

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN SONOMA COUNTY

Executive Summary and Policy Recommendations



A JOINT PROJECT OF
THE COMMUNITY CHILD CARE COUNCIL OF SONOMA COUNTY
&
THE SONOMA COUNTY CHILD CARE PLANNING COUNCIL

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 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 Economic Impact Reports for eight counties in California 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 Community Child Care Council of Sonoma County and the Sonoma County Child Care Local Planning Council contracted NEDLC to quantify the economic impact of the child care industry in Sonoma County in 2002.

ACKNOWLEDGMENTS

This report was made possible through a joint project of the Community Child Care Council of Sonoma County (4Cs) and the Sonoma County Local Child Care Planning Council. We gratefully acknowledge their support.

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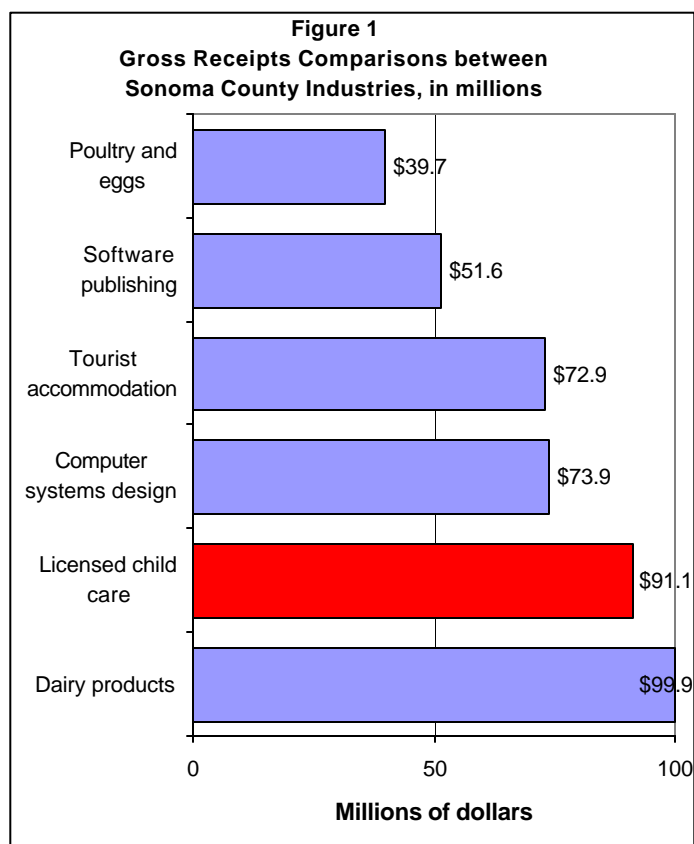
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Executive Summary

The Economic Impact of the Child Care Industry in Sonoma County

Sonoma County's child care industry is critical to the overall economic vitality and quality of life in the county. Licensed child care is an income-generating, job-creating industry in its own right. In addition, it supports the increasing number of parents who work throughout Sonoma County's industries. Stable, high-quality child care increases worker productivity, reduces turnover and absenteeism and increases loyalty and motivation. Quality child care increases academic and behavioral school readiness, thereby reducing future public expenditures on remedial education in the traditional K-12 system. Future public savings are also realized in reduced criminal justice costs and decreased welfare program participation in adults who attended high-quality child care as children. Businesses, government, banks, and the child care industry must be equipped with a firm understanding of the countywide benefits of investing in Sonoma County's child care infrastructure. Like transportation policies and investments that relieve traffic congestion, local policies and investments that support the child care industry affect Sonoma County's overall productivity and economic competitiveness.



Agricultural gross receipts values are from the Bureau of Economic Analysis, child care industry values are from local data, and the other industries' values are from the 1997 Economic Census, adjusted to 2002 dollars.

An Increasing Need for Child Care

Economic and demographic trends indicate that the need for affordable, accessible, high quality child care will continue to increase in Sonoma County. The current supply of child care will not meet this growing need without partnerships between government, businesses, banks, and the child care industry. These groups must work together to increase child care supply and affordability in Sonoma County.

Gross Receipts in the Child Care Industry

The licensed child care industry, which includes centers and family child care homes, generates over \$91 million in gross receipts, or revenues, in the county's communities (\$66 million from child care centers and \$25 million from family child care homes). When compared with the gross receipts of several other industry groupings in Sonoma County, licensed child care is similar in size to the dairy industry (see Figure 1). The licensed child care industry grosses more than poultry



and eggs, tourist accommodations, computer systems design, and software publishing. Child care also contributes to the local economy by drawing down over \$30 million annually in federal and state subsidies.

