirect Business Taxes, as reported by IMPLAN, which exclude taxes on profit and income and include taxes such as excise taxes, property taxes, sales taxes paid by businesses and sales and use taxes paid by individuals to enterprises in the normal course of business.

Child care is a necessary component of any training or educational program for working parents.

Transportation to and from child care facilities is a significant barrier to work in Contra Costa County.

Mothers whose children participate in high-quality child care programs achieve higher educational and employment status than their peers.

which prepare individuals to enter the workforce. In recognition of this, many colleges and universities have developed on-site child care facilities to accommodate parents pursuing both undergraduate and graduate degrees. California State University at Hayward, as well as three local community colleges, have an onsite facility funded by State Preschool, Head Start, and Associated Students.

Businesses and communities interested in taking advantage of federal subsidies available for hiring former welfare recipients have a special stake in ensuring the availability of affordable child care. In numerous studies tracking the success of welfare-to-work programs, child care and transportation were identified as the top two barriers for welfare clients in obtaining and maintaining jobs. In transportation plans of all nine counties in the Bay Area, including Contra Costa, getting to and from child care facilities and children's schools was listed as a major transportation barrier to work.⁶² Almost 30% of Contra Costa CalWORKs participants picked "transportation to get my children to or from school or daycare" as a primary desire for work transportation needs.⁶³ Accessible child care options are crucial to enabling employees to get and retain their jobs.

High-quality child care supports workforce development more substantially than average quality child care. A study of the effect of high-quality child care programs tracked the performance of parents in addition to the children themselves. The study found that mothers whose children participated in a high-quality program achieved higher educational and employment status than similar mothers whose children were not in a high-quality program.⁶⁴

Developing the Future Workforce

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

High-quality child care programs improve children's readiness to learn once they enter the public school system, but they are not widely available. Consequently, many children enter school with various barriers to learning.

⁶² *Regional welfare-to-work transportation plan*. Prepared by Moore, Iacofano, Goltsman, Inc. Oakland, CA: Metropolitan Transportation Commission, 2001.

⁶³ Crain and Associates. *Transportation Survey of CalWORKs participants, Final Report*. Prepared for: Contra Costa County Employment & Human Services Department, September 2000.

⁶⁴ Discussion of results of *The Abecedarian Study*, as cited on www.fpg.unc.edu/~abc/.

Forty-six percent of kindergarten teachers report that half of their class come into the school system with school readiness issues.

Children from high-quality child care programs come to kindergarten ready to learn.

Polls administered in research journals about early childhood document this: 46% of kindergarten teachers report that half of their class or more have specific problems with entry into kindergarten (such as lack of academic skills and difficulty following directions).⁶⁵ Conversely, a number of large-scale, long-term studies have documented that children in high quality child care are better able to learn and thrive during traditional school-age years and into adulthood.

Children in high-quality child care are better prepared academically and socioemotionally to enter kindergarten, and are subsequently more able to learn in the traditional education system. A study done by the University of North Carolina found that children in high-quality child care showed greater language development, mathematical ability, thinking and attention skills and fewer behavioral problems in school than children in informal care settings.⁶⁶ Another well-known preschool study, known as the Abecedarian Project, concluded that children who participated in an early intervention program that delivers high-quality child care had higher cognitive test scores than their peers, from toddler years through elementary school.⁶⁷

Reducing Future Public Spending

Not only does high-quality child care better a child's success in kindergarten and elementary school, it significantly improves a child's chance of thriving as an adult. Children in high-quality child care become more productive members of the labor force and less likely to require public spending, both in basic needs subsidies and in criminal justice costs. Long-term studies following children from pre-school through their adult years document the effects of high-quality child care in adulthood.

A study of low-income children in Chicago found significant differences at the end of high school between children in a high-quality child care program and their peers who were not offered the program. The children in the program were less likely to drop out of high school, less likely to be in special education, less likely to repeat a grade and less likely to be arrested as juveniles (see Figure 1).⁶⁸

⁶⁵ S.E. Rimm-Kaufman, R.C. Pianta, and M.J. Cox, *Kindergarten Teachers Perceive Difficulties in Transitions to School*, Early Childhood Research Quarterly, Vol. 15. no. 2, November 2000.

