

The Economic Impact OF THE Child Care Industry *in Humboldt County*

PREPARED BY THE

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER



BACKGROUND

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN HUMBOLDT COUNTY

The National Economic Development and Law Center (NEDLC) is working with states and counties across the nation to produce reports and recommendations on the economic impact of the child care industry. The economic impact reports articulate child care in economic development terms and quantify the ways in which the child care industry is critical to the economy. In addition, the reports help to build local partnerships aimed at increasing the industry's capacity to respond to the shifting child care needs of families. For this report, First 5 Humboldt, with support from the Workforce Investment Board of Humboldt County and the Humboldt County Local Child Care Planning Council, contracted with NEDLC to quantify the economic impact of child care. This partnership formed an Advisory Board of Humboldt County leaders in the fields of business, government, child care, and economic development.

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

The National Economic Development and Law Center, established in 1969, is a non-profit public interest law and planning organization that specializes in community economic development. It works in collaboration with community organizations, private foundations, corporations and government agencies to build the human, social, and economic capacities of low-income communities and their residents. NEDLC helps to create strong, sustainable community institutions that can act as "change agents" and an effective local infrastructure for their support.

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Section One

Introduction

The formal child care industry in Humboldt County encompasses the range of programs designed to nurture, support, enrich, and educate children from birth through age 13 outside of traditional K – 12 education. The industry has two main functions, both of which have changed significantly over time, and both link the industry to the economy.

The first function of the child care industry is to enable parents to maintain employment or get additional training or education. In traditional American child-rearing models, parents were solely responsible for the care and education of their own young children during the workday. Single parent working families and families with two working parents were rare. In those families who did have two working parents or a single working parent, care and education was generally entrusted to relatives, neighbors, and friends. Today, the majority of children live in families in which all parents work, and one in five labor force participants in Humboldt County is a parent living in a household in which all parents work.¹

The child care industry serves two main functions:

- Enabling parents to maintain employment and/or obtain education and training
- Providing age appropriate child development learning opportunities that support healthy children who are ready to learn

The other major function of the child care industry is to provide developmentally appropriate learning opportunities for children. The research and public will surrounding the education and developmental needs of young children have increased dramatically over the last two decades. Many more parents now require early education and out-of-school-time programs as part of their children's education. For children from birth through age five, quality programs help them to develop core skills and competencies that prepare them for future success in traditional K to 12 education. For children ages 6 through 13, before- and after-school programs ensure children's safety while often also providing enriching educational activities outside of the traditional school curriculum and enabling school-age children to develop much-needed leadership skills.

The child care industry is also a vital component of Humboldt County's economy, providing financial benefits in three main ways.

The child care industry is a vital component of Humboldt County's economy. It:

- Enables employers to attract and retain employees and increase productivity of employees
- Provides significant jobs and generates considerable revenue in its own right
- Ensures a strong economy in the future by preparing children to be skilled, productive workers who can meet future labor force demands



First, the child care industry plays a significant role in enabling employers to attract and retain employees and to increase productivity by reducing employee turnover and absenteeism. Like transportation and housing, without accessible, affordable child care, employees may experience barriers to working, and their employers and the economy as a whole suffer.

Second, child care is a major industry in Humboldt County in its own right. Research presented in this report demonstrates that child care is a significant income-generating, job-creating industry sector, contributing similar annual gross receipts to many other industries in the county, including beef and dairy cattle and nursing care and residential facilities. In addition, child care directly employs a similar number of people as the traveler accommodation industry.²

Third, quality child care programs ensure a strong economy in the future. Recent research on early brain development demonstrates that, far from being a luxury, child care for children from birth through age five is a vital service, improving children's health, school readiness, and contribution to society.³ The quality of child care opportunities is linked to positive outcomes in school for children in all income brackets, though studies have shown particularly striking findings in children from low-income families. Three separate longitudinal studies of targeted, intensive intervention programs for low-income children have indicated significant long-term outcomes in areas such as grade repetition, special education needs, juvenile criminal activity, and adult welfare participation. These effects reduce future public spending in such areas as K-12 education, remedial and special education, criminal justice and welfare assistance. Similarly, after-school programs can reduce the likelihood of costly negative outcomes in school-age children such as juvenile delinquency and smoking, alcohol, or drug use.

This report analyzes the significance of the child care industry to Humboldt County's economy. Specifically, this report:

- Describes demographic and economic trends and their implications for Humboldt County's child care industry
- Quantifies the direct economic impact that child care currently has on the economy of Humboldt County through gross receipts and direct employment
- Discusses economic development and business benefits of child care, including bottom-line returns for individual businesses and substantial returns on targeted public investment
- Provides recommendations to build the capacity and sustainability of quality, affordable child care

Understanding the interaction between an affordable, accessible, quality child care system and economic growth and knowing how to improve the efficiency of investments in the child care industry increases Humboldt County's economic competitiveness.

DEFINING THE FORMAL CHILD CARE INDUSTRY

The Formal Child Care Industry

All of the establishments captured in the formal child care industry for this report are either a) required by law to meet minimum health and safety standards set by the state legislature and regulated by the California Department of Social Services, through the Community Care Licensing

¹ U.S. Census Bureau. *Census 2000*.

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

³ J.P. Shonkoff and D.A. Phillips, Editors. *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Washington, D.C.: National Academies Press, 2000.