Direct Employment of the Child Care Industry

The licensed child care industry directly supports 2,412 full-time equivalent (FTE) jobs in Sonoma County. The actual number of people working in licensed child care is higher because many child care professionals work part time. In comparison to the direct employment of other industry groupings in Sonoma County, there are almost as many child care professionals as there are people working in Sonoma County wineries or in every department store in the county (See Figure 2). There are many more people working in licensed child care than there are working in hotels, motels, and bed and breakfast businesses.

Indirect and Induced Employment

Child care also generates indirect and induced employment through the goods and services the industry uses. Based on the direct employment estimate, an additional 1,724 indirect and induced FTE jobs (545 indirect and 1,179 induced) are sustained by the licensed child care sector in Sonoma County.

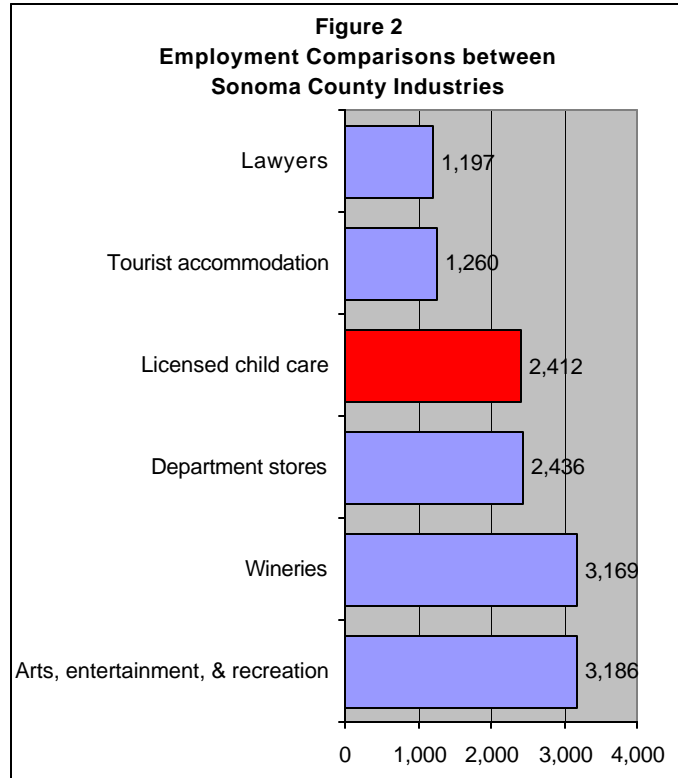
In addition, facilities construction and renovation provides jobs in Sonoma County. A \$1 million investment in child care facility construction supports 16 FTE jobs for one year in the county, eight in the construction industry itself and eight in other industries.

Increasing Productivity

Licensed child care contributes to the economic competitiveness of Sonoma County by increasing labor force participation, permitting parents to advance in their careers and achieve higher wages, and by lowering absenteeism and turnover rates. National studies indicate that working mothers lose up to five full days of work every six months and working fathers lose up to three full days of work every six months due to child care problems. Nations Bank found that employees using a child care subsidy program had one-third the turnover of peers in similar jobs.

Increasing Economic Output

An analysis of the labor income of working parents who use licensed child care and the output that they produce by working across all of the county's industries shows that these working parents



Information besides that of the child care industry is based on the 1997 Economic Census, adjusted to 2002.

play an enormous role in the county's economy. Specifically, working parents using licensed child care earn over \$193 million annually. Through direct, indirect, and induced effects on the economy, working parents using licensed child care:

- Increase industry output in Sonoma County by \$1.48 billion
- Contribute \$888 million value added to the gross product in the county
- Create \$573 million in total direct, indirect and induced income
- Provide for \$233 million in property income
- Generate \$82.3 million in indirect tax revenues
- Support approximately 15,856 (FTE) jobs (see Table 1)

Table 1
Economic Output of Working Parents using Licensed Child Care in Sonoma County

Economic variable	Contribution to Sonoma County Economy
Industry Output	\$1.48 billion
Value Added to Gross Product	\$888 million
Labor Income	\$573 million
Property Income	\$233 million
Indirect Tax Revenues	\$82.3 million
Employment	15,856 (FTE) jobs

Increasing School Readiness

High-quality child care is an important building block in developing the future workforce in Sonoma County. Investing in quality child care improves the success of children in the traditional K-12 public education system by raising test scores and high-school graduation rates, and by lowering the number of grade-repeating and special-education students.