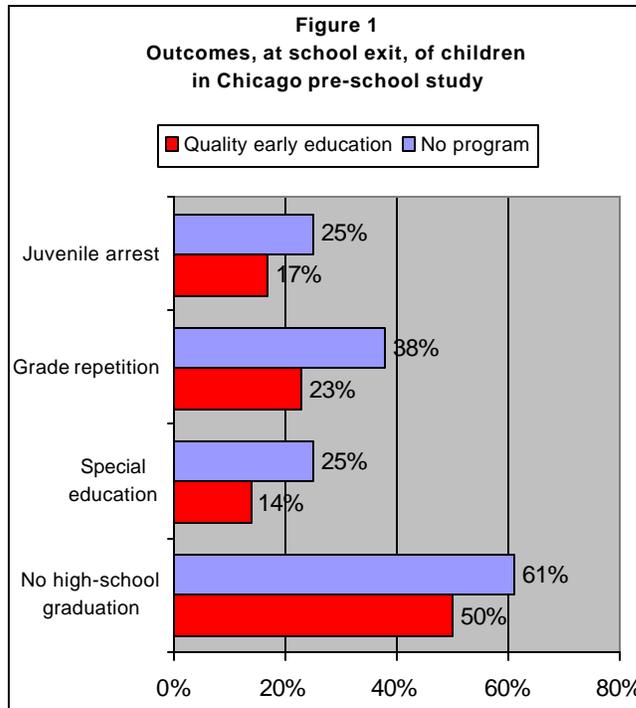
⁶⁶ Ellen S. Peisner-Feinberg, et al, *The Children of the Cost, Quality and Outcomes Study Go To School*, Chapel Hill, NC: University of North Carolina, June 1999.

⁶⁷ www.fpg.unc.edu/~abc/.

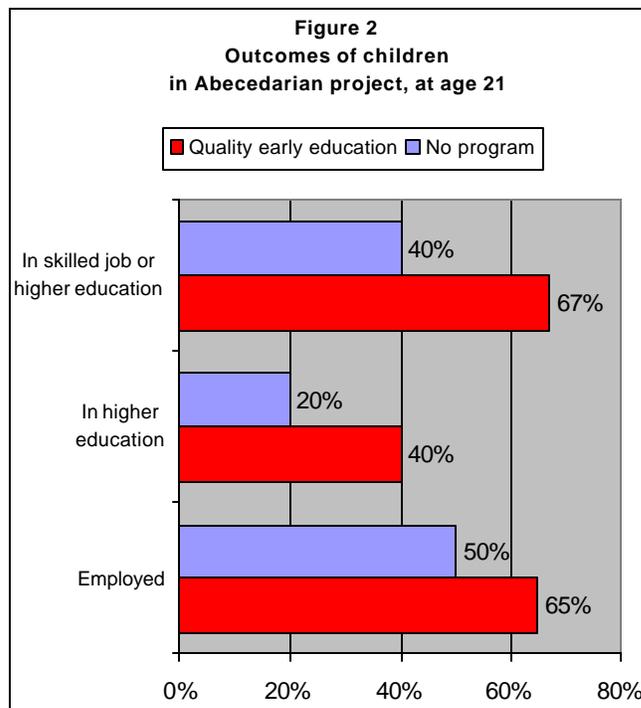
⁶⁸ Reynolds, A. J., Temple, J. A., Robertson, D. L., Mann, E. A. Long-term effects of an early childhood intervention on educational achievement and juvenile arrest- A 15-year follow-up of low-income children in public schools. *Journal of American Medical Association*, May 19, 2001, v. 285, no. 18, pages 2239-2346.

Children from high-quality child care are less likely to repeat a grade, less likely to get arrested as juveniles and less likely to drop out of high school.

Children who participate in high-quality child care programs have higher cognitive test scores in toddler and early adult years.



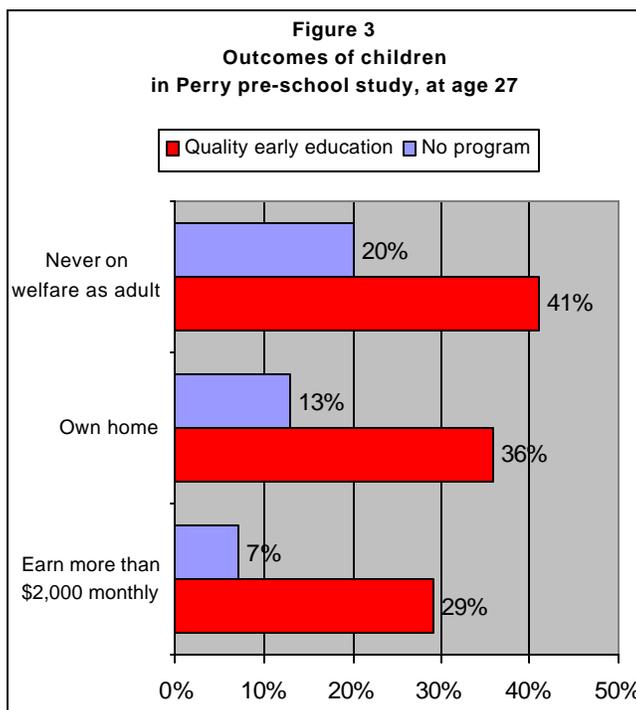
The Abecedarian Project found that children who participated in the early intervention program were more likely to attend college and were more likely to be in a high-skilled job or higher education at age 21 (see Figure 2).⁶⁹



⁶⁹ Ibid.