Division or b) legally license-exempt before- and after-school programs. For the purposes of this report, formal child care establishments include: all full-day and part-day private licensed child care centers, Head Start and Early Head Start programs, child development centers funded by the California Department of Education (state pre-schools, latchkey programs, federal block grant child care centers, general child development centers), licensed family child care homes and license-exempt before- and after- school programs.⁴ There are approximately 274 formal child care facilities in Humboldt County, including:

- 159 licensed family child care homes
- 26 licensed child care centers operated for profit, nonprofit, and/or sectarian
- 21 Head Start and Early Head Start programs
- 30 child development programs funded by the California Department of Education
- 38 license-exempt before- and after-school programs⁵

Child Care Arrangements That Are Not Included in the Analyses of this Report

There are types of care and education that are not included as part of the “formal child care industry” for this report. These arrangements are either unregulated, such as care outside the child’s home in a relative’s home or care that is provided by a nanny or babysitter, or they lack accurate data about the cost, enrollment, and staff. Although these child care arrangements are widely used, and also add much to the economy, it is difficult to ascertain their impact. The formal child care industry is easier to capture economically (e.g., the sector is subject to taxes, state regulations, credentials etc), therefore this report focuses primarily on formal child care. By including only formal child care arrangements, this report’s findings are conservative estimates of the total impact that child care has on the economy.

OUTLINE OF THE REPORT

Following this introduction, section two describes the demographic and economic profile of the county and the implications for the child care industry. Section three analyzes the overall economic effects of the child care industry as measured by industry earnings, employment and current levels of government investment. Section four explores the links among child care, business, and economic development. Finally, section five considers future implications for the county’s economy, and makes conclusions and recommendations.

Analyses in this report exclude unlicensed care by nannies, babysitters, or relatives, making the economic estimates conservative in terms of the full impact of the industry.

⁴ For a flow chart depicting the formal child care industry in Humboldt County, please refer to Appendix A. Accurate enrollment, expenditure, and cost information on license exempt tribal programs and Native American Head Start programs in Humboldt County were not available at the release of this report. Therefore, neither program was included in the formal child care sector.

⁵ 2003 data for formal child care programs comes from the Humboldt Child Care Council and Northcoast Children’s Services.



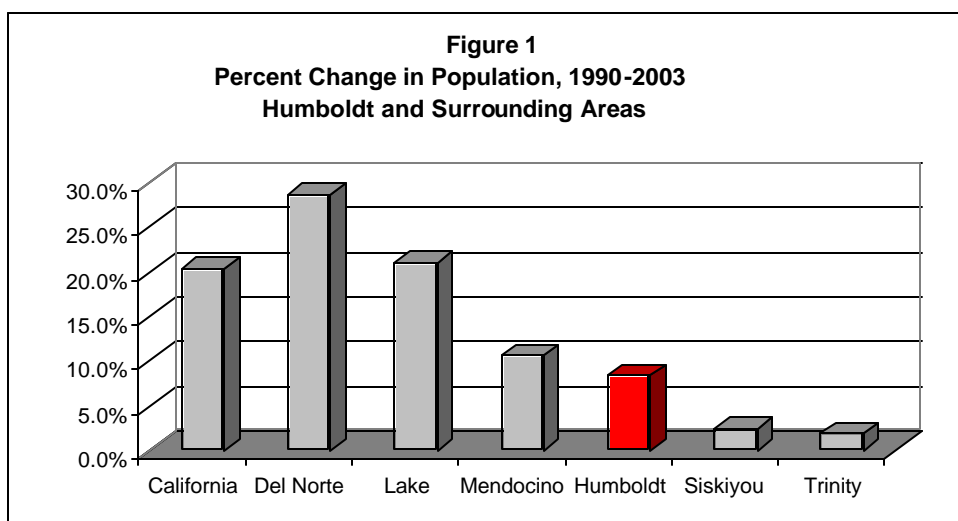
Section Two

Demographic and Economic Profile of Humboldt County

Humboldt County's demographic and economic trends have significant implications for the child care industry. This section gives a brief overview of these trends, including: population shifts; labor force characteristics; employment demands; and the cost of child care, and discusses the implications of the trends for the child care industry.

POPULATION SIZE AND CHARACTERISTICS

Humboldt County is the largest county in the Northern Coastal region of California. Humboldt has seen modest population growth relative to neighboring counties, increasing 8 percent from 1990 to 2003 to reach 128,300 residents in 2003 (see Figure 1).⁶ From 2001 to 2002, approximately 40 percent of Humboldt's population growth was the result of natural population increase (births minus deaths), and the remaining growth was due to migration from other counties within the U.S. and from other countries.⁷



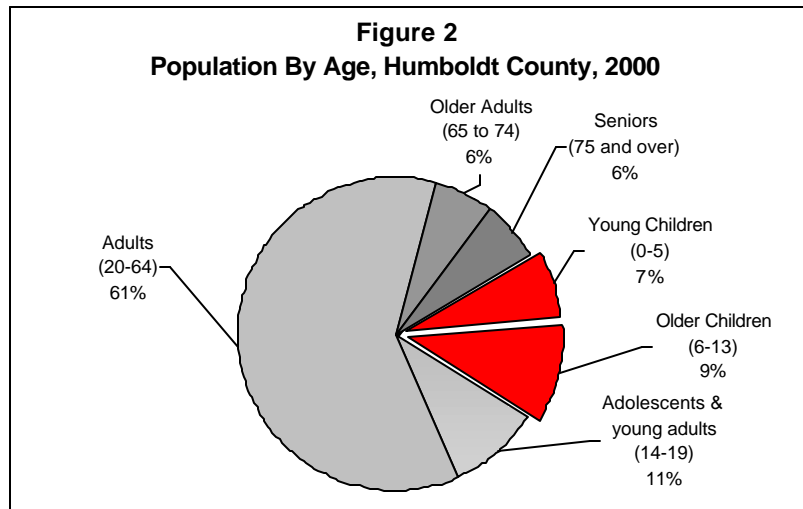
Implications for Child Care

Humboldt County's population is not growing as fast as the state's. Investments in all economic development infrastructures including transportation, housing, and child care are needed to attract and retain businesses and young working families to the county.

⁶ State of California, Department of Finance. *E-1 City/County Population Estimates, January 1, 2003 & E-4 City/County Population Estimates, January 1, 1990*. It should be noted that Del Norte County experienced a significantly high population growth between 1990 and 2000 because of the addition of Pelican Bay State Prison, which opened in 1989.