Reducing Public Expenditures

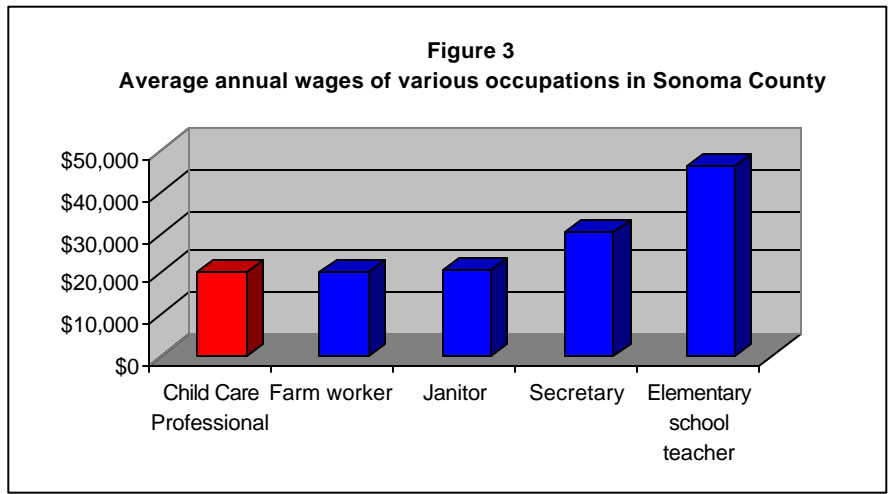
Long-term studies comparing children randomly assigned to high-quality child care programs with their peers indicate that quality child care reduces rates of future juvenile delinquency and welfare participation. Cost-benefit analyses across these long-term studies indicate that for every dollar spent on licensed child care, as much as seven dollars are saved in public expense in later years.

The Child Care Workforce

The issue of workforce development of the child care sector is closely related to the task of reframing child care as part of economic development strategies. In many parts of Sonoma County, the staffing shortage at child care programs is almost at crisis proportions, which prohibits centers from expanding or even remaining open. The worker shortage stems mainly from high turnover,



caused, in part, by uncompetitive wages that average only \$20,269 per year in the county. Child care professionals make less than farm workers, janitors, secretaries, and less than half that of the county's elementary school teachers (see Figure 3).



Wage information from California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Santa Rosa MSA (Sonoma County), 2001.*

Staffing shortages and rapid turnover substantially 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. Supporting the child care workforce will strengthen the industry and its positive effects on the Sonoma County economy.

Conclusion

This report demonstrates that child care is essential to Sonoma County's economic development and infrastructure, the productivity of the labor force, and the overall quality of life of its citizens. Over the next 20 years, the population of Sonoma County is expected to grow by 34%, totaling upwards of 614,173 residents in 2020. This projected growth in population poses dramatic challenges for the Sonoma County child care industry because limited revenue streams from businesses, banks, parents, and government sources will fail to support the natural expansion of licensed child care. The child care field alone does not have the resources to supply Sonoma County with the care that is critical for the future economic vitality of the county.

Recommendations

Businesses, government, banks, and the child care industry must be equipped with a firm understanding of the countywide benefits of investing in Sonoma County's child care infrastructure. Like transportation policies and investments that relieve traffic congestion, local policies and investments that support the child care industry affect Sonoma County's overall productivity and economic competitiveness.

First, appropriate, targeted private or public investments in child care supply-building will contribute to labor force participation gains among families in Sonoma County. Such gains directly increase output, personal income, business formation, and property and sales tax revenues in the county.

Second, businesses can increase productivity, cultivate company loyalty, and reduce turnover by providing cost-neutral benefits to employees. In addition, businesses can partner with local planning agencies and the child care industry to ensure the child care needs of their employees are met.

Third, federal and state expenditures for child care remain well below the amount needed to serve all eligible low-income families in the county, and must be increased in Sonoma County. There are ten times the number of children on waiting lists for these programs than are currently served. Strategies that increase subsidies for low-income families will directly improve the local economy.

Fourth, 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. Incorporating child care into every city and the county's General Plan will ensure that child care is considered during economic development planning. Other initiatives for the economic development of this county could include land use incentives for child care, debt financing assistance for the child care industry, and technical assistance, provided by entities such as the Small Business Development Centers, for child care providers.

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

Finally, better accounting 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 assess its size and contribution to the economy. The methodologies in this report represent the first serious 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 licensed child care is an essential part of the Sonoma County economic infrastructure, and efforts to strengthen the child care industry will result in a strengthening of the county's economy as a whole.





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