Another long-term study of low-income, African-American children showed similar benefits of high-quality child care in economic well-being of the children as adults. The children in the high-quality child care project, at age 27, earned more money, were more likely to own their own home and were less likely to be on welfare than their peers who were not offered the program (see Figure 3).⁷⁰

As adults, children who were in high-quality child care programs earn more money, are more likely to own their own home and are less likely to be on welfare than peers who were not in a high-quality program.



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

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

⁷⁰ Schweinwart, L. J., Barnes, H.V., Weikart, D. P. Significant benefits: The High/Scope Perry preschool study through age 27 (Monographs of the High/Scope Educational Research Foundation, 10). Ypsilanti, MI: High/Scope Press, 1993.

For every dollar spent on child care now, seven dollars are saved in public expense in later years.

Almost one-fifth of children ages 6 to 14 are home alone after school each week during the afternoon hours when juvenile crime peaks.

Cost-benefit analyses of spending on child care show, across all of these long-term studies, that there are significant future savings when money is spent on high-quality child care. With initial costs between \$7,000 and \$33,000, public savings ranged from \$48,000 to \$123,000 (see Table 2).^{71, 72, 73} These savings indicate that for every dollar spent on child care now, seven dollars are saved in public expense in later years.

Table 2 Economic Benefits of Investing In Quality Child Care		
Study	Cost	Benefit
Chicago CPC study	\$7,000	\$48,000
Perry pre-school project	\$12,000	\$108,000
Abecedarian project	\$33,000	\$123,000

Child Care for School Age Children

After-school programs also serve as an effective crime prevention activity and save public sector dollars. Nationally, nearly 7 million children ages 6-14 (18% of the children in this age group) are home alone after school each week during the afternoon hours when juvenile crime peaks.⁷⁴ In California, 2% of 6 to 9 year olds are reported to be in self-care as their primary child care arrangement, and another 4% spend some of their time each week in self-care.⁷⁵ In the 10 to 12 year-old age category, 1 in 7 are in self-care as their primary child care arrangement and 1 in 3 spend some of their week in self-care. These figures work out to be slightly lower than the national average. Self-care in older children and young adolescents is correlated with negative educational outcomes for youth. In a 1990 study, 8th graders left home alone

⁷¹ 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.

⁷² Barnett, Steven, W. Lives in the Balance: Age 27 benefit-cost analysis of the High/Scope Perry Preschool Program (monographs of the High/Scope Educational Research Foundation, 11) Ypsilanti, MI: High/Scope Press, 1996.

⁷³ Barnett, Steven W. Some simple economics of preschool education. Presented at the Early Childhood Municipal Leadership Academy, sponsored by the Institute for Youth, Education, and Families, National League of Cities, Alexandria, VA, April, 2002.

⁷⁴ K. Smith, *Who's Minding the Kids? Child Care Arrangements: Fall 1995*. Current Population Reports P70-70, Washington, DC: US Census Bureau.

⁷⁵ Kathleen Snyder and Gina Adams, *State Child Care Profile for Children With Employed Mothers: California*, Assessing the New Federalism, An Urban Institute Program to Assess Changing Social Policies, February 2001.

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

Government and business both benefit from investing in child care.

after school reported greater use of cigarettes, alcohol and marijuana than those who were in adult-supervised settings.⁷⁶ In a George Mason University study, 91% of Police Chiefs surveyed agreed that “If America does not make greater investments in after-school and educational child care programs to help children and youth now, we will pay more later in crime, welfare and other costs.”⁷⁷

Conclusion

Like other economic infrastructures, investments in child care lead to greater productivity and a healthier Contra Costa economy. Providing child care benefits increases company loyalty and productivity, and reduces costs from employee turnover, absenteeism and low morale. Government benefits by enticing new businesses to Contra Costa County and preparing young children for kindergarten. Spending \$1 on child care today saves an average of as much as \$7 on future public spending on basic needs subsidies and criminal justice costs⁷⁸. Child care is also a crucial component of workforce development and welfare-to-work strategies for the county.

⁷⁶ K.M. Dwyer, et al, *Characteristics of Eighth Grade Students Who Initiate Self-Care in Elementary and Junior High School*, Pediatrics, Vol. 86, No. 3, 1990.

⁷⁷ Fight Crime, Invest in Kids, *Poll of Police Chiefs conducted by George Mason University Professors Stephen D. Mastrofski and Scott Keeter*. Washington, DC, November 1, 1999.