⁷ U.S. Census Bureau. *California Estimated Components of Population Change: April 2000-January 2002*.

Of Humboldt County's 128,300 residents, 22,200 are children ages 0 to 13—over 17 percent of the total population (see Figure 2).⁸ Children ages 0 to 13 currently outnumber older adults and seniors almost 1.4 to 1. However, in California, children make up almost 22 percent of the population, indicating that Humboldt's population is made up of a smaller percentage of children than most counties in the state.



Humboldt County's population is projected to continue growing to 140,000 by 2020, a 10 percent change from 2000 to 2020.⁹ However the number of children ages 0 to 13 are only expected to grow by only 1.2 percent over the same time period. Furthermore, K-12 enrollment projections for public schools in Humboldt County from 2003 to 2013 are expected to decline over 13 percent.¹⁰

Implications for Child Care

Population projections do not currently indicate that there will be an increase in demand for child care services stemming solely from population growth. However, the industry already experiences shortages in the following areas:

- Subsidized and affordable child care
- Child care for infants and toddlers
- Child care in rural and outlying areas
- Quality child care
- Care for mildly ill children
- Care that occurs outside the traditional workday

This trend presents an ideal opportunity for the stakeholders in the county to invest in initiatives that improve the quality, affordability, and accessibility of existing child care programs.

From 1990 to 2000, single-parent families, families that rely heavily on child care for labor force participation, became more prevalent in Humboldt County. In 1990 single-parent families with children under 18 made up 34 percent of all families with children under 18, by 2000 these families made up 37 percent of all families with children under 18,¹¹ and if this trend continues there will be an increasing need for child care services to enable the employment of single parents.

⁸ U.S. Census Bureau. *Census 2000*. Numbers are updated to 2003 by using State of California Department of Finance estimates for total county population, 2003.

⁹ State of California Department of Finance. *County Population Projections with Age, Sex, and Race/Ethnic Detail, July 1, 2000-2050 in 10 year increments*.

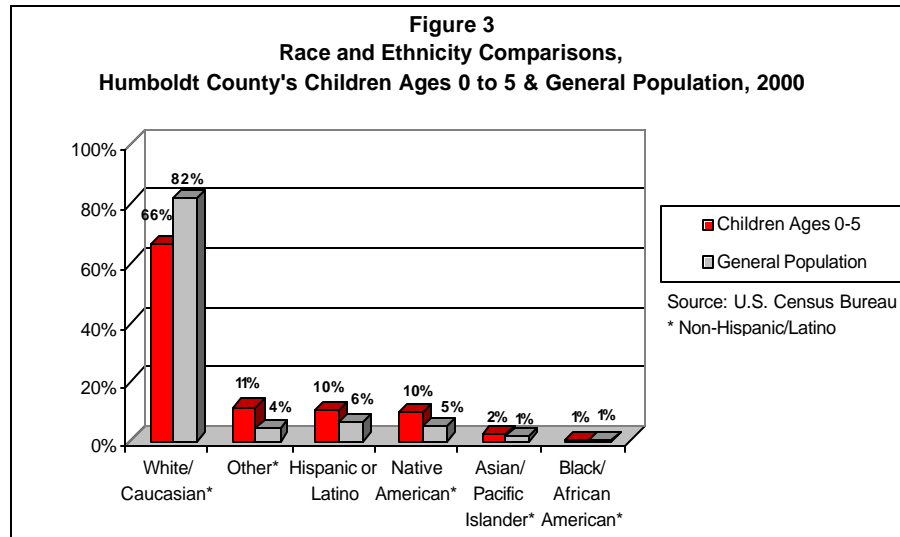
¹⁰ *Ibid.*

¹¹ U.S. Census Bureau. *Census 1990 and Census 2000*.



DIVERSITY

Demographics indicate increasing racial and ethnic diversity in Humboldt County, particularly for young children. In comparison to Humboldt's general population, ethnic and minority groups account for a larger percentage of children ages zero to five (see Figure 3).¹² Of kindergarten children attending public



schools in Humboldt County, over 12 percent are English learners. The majority of English learners entering kindergarten in Humboldt County speak either Spanish or Hmong.¹³

Implications for Child Care

The increasing diversity in Humboldt's children requires:

- A varied array of culturally appropriate child care programs
- Dual- or multi-lingual staff, in particular Hmong- and Spanish-speakers, are necessary to communicate with children and their parents
- Culturally sensitive curricula and care to meet parents' desires for their children's upbringing.

GEOGRAPHIC DIVERSITY

Many residents in Humboldt County live in "rural settings" outside of Eureka, Fortuna, Arcata, and McKinleyville. Rural Humboldt County parents make up over half the total county population.¹⁴ Humboldt's rural population faces a number of unique barriers to child care including a shortage of suitable child care facilities stemming from the fact that housing in rural areas lacks access to utilities or does not meet standards set by the Community Care Licensing Division. Furthermore, low population density, economic obstacles, and transportation barriers often make child care businesses in rural areas financially unfeasible. Glenda Short, Site Coordinator for Mattole School in Petrolia, highlights the difficulties that these barriers place on rural communities, "Local parents are interested in having a licensed preschool/daycare combination program. We would need to become licensed to do this, but licensing barriers limit us from meeting the child care needs of parents here."¹⁵

¹² U.S. Census Bureau. *Census 2000*.

¹³ California Department of Education. *Data Quest: Language Census Data, Humboldt County 2002-2003*.

¹⁴ Humboldt County Employment Training Department. *Regional Workforce Preparation Mapping and Survey Project, 2000*.

¹⁵ Glenda Short, Site Coordinator, Mattole School. Interview, National Economic Development and Law Center, 2004.

“Local parents are interested in having a licensed preschool/daycare combination program. We would need to become licensed to do this, but licensing barriers limit us from meeting the child care needs of parents here.”

