

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN MONTEREY COUNTY

EXECUTIVE SUMMARY

A study sponsored by
The Local Planning Council's
Local Investment in Child Care (LINCC) Project

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 with support from the David and Lucile Packard Foundation, and is designed to incorporate child care into local economic development planning. As part of the LINCC project, the National Economic Development and Law Center (NEDLC) produced Child Care Economic Impact Reports (CCEIRs) for eight counties in California in 1999, including Monterey County in 1997. The CCEIRs 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 Local Child Care Planning Council of Monterey County's LINCC project contracted NEDLC to create this report (an update to the original report published in 1997) quantifying the economic impact of the child care industry in Monterey County in 2003.

ACKNOWLEDGEMENTS

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Executive Summary

The Economic Impact of the Child Care Industry in Monterey County

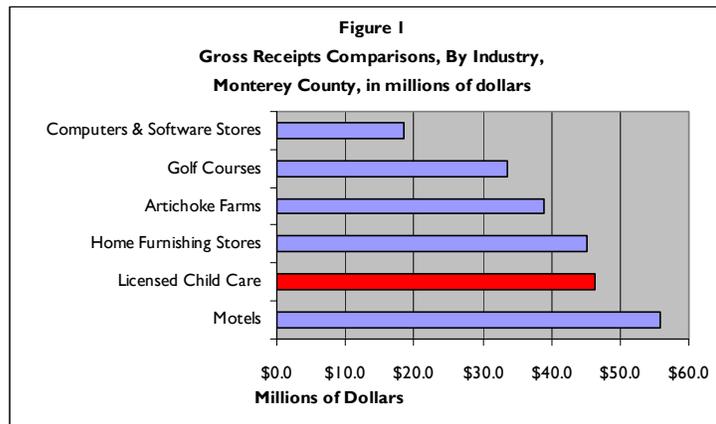
Child care is an income-generating, job-creating, industry in Monterey County that enables parents to participate in the county's workforce. Stable, high-quality child care also increases worker productivity, loyalty, and motivation, and reduces turnover and absenteeism. Demographic and economic trends show that over the next ten years, Monterey County will continue to see job and population growth. The current supply of child care will be unable to meet this growing need unless non-traditional stakeholders actively invest in this critical economic infrastructure.

Defining Licensed Child Care in Monterey County

Early care and education programs (ages zero to five), as well as programs for school-age youth (ages 6 through 13), make up the child care industry. Formal or licensed child care includes care that is provided in the following facilities: family child care homes, child care centers, California Child Development Centers (state pre-schools and general child development centers), Head Start programs, and Migrant Head Start programs. These licensed facilities care for an estimated 8,882 children ages 13 and under in Monterey County.

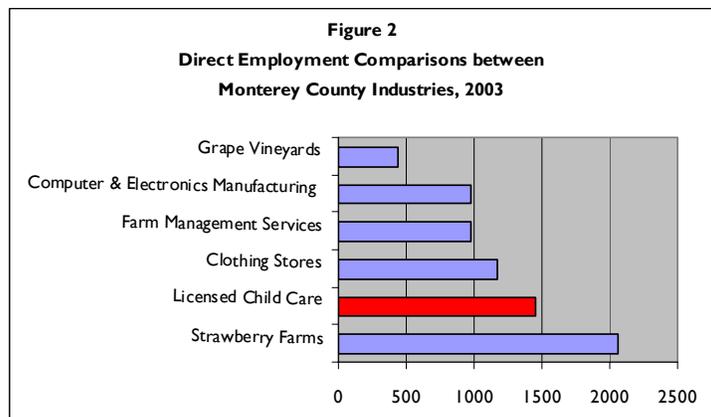
Gross Receipts of the Child Care Industry

The licensed child care industry generates an estimated \$46.3 million dollars per year in gross receipts, or revenues. When compared to other industries in the county, the child care industry generates more gross receipts than golf courses, artichoke farms, and computer stores, and generates almost as many gross receipts as motels (see Figure 1).



Employment

Approximately 1,146 full-time equivalent local jobs are directly supported by the licensed child care industry. There are more child care professionals than there are professionals working in clothing stores, farm management services, computer and electronics manufacturing, and grape vineyards. In addition, there are nearly as many people



working in the child care industry as there are people working on strawberry farms (see Figure 2).

Federal and State Subsidies

Annually, \$28 million is brought into the county through federal and state subsidies for child care. These funds are used to provide low-income families with affordable licensed and license-exempt child care. Subsidies are also used to fund quality improvement initiatives. By increasing the number of subsidized slots, more parents can enter and become stable participants in the county’s labor force.

Increasing Economic Output

By enabling them to work, child care makes it possible for parents to contribute to the economy. There were almost 7,000 working parents in the county who had children 13 and under who used licensed child care in 2002. *In total, these parents (all single working parents and one parent in a dual-earning household) earned over \$216.3 million annually.*

Increasing Productivity

In addition to playing a critical role in the Monterey County economy, the licensed child care sector helps sustain the county’s businesses by increasing the productivity of working parents. Stable, quality child care reduces worker absenteeism related to child care needs, increases company loyalty and motivation, and reduces turnover. A national survey found that absenteeism cost \$60,000 for small companies and more than \$3.6 million for large companies in 2002.