⁷⁸ Barnett, Steven W. Some simple economics of preschool education. Presented at the Early Childhood Municipal Leadership Academy, sponsored by the Institute for Youth, Education, and Families, National League of Cities, Alexandria, VA, April, 2002.

Section 5

Child Care and Economic Development

Child care is an important area of economic development.

Transforming perceptions about the child care industry brings new players to the table, including government officials, planners, businesses, banks, educators and communities.

Though this report clearly demonstrates that child care is an important part of the local economy, child care businesses, which generally operate with little to no profit margins, are struggling to staff their programs and maintain facilities to meet the demand for care. The child care industry faces problems around its workforce, including low income and inadequate benefits, which lead to high turnover rates and a shortage of qualified child care staff. These issues have important implications for the Contra Costa economy.

Understanding Child Care as a Part of Economic Development

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

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

Investing in quality child care is a win-win situation:

- **Government wins** when the child care industry brings additional revenue to Contra Costa County and employs more citizens
- **Businesses win** when they offer child care benefits to their employees, generating improved employee attendance, greater job satisfaction and reduced employee turnover

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

Over the next two decades, the population and economic growth will overwhelm the Contra Costa County child care industry if innovative investment policies are not implemented.

- **Banks win** when the child care industry becomes a more viable market for their loan products
- **Communities win** when parents have access to safe, quality child care for their children while they work, reducing future drains on the system
- **Children win** because they enter the traditional school system healthy, socialized and ready to learn.

Over the next 25 years, Contra Costa is expected to add over 134,000 jobs, over 60,000 of which will be in the service industry.⁷⁹ This economic growth will be accompanied by a 16.5% increase in population over the next twenty years, totaling upwards of 1.1 million residents by 2020.⁸⁰ This projected growth in population will pose a dramatic challenge for the Contra Costa County child care industry. The community need for all forms of early care and education will increase. Families and providers will be overwhelmed if investment policies are not conceived with innovation and vision. Specifically, the child care industry needs:

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

The bottom line for businesses, families, the county, public officials and child care workers is that the child care industry is an essential component of Contra Costa County's community infrastructure. This report cites research demonstrating that quality child care is equally as important as primary and secondary education in setting the stage for a child's future success. It also establishes that the child care industry provides an economic

⁷⁹ Association of Bay Area Governments. *Projections 2002, 2002*.

⁸⁰ California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10-year Increments*.

Like primary and secondary education, the child care industry is an essential component of Contra Costa County's community infrastructure.

To ensure that child care is considered during the community planning process, child care language should be included in every city's General Plan in Contra Costa County.

value to local communities by creating jobs and generating output, in addition to enabling businesses to thrive.

Economic Development Strategies for Child Care

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

-- **Child care in the General Plan:** Child care has not typically been part of the community planning process. Every city in the county and the county itself has a General Plan, a document that provides for how growth and development will be managed locally. Child care, if treated as an economic infrastructure, should be written into the General Plan of local governments.

Example: Concord was one of the first cities to write child care into the Land Use Element of the General Plan, requiring developers' fees towards a municipal child care program. The City of Martinez has written a child care component into its Community Facilities Element.

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

Example: The Child Care Fund in Alameda County, officially launched in September 2001, has provided emergency grants and facility loans to 21 child care programs. In these programs, over 1,000 children have been affected, half of whom are low-income. The initial capital for this fund was obtained through contributions by Alameda County Social Services Agency, Providian Financial Corporation and the Alameda County Children and Families Commission. Over \$350,000 in loans and grants have been provided, which have leveraged over \$115,000 in other financial resources.

-- **Economic development resources:** Economic Development resources and planning can be used to ensure that child care is incorporated into future development in the county. For example, child care centers frequently encounter difficulties finding a space in which to do business. Some

Economic development resources can be used to provide low-cost debt financing for child care providers.

In order to promote economic development, Contra Costa County can incorporate child care into land use policies.

economic development offices specialize in helping businesses find suitable locations. They may help to find public and private land, acquire land for business purposes, and obtain any necessary zoning variances.

Example: In June 2002, Child Care Ventures in Santa Cruz sponsored a forum entitled “*Designing our Future: A Forum Linking Child Care and Community Planning.*” Forum attendees with a wide range of expertise came together to learn how to be on the ground floor of a movement to include the child care industry as a legitimate player in the long range community economic planning process. Attendees included 8 elected officials, 3 transportation planners, 11 specialists in economic development, 9 social service representatives, 22 people from the education and child care industry and 12 specialists in community development, urban planning and affordable housing development.