Glenda Short, Site Coordinator, Mattole School, Petrolia

As a result, only 25 percent of licensed child care providers are located in “outlying rural communities.”¹⁶ Additionally, 21 of 29 zip codes in Humboldt County have no licensed family child care homes.¹⁷ Humboldt County’s *Regional Workforce Preparation Mapping and Survey Project* also highlights the extreme need for child care in rural areas, “Clearly there is an unequal distribution of child care services in both geographic location, and in the kinds of care needed by child care consumers and potential consumers.”¹⁸ Research also demonstrates that respondents from all outlying areas indicate a need for “any and all” types of child care services.¹⁹

Implications for Child Care

A shortage of child care options for residents in rural Humboldt County limits economic prosperity. The following are some innovative rural child care strategies:

- Improving recruitment and training efforts to increase the supply of licensed and licensed-exempt care
- Providing facilities development funding incentives for the construction and renovation of houses that do not meet statewide standards for family child care homes
- Offering technical assistance for small rural employers in creating cost-efficient child care solutions for their employees
- Supplying child care in assisted-living facilities, schools, and faith-based and community organizations

LABOR FORCE SIZE AND CHARACTERISTICS

In 2003, 61,000 people participated in Humboldt County’s labor force. The county also experienced an annual unemployment rate of 6.5 percent.²⁰ Female labor force participation, a key determinate of child care need, is slightly higher in Humboldt County than in the state of California, 56 and 55 percent respectively. From 1990 to 2000, the percentage of females participating in the labor force in the county increased from 54 percent to 56 percent.²¹ If this trend continues, there will be an increased need for affordable and accessible child care programs to enable the participation of this growing sector of the workforce.

Most of the county’s children live in households where all parents are in the labor force. In dual-parent households, 51 percent of young children and 62 percent of school age children have both parents in the workforce. The vast majority of children living with single parents have their parent in the workforce:

¹⁶ Humboldt County Employment Training Department. *Regional Workforce Preparation Mapping and Survey Project, 2000.*

¹⁷ Community Care Licensing Division. *Areas of Humboldt County with No Licensed Family Child Care Programs, June 2003.*

¹⁸ Humboldt County Employment Training Department. *Regional Workforce Preparation Mapping and Survey Project, 2000.*

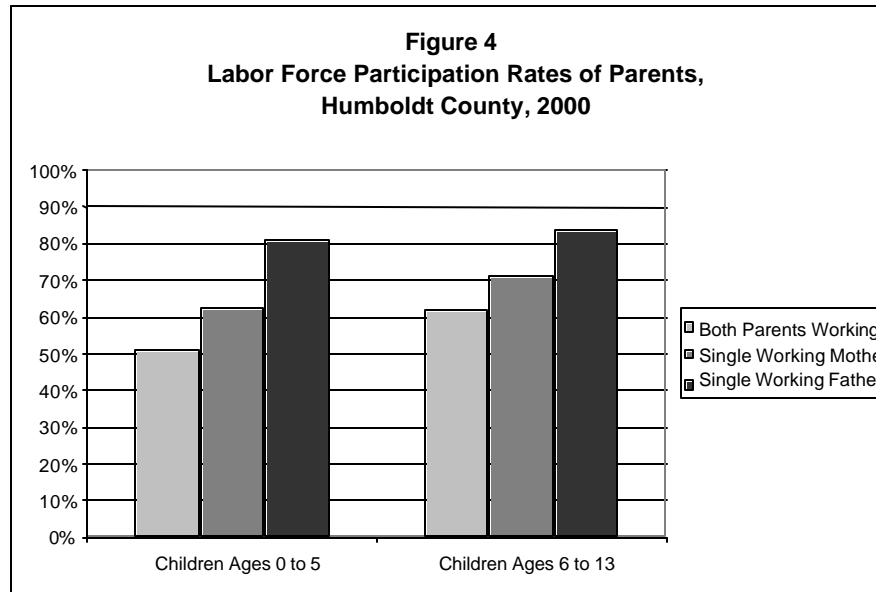
¹⁹ Ibid.

²⁰ California Employment Development Department. *Unemployment Rates, January through December, 2003.*

²¹ U.S. Census Bureau. *Census 1990 & Census 2000.*



- 63 percent of young children (ages zero to five) living with single mothers
- 82 percent of young children living with single fathers
- 72 percent of school-age children (ages 6 to 13) living with mothers
- 84 percent of school-age children living with fathers (see Figure 4).²²



One in five labor force participants in Humboldt County is a working parent with a child under 18 living in a household where all parents work.²³ While not all families use licensed care—some may arrange work schedules so that one parent is home with children and others may place children with family, friends or neighbors—these demographics do highlight the need for child care programs for children so that their parents can work.

LABOR FORCE OUTLOOK

From 1990 to 2000, the Humboldt labor force grew by almost 4,500 people to almost 61,000 and overall grew older, more diverse and increasingly female.²⁴ For example, in 1990, females accounted for 44 percent of the labor force and by 2000 they accounted for 48 percent of the labor force.²⁵

The population of people ages 20 to 64, the age group that makes up the majority of the labor force, is projected to expand rapidly from 2000 to 2010 (see Figure 5).²⁶ However, from 2010 to 2040, the number of people in this age group is projected to contract by more than four percent, as those in the baby boom generation retire (see Figure 5).²⁷ In order to maintain economic output, Humboldt County's labor force participation and productivity rates will have to increase, and the

²² U.S. Census Bureau. *Census 2000*.