Increasing School Readiness

High-quality child care increases children’s readiness to enter school and is an important building block in developing the future workforce in Monterey County. Investing in child care improves the success of children in the K-12 public education system by increasing school success, raising test scores and high-school graduation rates, and by lowering the number of students who repeat grades and require special-education. Children in quality child care are also less likely than their peers to commit crimes or enter the welfare system later in life. Cost-benefit analyses across a number of long-term studies indicate that every dollar spent on quality child care saves as much as seven dollars in future public spending in education, social services, and criminal justice system (see Table 1).

Table 1 Economic Benefits of Investing in 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

Demographic and Economic Outlook for Monterey County

Monterey County has seen steady population growth, fueled by childbirths since the last report was completed. Projections indicate that the county will experience a similar trend in the next twenty years. Monterey County’s population is projected to increase an estimated 45 percent from 2000 to 2020, totaling over 590,000 residents including an estimated 36,000 children under the age of five.

Additionally, the county has undergone a dramatic shift in the racial/ethnic make up of its residents with Hispanics/Latinos accounting for over 47 percent of the total population—more than any other ethnic/racial group. Economically, Monterey County is gradually diversifying, with high projected growth in business services, but its economic potential is being diminished by low labor force participation, a lack of a highly skilled workforce, and one of the least affordable housing markets in the United States. These characteristics have significant implications for child care leaders, business leaders, government officials, economic development planners, and other key stakeholders who are responsible for strategic planning for the child care industry and the economic development of the county.

Local Constraints on Child Care in Monterey County

- Private sector, government, and community leaders are not actively engaged in helping families afford quality child care and in creating enough child care to support economic growth.
- Child care is becoming increasingly less affordable in relation to the cost of living in Monterey County. Escalating housing costs consume a more and more disproportionate share of the household income of low- and moderate-income families.
- Welfare reform and the increase of low-wage jobs in Monterey County dramatically increase the need for subsidized child care. The current supply does not meet the demand for affordable, quality child care in the county, and the demand is growing.
- Child care centers and family child care homes struggle to attract and retain qualified staff. The availability of quality child care is directly related to child care workforce retention and development. Investments in improving the skills and increasing the wages of the child care sector are needed to ensure that all children enter kindergarten ready to learn.
- Monterey County's demand for center-based, non-traditional hours, and back-up child care exceeds the supply.
- The child care infrastructure in Monterey County is fragmented.

Recommendations

Child care is part of the economic infrastructure of Monterey County and needs to be incorporated into both short- and long-term economic development planning. Financial institutions, businesses, government leaders, and those working directly in the child care industry must work together to ensure that the needs of the county's families are met.

A collaborative partnership with clearly identified leadership should be formed between business leaders, government leaders, financial institutions, child care leaders, and other nontraditional stakeholders to ensure that Monterey County's child care infrastructure is meeting the needs of working parents and their children.

What Businesses Can Do to Support Child Care

- Work with City Council representatives and Chambers of Commerce to get child care issues on the policy agenda.
- Offer technical assistance and business skills training to child care providers. Businesses that already offer professional development and business training to employees are especially primed to offer this service.
- Create flexible personnel policies and provide sick/personal leave to meet child care needs.
- Partner with dependent care resource and referral agencies and provide employees 24 hour on-line access to local provider data.
- Offer dependent care financial assistance by creating a dependent care pre-tax account or a child care voucher program.
- Develop a network of child care providers for your employees or contract for on or near-site child care
- Help create innovative public/private partnerships to purchase property, develop facilities, and/or strengthen existing child care enterprises.

What Financial Institutions Can Do to Support Child Care

- Develop loan products, such as micro-loans or low-interest loan programs, with alternative payment structures for child care businesses.
- Provide business plan, marketing, and loan application assistance for child care providers.

What Government Can Do to Support Child Care

- Establish child care funds to help make child care affordable for low-income families and to assist child care providers seeking facilities financing.
- Incorporate language that supports child care development into the General Plan of the county and every city.
- Hire a child care coordinator for each region in the county.
- Develop strategies for sustained funding that provide workforce development for child care professionals, including recruitment, training, and compensation.
- Identify and secure suitable land for the development of new facilities or expansion of existing ones. Find vacant buildings and develop a non-profit child care business.
- Provide incentives for businesses adopting family friendly benefits for their employees.

- Assist lending institutions that provide low interest loans and/or micro loans to child care providers. Local government can match micro loans or provide loan guarantees to banks working with child care providers.

How the Child Care Industry Can Be More Effective

- Recognize that child care providers are an economic force in Monterey County.
- Work with businesses and financial institutions to provide business skills and technical assistance for facility financing to child care providers and employees.
- Prioritize the development of center-based child care programs that serve different ages of children.
- Educate parents and providers about the components and benefits of high-quality child care so parents can identify quality child care and providers can enhance the quality of care they already supply.