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

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

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

Example: The Contra Costa Child Care Council's *Road to Success* project operating in Concord, Richmond, Antioch, Walnut Creek, Pittsburg and unincorporated areas of the county uses Community Development Block Grant (CDBG) economic development funding to assist people in starting a family child care business.

In many parts of Contra Costa County, the staffing shortage at child care programs is almost at crisis proportions.

The average wage for child care and early education professionals in Contra Costa County is \$9.89 per hour and \$20,582 per year.

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

Developing the Child Care Workforce

The issue of workforce development within the child care industry is closely related to the task of reframing child care as an economic development issue. In many parts of Contra Costa County, the staffing shortage among child care programs is almost at crisis proportions. This workforce crisis is placing a major strain on the ability of child care providers to keep their programs open, much less improve or expand them.

Without acknowledging and acting on the workforce development issue for child care providers, a critical child care shortage will take place. This is well-known within the child care field and is slowly attracting the attention of the mainstream media. President Clinton highlighted this issue when he hosted the first White House Conference on Child Care in the fall of 1997, calling for better pay and better training for child care workers.⁸¹

In Contra Costa County, the average hourly wage for child care and early education professionals is \$9.89 and the mean annual wage is \$20,582.⁸² These hourly wages are less than half the self sufficiency standard for one adult with two small children in the county, \$48,487.⁸³

Additionally, most child care jobs do not come with typical benefits such as health insurance or paid leave. Child care providers also typically have tight budgets that can rarely afford professional development activities (such as trainings and conferences) for their staff.

⁸¹ Marcy Whitebook, *Working for Worthy Wages: The Child Care Compensation Movement, 1970-2001*. New York, NY; The Foundation for Child Development, Working Paper Series, 2001.

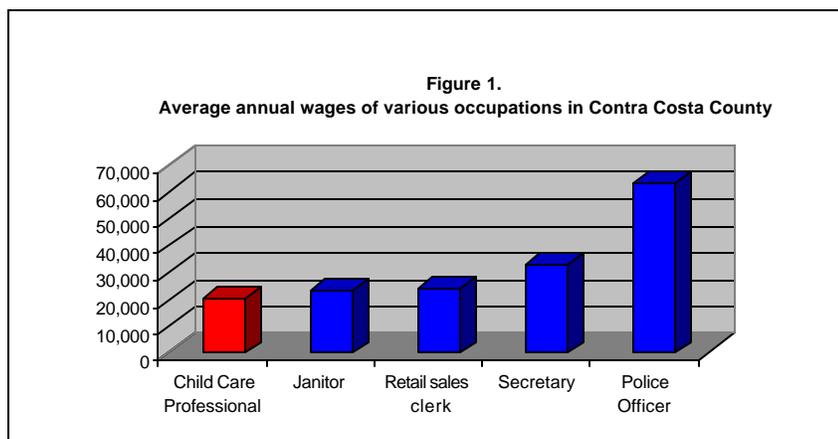
⁸² California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Oakland MSA (Alameda and Contra Costa Counties)*, 2001.

⁸³ Wider Opportunities for Women. *The Self-Sufficiency Standard for California*, Washington, D.C.: Wider Opportunities for Women, 2001.

Nationwide, about one third of child care staff leave their current employer each year.

Nationwide, about one-third of child care staff leave their current employer each year.⁸⁴ In California, almost 30% of child care teachers left their job, compared with a turnover of 6.6% for public school teachers.⁸⁵ Turnover is as much a result of low wages as it is high occupational growth in other, higher paying, industries. Within business services – one of the state’s fastest growing industries – average wages range from \$12.72 for a file clerk to \$15.84 for a general secretary. Jobs in these industries have the same or even less stringent training requirements as those in the early education and child care field. It comes as no surprise that quality caregivers are getting harder and harder to find in a marketplace where being a retail sales clerk (\$23,857) or a secretary (\$32,947) would make it easier to support one’s family than being a child care professional (\$20,582; see Figure 1).⁸⁶

Janitors and retail sales clerks make more, on average, than child care professionals.



Many child care professionals who have similar levels of credentials to public education staff also have exited the field for the slightly more lucrative public education system (following California laws mandating class size reduction in public schools, which resulted in greater employment opportunities; see Figure 2). Both public and private child care providers report losing many of their most highly qualified staff to public schools. Thus, training levels in child care remain low and wages uncompetitive.

⁸⁴ Marcy Whitebook, Carrollee Howes and Deborah Philips, *Worthy Work, Unlivable Wages: The National Child Care Staffing Study, 1988-1977*. Washington D.C.: Center for the Child Care Workforce, 1998.