²³ *Ibid.*

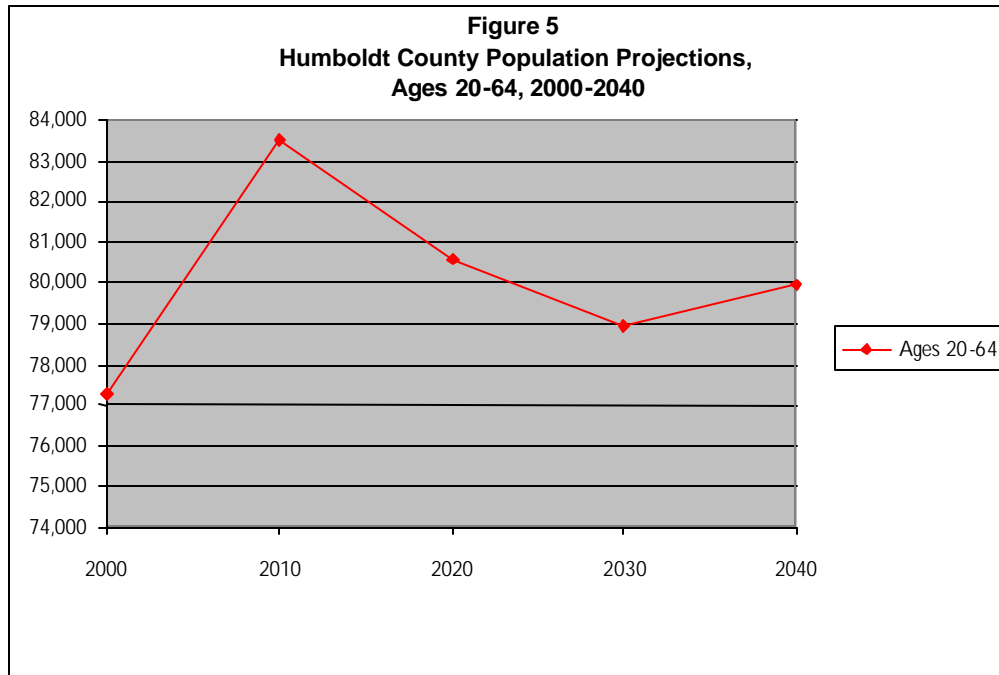
²⁴ U.S. Census Bureau. *Census 1990 & Census 2000*.

²⁵ *Ibid.*

²⁶ State of California Department of Finance. *County Population Projections with Age, Sex, and Race/Ethnic Detail, July 1, 2000-2050 in 10 year increments*.

²⁷ *Ibid.*

county's private sector and economic development planners will have a vested interest in creating new strategies aimed at enabling workforce development and participation.



Humboldt County is relatively educated in comparison to surrounding counties (Del Norte, Lake, Mendocino, Siskiyou, and Trinity counties) with a higher percentage of high school graduates and residents who have earned their bachelor's degree or higher.²⁸ However, in 2000, only 23 percent of residents over 25 had a bachelor's degree or more, which is a lower percentage than the statewide average—27 percent.²⁹ In order to attract and retain new industries that pay higher wages, Humboldt County must stay competitive with other areas in the state. By investing in the education and professional development of its current and future workforce, Humboldt County has the opportunity to attract businesses that will increase the economic prosperity of residents in the county. In June 2000, the Humboldt County Employment Training Department surveyed businesses in the county, and approximately 17 percent indicated that they experienced a problem finding a qualified workforce.³⁰

In a 2000 survey of businesses in the county, approximately 17 percent reported that they experienced a problem finding a qualified workforce.

Implications for Child Care

In order to enable higher labor force participation rates and to enhance the quality and output of the current and future workforce, a stable, quality and affordable child care infrastructure is needed.

²⁸ U.S. Census Bureau. *Census 2000*. Only 15 percent of those over age 25 in Humboldt County have not graduated high school, which is lower than the following counties: Del Norte, Lake, Mendocino, Siskiyou, and Trinity, and 23 percent of those 25 and older have a bachelor's degree or more, which is significantly higher than those same surrounding counties.

²⁹ *Ibid.*

³⁰ Humboldt County Employment Training Department. *Regional Workforce Preparation and Mapping and Survey Project, June 2000*.



EMPLOYMENT

Humboldt County is in the long-term process of transitioning from an economy based primarily on natural resource extraction to a more diverse one that heavily relies on the service, retail trade and government sectors.³¹ The child care industry will play a pivotal role in Humboldt's future economic development as a result of this trend.

Although Humboldt's economy depends on a diverse set of industries, the service and government industries have grown faster than other industries in the county, thus employing a larger portion of Humboldt's labor force in comparison to other major industry sectors (see Figure 6).³² The government, service and retail trade industries are expected to continue employing an increasing share of the county's labor force, though with the current state budget crisis it is unlikely that the government sector will grow as fast as projections indicate. Of these major industries, the service industry is expected to grow the fastest, nearly nine percent and by adding 1,100 jobs from 2001 to 2008. The majority of new service jobs will be in the following focus areas:³³

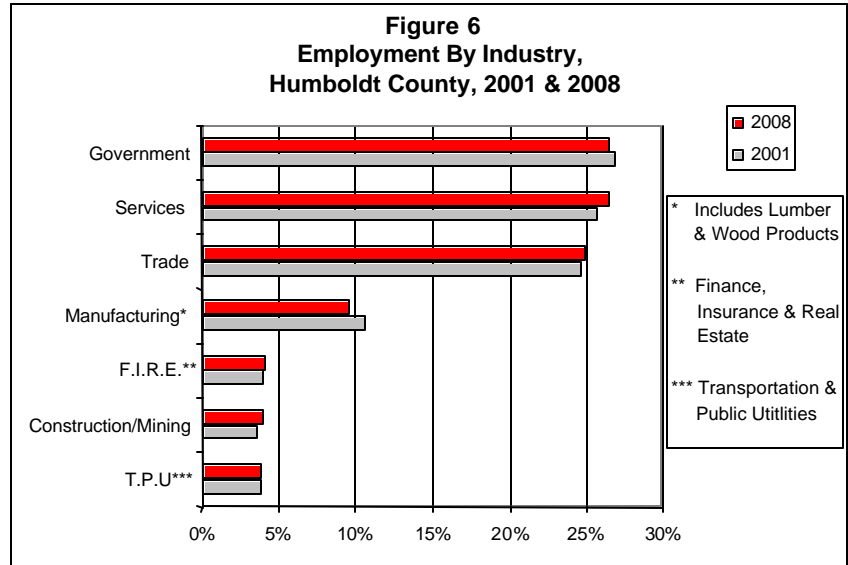
- Business services (computer and data processing; personnel supply; public relations)
- Health services (surgical, medical, and other health services in facilities or in homes)
- Social services (family services, job training, and residential care)