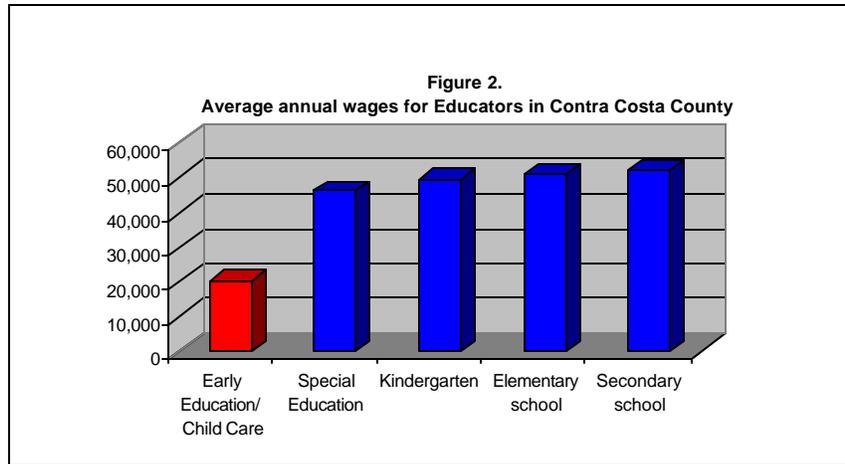
⁸⁵ *California Child Care and Development Compensation Study: Towards Promising Policy and Practice*. Prepared by the American Institute for Research and the Center for the Child Care Workforce for the California Department of Education, Sacramento, CA; Washington, D.C.: March 1998.

⁸⁶ California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Oakland MSA (Alameda and Contra Costa Counties)*, 2001.

Both public and private child care providers report losing many of their most highly qualified staff to public schools.

High rates of staff turnover lower program quality and negatively affect the lives of the children that child care programs serve.

Initiatives that offer stipends to employees working in child care have been successful in improving turnover rates, but funding for them will be cut back in Contra Costa County.



High rates of staff turnover lower program quality and negatively affect the lives of the children that child care programs serve. A study on child care quality by the Institute for Research on Poverty suggests that staff salaries and retention are excellent predictors of staff education, which in turn predicts the quality of classroom interactions.⁸⁷ They also cited poor compensation, high staff turnover and a shortage of qualified child development professionals as contributors to a work environment in which they feel it is impossible to succeed.

All of these circumstances undermine the economic contribution child care makes to Contra Costa County. Staffing shortages and rapid turnover reduce the quality of many programs and reduce the positive effects that the county's children and future economy would experience from quality early education. Fortunately, some local resources acknowledge the workforce development issue and have taken steps to address this problem, particularly those generated by Proposition 10, the California Children and Families Act passed in November 1998. In Contra Costa County, as well as Alameda and Kern Counties, the Prop 10 Commissions have chosen to provide some level of stipend to child care providers that have some Early Childhood Education credentials and who agree to acquire more credentials.

First Five Contra Costa invested \$2.5 million each year for three years in a stipend program to support child care professionals. The Professional Development Program has supported over 1,400 early childhood educators with stipend awards and trained over 800 educators in workshops, affecting over 10,000 children in the county. This commitment to the stipend program is in its second year and will end in June 2003. There has been a reduction in the Commission's budget for early care and education to \$1.5 million, which will reduce or eliminate funding for the early care stipend

⁸⁷ L. Vandell and B. Wolfe. *Child Care Quality: Does it Matter and Does it Need to Be Improved?* Institute for Research on Poverty, <http://aspe.hhs.gov/hsp/ccquality00/ccqual.htm#econ>.

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

program. The loss of funding will raise particular challenges for Contra Costa to support its child care workforce in the coming years.

San Francisco also has taken the unusual step of designing a program funded by the City's General Fund to supplement the wages of child care providers whose salaries fall below certain income thresholds. This "WAGES PLUS" initiative has predetermined wage floors for various staff categories (based on education and job responsibilities).

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

- Lack of investment in professional development, such as consistent education, intense training and continued support needed by many providers to enable them to provide high-quality care.
- Grossly inadequate pay scales and support systems for child care providers, and a lack of recognition for their work.⁸⁸

Developing the child care workforce is an important aspect of improving the economic infrastructure of the community. Investing in child care and developing innovative approaches to nurturing the child care industry in Contra Costa will develop child care as an industry in its own right, increasing the economic health of the county. In addition, developing child care as an economic infrastructure will bolster the larger county economy as well, enabling parents to work and businesses to thrive.

⁸⁸ A. Wallace, K. Tarr and C. Marano (2002). *Putting the Pieces Together: Connecting Industries, Workers, and Communities to Strengthen Traditionally Low-Wage Sectors*. Oakland, Ca. A Report on the National Network of Sector Partners' 2001 Low-Wage Sector Learning Forum.

Section 6

Conclusion

Without local investments and intervention to address barriers to child care supply building, the child care industry and the economy as a whole will suffer a setback

Contra Costa County's child care industry is critical to the county's overall economic vitality and quality of life. The licensed child care industry supports over 4,700 local jobs and generates about \$231.4 million per year in gross receipts. In addition, over \$86 million annually is generated by federal and state subsidies for low-income families in the county. The child care industry helps sustain the county's growing workforce by enabling parents to enter the workforce or return to it sooner, thereby increasing overall productivity and improving the ability of parents to advance in their careers and earnings.

Demographic and economic trends indicate that the need for licensed child care will continue to grow aggressively over the next ten years. On its own, the child care industry is unable to expand at a rate adequate to meet the growing need for child care services. Without local investments and intervention to address barriers to child care supply-building, the child care industry and the economy as a whole will suffer a setback.

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

Businesses and government must realize that parents cannot be reliable, productive workers without dependable child care. Neither parents nor the child care industry can solve the challenge of high child care costs on their own. Similar to transportation or housing planning, the federal government, states, local communities and the private sector must all play a larger role. Coordinated planning and investment will create affordable quality child care and create enough supply of quality child care to support economic growth.

Child care is becoming less affordable in relation to the cost of living in Contra Costa County, as escalating housing costs consume a more and more disproportionate share of the household income of low- and moderate-income families.

Welfare reform is moving thousands of Contra Costa County parents back to work, yet the child care infrastructure, particularly the portion offering subsidized child care, cannot meet their needs.

Quality child care improves school readiness, which lowers education costs for the public sector. However, child care is typically perceived by

governments as a service and not as an investment. Every \$1 spent now saves \$7 in future public spending.

Contra Costa County's strong job growth in other low paying industries, albeit higher paying than child care, makes it difficult for child care programs to retain qualified child care workers or recruit new ones for expansion. Child care workforce retention and growth are threatened by the increasing gulf between the low wages of the child care industry and Contra Costa County's cost of living.

Section 7

Policy Implications and Strategies

Businesses must be equipped with a firm understanding of the benefits of investing in Contra Costa County's child care infrastructure.

The purpose of this report is not only to demonstrate the economic impact of child care, but also to develop a strategic action plan that addresses the issues that the child care sector faces. There are several clear policy implications for businesses, government, banks and the child care industry. Like other economic infrastructures, such as transportation and housing, child care needs investment and planning from businesses, governments and banks. Investment policies must be conceived with innovation and vision, and must target three key areas:

- Labor force participation among lower- and middle-income families in Contra Costa County
- Increased supply-building in the licensed child care industry, particularly for quality infant care
- Workforce development for the child care workforce, including education opportunities and livable wages

Business Investment

Businesses must be equipped with a firm understanding of the countywide benefits of investing in Contra Costa County's child care infrastructure. Like transportation policies and investments that relieve traffic congestion, supporting local policies and investments to improve the child care industry will affect Contra Costa County's overall productivity and economic competitiveness.

Appropriate, targeted investments in child care supply-building and quality improvement will contribute to labor force participation gains among lower- and middle-income families in Contra Costa County. Such gains will directly increase output, personal income, business formation and property and sales tax revenues in the county. In addition, providing child care benefits to employees will enable them to work and increase their loyalty and productivity. Benefits could include pre-tax "cafeteria" plans, which would alleviate some of the financial burden for working parents. When child care becomes more affordable for working parents, the supply of child care will naturally expand to meet the demand for this essential commodity.

While large businesses headquartered in the county, or with a significant number of employees in the county, can make an impact in child care through their individual efforts, small and mid-size companies can pool resources to increase the impact of their support. Like the national American Business Collaborative, forming a partnership of child-care-

Investing in quality child care will make government spending more efficient and improve the quality of life for Contra Costa County residents.

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

friendly businesses may facilitate creating and implementing innovative strategies to improve child care benefits for working parents.

Government Investment

Federal and state expenditures for child care are growing, but remain well below the amount needed to serve all eligible families, and must be increased. The county's capture of these subsidies is directly related to its ability to expand the infrastructure of subsidized child care centers and programs. The child care industry captures over \$86 million per year in federal and state child care subsidies for low-income working households in Contra Costa County. Efforts to increase this annual subsidy amount will enable low-income families to work.

Studies demonstrate that for every dollar spent on quality child care, local public sector expenditures on other service categories in the future are reduced by seven dollars. Investing now in quality child care will not only make government spending more efficient but it will also increase the quality of life for Contra Costa County residents.

Furthermore, governments should invest in improving salaries, benefits, training and incentives for child care professionals in order to alleviate the child care sector's staffing problems. High worker turnover increases the cost of child care, reduces the quality of care and limits the sector's ability to meet the needs of working parents in Contra Costa County.