In addition, employment increases in areas of wholesale and retail trade are expected, particularly in:

- Eating and drinking establishments
- Wholesale trade
- Miscellaneous retail stores

The growth areas in services and in retail and wholesale trade create jobs with lower wages that often require work outside of traditional workday hours. These workers require supports to sustain their families if they are not economically self-sufficient, and economic infrastructures such as child care that enable employees to get to work during nontraditional hours.

Humboldt County has adopted an industry cluster approach to economic development based on the belief that "individual businesses benefit from the development of sophisticated institutional and physical infrastructure tailored to the needs of the specific industry."³⁴ Each of the base industry clusters identified in the *Prosperity! Strategy* require a skilled and productive workforce in order to thrive. *Prosperity!* recognizes workforce quality and educational support as two of the most important



³¹ Steven C. Hackett, PhD. *The Humboldt County Economy: Where Have We Been and Where are We Going?*, February 1999.

³² California Employment Development Division. *County Snapshot, Humboldt 2002*.

³³ California Employment Development Division. *Occupational Employment Projections, Humboldt County, 2001-2008*.

³⁴ The Prosperity! Network. *Prosperity: The North Coast Strategy for the New Economy, 1998*.

characteristics that lead to a competitive advantage for industry clusters.³⁵ A high quality education system that includes quality child care must be available and affordable to develop a skilled future workforce and enable parents to get the training and skills necessary to fill these jobs.

Implications for Child Care

Increased employment demand in lower-wage service and retail areas highlights the necessity for quality, affordable, accessible child care as well as child care options outside of traditional workday hours.

Quality child care experiences are critical now to prepare the future workforce for the growth in technology, business, and research occupations over the long term.

CHILD CARE AND THE FAMILY BUDGET

Child care programs are a significant expense for families in most income brackets. The average annual cost for full-time licensed home-based child care for an infant is \$6,400, and full-time center-based care for preschoolers and school age children costs \$5,500 in Humboldt County.³⁶ Full-time unsubsidized child care costs for infants, preschoolers, and school-age children cost more than the undergraduate tuition for California residents at Humboldt State University (\$2,536 for two semesters).³⁷ For a family at median income (\$39,370) with an infant in full-time home-based care, these child care costs take up 16 percent of the total family budget.³⁸ For a family at median income that has both a preschooler and infant in full-time care, child care costs take up more than 30 percent of total income.³⁹ Families are likely to have fewer resources when parents and children are young, thus increasing the child care burden for families when they need it.⁴⁰

Programs that reduce child care costs for low-income families are critical to sustaining parents' participation in the workforce. In SFY 2003, the families of 2,248 children in Humboldt County were receiving child care subsidies, and in April, 2004, there were 1,311 children on the waiting list for subsidized child care. The number of those on the waiting list for child care assistance is more than 26 percent of the industry's total capacity (see Section 3 for more details.) Many more income-eligible families do not receive support and do not place themselves on the long list.

Additionally, there are many low and moderate-income families who are ineligible for child care assistance, but still struggle to

Implications for the Child Care Industry

Over 1,300 income-eligible children are currently on the waiting list for child care assistance, over 26 percent of the total capacity of the industry. As families continue to transition from welfare to work in accordance with welfare reform, affordable child care will be essential in supporting their sustained employment and economic self-sufficiency.

³⁵ The Prosperity! Network. *Prosperity: The North Coast Strategy for the New Economy*, 1998.

³⁶ Average annual child care cost estimates are based on the *Regional Market Rate Survey, 2002*, which is published by the California Child Care Resource and Referral Network.

³⁷ Humboldt State University. *Fees at Humboldt State University; which can be found at: www.humboldt.edu/%7Efiscal/regfees.shtml*. Undergraduate resident registration fees for the spring semester 2004 were used to estimate registration costs for two semesters.

³⁸ U.S. Census Bureau. *Census 2000*.

³⁹ Ibid. This figure is based on the assumption that the infant is in full-time care in a licensed family child care home and the preschooler is full-time center-based care.

⁴⁰ G. Becker and N. Tomes. "Human Capital and the Rise and Fall of Families." *Journal of Labor Economics*, Vol. 4(3):S1-S39, 1986.



meet child care costs. As families continue to transition from welfare to work, there will be an additional demand for affordable child care that can meet the needs of families earning just enough income to be ineligible for child care assistance and not enough income to afford child care, an essential component of their sustained employment.