Incorporating Child Care into Economic Development Planning

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

Child care should be incorporated into every General Plan in the county to ensure that it is considered as governments move forward with development and economic planning.

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

Assessing the Impact of the Child Care Industry

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

Appendix A

Methodology for Calculating Gross Receipts and Employment for Licensed Child Care

Because of the inaccuracy of traditional economic accounting tools that apply to child care, the National Economic Development and Law Center (NEDLC) and the four original counties in the Local Investment in Child Care (LINCC) counties created a sound methodology for measuring direct employment and gross receipts for the licensed child care field. This methodology utilizes up-to-date statistics on licensed child care facilities maintained by local Resource and Referral (R&R) agencies. R&Rs are required by California law to maintain data on licensed child care capacity, and most record data on vacancies, from which enrollment can be derived. For this report, analyses were derived from June, 2002 data from the Contra Costa Child Care Council, which serves as the county R&R.

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

Gross Receipts

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

Family Child Care Homes

Enrollment x Average Cost/Child/Year = Gross Receipts

Centers

“Center-based care” in this case includes Head Start, early Head Start, State Pre-school, nonprofit, school-affiliated and proprietary centers. Costs were broken down in infant (0-2), toddler (3-5) and school age children (6-13).

Enrollment x Average Cost/Child/Year = Gross Receipts

Direct Employment in Licensed Child Care

Family Child Care Homes

Family Child Care Homes licensed for 6 = 1 Employee

Family Child Care Homes licensed for 12 = 2 Employees

Centers

Teaching Staff:

These figures are calculated based on the number and ages of children for which a center is licensed, and the state-required ratio of staff to children under that license. In general, younger children require a lower staff-to-child ratio, so a center that cares for 12 infants will require 3-4 adults to care for those infants, whereas a center that cares for 12 school-aged children will require only one adult to care for those children.

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

1. Center-based infant care:

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

2. Center-based preschool care:

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

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

Non-Teaching Staff:

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

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

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

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

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

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

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

Appendix B

Explanation of IMPLAN Input-Output Model

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

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

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

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

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

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

The multiplier effect estimates how many times a given dollar of investment will be spent as it works its way through the economy. Multipliers can be applied to various categories. For example, income

multipliers—additional spending associated with every dollar of income—tend to be less than one. This is because not all income is spent; some is saved, or used to pay debt. Employment multipliers—the number of jobs created per million dollars of investment—can range from five to sixty-five, depending on the activity. Alternatively, employment multipliers can relate to the number of indirect and induced jobs engendered by a dollar of investment in direct employment.

Appendix C

Methodology for Calculating the Economic Output of Licensed Child Care

To calculate the earnings of primary caregivers who can get to work because of licensed child care, U.S. Census Bureau data on working families with children in the county were used. Assuming there are, on average, the same number of children in families with a parent at home and those with all parents working, there are an estimated 21,201 married-couple, 2,252 male-only householder and 5,011 female-only householder families in Contra Costa County with children under 6 for whom all parents are in the labor force.⁸⁹ Previous studies have estimated that center and family-based care account for 48 per cent of care provided to children aged five and under.⁹⁰ Thus, we estimate that 10,176 married couple, 1,081 male-only householder and 2,405 female-only householder families use licensed child care in Contra Costa County to get to work.

To estimate the wage earnings of these families, 2000 Census median incomes by household type for Contra Costa County were used. In the case of married-couple families, it was assumed that if child care were not available, only one parent would not work, and to estimate these earnings, the median income for females living alone, age 25-44, was used, which is \$39,561. The median income for working single-parent households with children was \$42,619 for males and \$31,659 for females.⁹¹ Thus the total earnings for Contra Costa County parents enabled to work from licensed child care, is estimated to be almost \$525 million.

Using IMPLAN (see Appendix B), we then estimated how much \$525 million of labor income affects the gross receipts for all industries of the county. Assuming that parents work in even proportions across all Contra Costa industries (there are no data measuring the distribution of working parents across industries), we estimated the direct effects of their work in each sector, which produces gross receipts of \$1.71 billion in Contra Costa County. Using the IMPLAN economic model for the county, we can analyze how an output of this amount ripples through the economy with indirect and induced effects. Finally, the dollar amounts were adjusted to 2002 using the average consumer price index (CPI).

⁸⁹ U.S. Census Bureau, Census 2000.

⁹⁰ Capizzano, J., Adams, G., and Sonenstein, F. *Child Care Arrangements for Children Under Five: Variation across States*. From *The New Federalism: National Survey of America's Families*. Washington, D.C.: The Urban Institute, March 2000.

⁹¹ California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Contra Costa County*.