The *Self-Sufficiency Standard* measures the amount of income needed for a family to adequately meet its needs without government assistance.⁴¹ Humboldt County's self-sufficiency wage is \$34,481 for an adult with two young children (for more scenarios please see Appendix B).⁴²

While Humboldt's self-sufficiency index is low compared to more affluent counties in California, the percentage of jobs in Humboldt County whose full-time yearly pay is below this standard is high. The median hourly wage for all occupations in Humboldt County is \$12.97⁴³—significantly lower than the self-sufficiency wage for a single adult with an infant (\$14.77/hour).⁴⁴ Of the top ten jobs with the greatest absolute projected growth in Humboldt County from 2001 to 2008, only 3 paid an hourly self-sufficiency wage (\$11.85/hour for a single-parent family with two school-aged children).⁴⁵

One of Humboldt County's strongest attributes for attracting businesses and high-skilled workers to the area is its relatively low cost of living and high quality of life. However, the median cost of a home in the county however is \$206,500, up 67 percent from January 2000.⁴⁶ While the costs of housing may be low in comparison to more affluent parts of California, Humboldt County's housing affordability has been in steady decline with only 28 percent of households capable of affording a median-priced home in January 2004.⁴⁷

Almost one-fourth of all Humboldt County households earn an annual income of less than \$15,000.⁴⁸ In 1999, almost 4,000 families lived under the federal poverty line in the county—almost 13 percent of all families.⁴⁹ Of all areas in the county, the area surrounding Eureka and the eastern part of the county experience the highest levels of poverty (see Figure 7).⁵⁰

Implications for Child Care

While Humboldt County's housing costs may seem low compared to many parts of California, only 28 percent of households in the county can afford a house at the median price. Rising housing costs reduce the income families' have for other household items including child care.

⁴¹ Wider Opportunities for Women. *The Self-Sufficiency Standard for California 2003*. The self-sufficiency standard is the minimum wage needed to cover basic costs of housing, food, transportation, health care, and child care in the local area. The Self-Sufficiency Standard varies depending on the location and size of the family.

⁴² Ibid.

⁴³ California Employment Development Department. *Occupational Employment (2002) & Wage (2003) Data*.

⁴⁴ Ibid.

⁴⁵ Ibid.

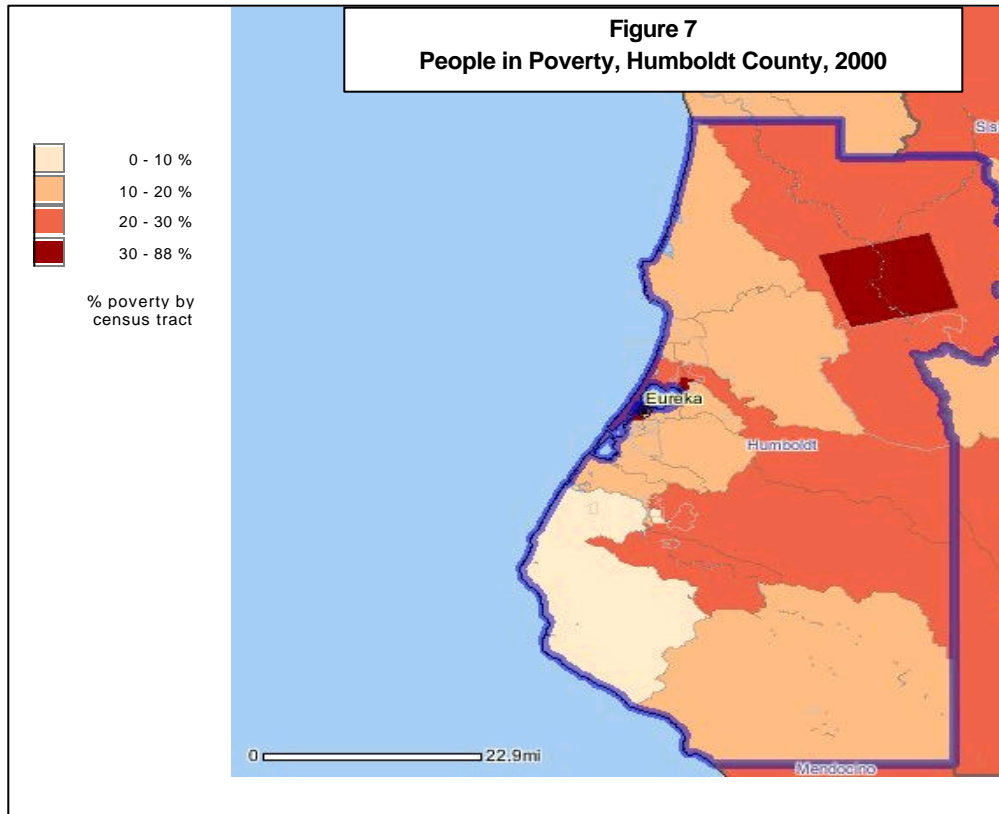
⁴⁶ Humboldt State University. *Index of Economic Activity for Humboldt County, January, 2004*.

⁴⁷ Ibid. In November 2002, 35 percent of households in the county could afford a home at median income. By January, 2004, only 28 percent of households in the county could afford a home at median income.

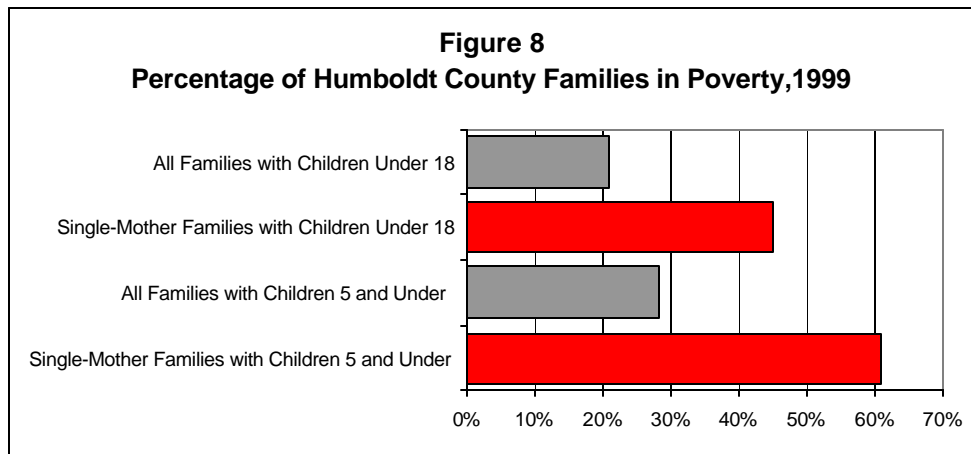
⁴⁸ U.S. Census Bureau, Table DP-3. Profile of Selected Economic Characteristic: 2000.

⁴⁹ Ibid.

⁵⁰ Map produced by Neighborhood Knowledge California (NKCA - <http://nkca.ucla.edu>) © 2002 Regents of the University of California & the UCLA School of Public Policy and Social Research.



The percentage of families living under the federal poverty line increases for families with younger children. While 21 percent of families in Humboldt County with children 18 and under are in poverty, over 28 percent of families with children under five live below the poverty line.⁵¹ Furthermore, the percentage of families living in poverty increases significantly for single-mother families, those most dependent on child care services for labor force participation. Roughly 61 percent of single-mother families with children five and under live in poverty (see Figure 8).⁵² Families living in poverty depend on child care subsidies in order to participate in the labor force or attend school.



⁵¹ U.S. Census Bureau, Table DP-3. Profile of Selected Economic Characteristic: 2000.

⁵² Ibid.



SECTION SUMMARY

Humboldt's shifting economic and demographic landscape creates a challenge for its child care industry. Changing and evolving economic and social conditions – population shifts, growing diversity, increased labor force participation by parents, and continuing welfare reform – fuel continued need for accessible, affordable, and quality child care programs.

POPULATION

- Moderate population growth inhibits economic development of the region. Continued investment in economic infrastructures including transportation and child care is vital for attracting and retaining young working families as well as maintaining quality of life.

DIVERSITY

- The increasing diversity in Humboldt County requires more inclusive and culturally responsive child care programs including multi-lingual staff and programs and culturally sensitive curricula and care.

GEOGRAPHIC DIVERSITY

- There is a recognized shortage of child care in rural and outlying areas of Humboldt County. Enhanced accessibility and availability of child care programs in these areas is needed to meet the economic needs of parents and educational needs of children.

LABOR MARKET

- After 2010, those who make up the majority of the workforce, the population of people ages 20 to 64 is projected to contract, indicating a need to strengthen economic infrastructures such as child care to sustain increased labor force participation among Humboldt's residents and to increase the productivity of existing workers.
- Increased demand in employment for lower-wage service and retail areas highlights the necessity for affordable quality child care as well as programs offered outside the traditional workday hours.
- Quality early education experiences are critical now to prepare the future workforce for the growth in high-skilled technology and professional service occupations.

CHILD CARE AND THE FAMILY BUDGET

- Many families eligible to receive child care benefits are on waiting lists, jeopardizing their chances for economic self-sufficiency and their contribution to the economy through work.

Section Three

Economic Profile of the Child Care Industry

To assess the economic characteristics of the child care industry in Humboldt County, this section quantifies:

- The size of the industry, as reflected in output or gross receipts
- The total direct employment of the industry
- The capture of federal and state monies designated for child care
- The size and characteristics of the child care market

The section also addresses factors in increasing the industry's capacity to meet the needs of Humboldt County's children, families, and economy. It should be emphasized that the economic analysis covers the formal child care industry and excludes license-exempt child care that is not included in the formal child care sector as defined in the introduction and illustrated in Appendix A. Thus, the findings in this report are underestimates of the full impact of child care.

In addition, the analyses in this section do not include revenue and employment in indirect support services through the child care infrastructure, including research, oversight, administration, and training activities at government, non-profit, and for-profit establishments. Again, this results in a conservative estimate of the impact the child care industry has on the county's economy.

MEASURING INDUSTRY OUTPUT OR GROSS RECEIPTS

Output, also known as gross receipts, measures 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 the child care industry, gross receipts are equal to the total amount of dollars flowing into the sector in the form of payments for care, including both parent fees and private and public subsidies.

State and national surveys do include "child day care services" as an industry classification, but they underestimate the size of the industry because of its diversity of establishments, which includes self-employed individuals, programs run by religious or social organizations, and not-for-profit and for-profit small businesses and chains.⁵³ This study uses a more accurate method of measuring the size of the child care industry, primarily relying upon data from the Humboldt Child Care Council (the county's Child Care Resource and Referral Agency) and Northcoast Children's Services.⁵⁴ The information from these two entities provides a comprehensive picture of the child care industry in the county.

For licensed child care centers, licensed family child care homes, and license-exempt before- and after-school programs, gross receipts were calculated by multiplying average yearly consumer price by usage. Because children's enrollment can be part- or full-time, usage was defined as full-

⁵³ The North American Industry Classification System (NAICS) is the most used classification system, separating industries into 20 major sectors, and 1,196 industry subsectors. "Child Day Care Services" is NAICS code 624410.

⁵⁴ The Humboldt Child Care Council collects comprehensive local data on the availability and use of licensed establishments and most formal, license-exempt programs. Northcoast Children's Services has comprehensive information about programs funded by the California Department of Education that it oversees and all Head Start and Early Head Start programs in the county.



time slot fulfillment rather than the number of children served. In addition, to ensure that gross receipts were accurately captured, child care costs and slot fulfillment information were broken down by type of establishment (licensed child care centers, licensed family child care homes, and license-exempt before- and after-school programs). For center-based programs, price and slot fulfillment were further broken down by age of child (infant, pre-school age and school age). Annual government expenditure information was used for child development programs funded by the California Department of Education and Head Start/Early Head Start programs. For a detailed methodology please see Appendix C.

Based on the methodology briefly described above, the estimated value of annual gross receipts for the formal child care industry in Humboldt County is \$22.5 million:

- \$5.7 million for licensed family child care homes
- \$3.2 million for private, licensed for profit, nonprofit and sectarian child care centers
- \$4.4 million for all child development programs funded by the California Department of Education
- \$5.0 million for Head Start and Early Head Start programs
- \$3.4 million license exempt before- and after-school programs
- \$895,000 for the Child Care Food Program

The child care industry generates \$22.5 million in gross receipts in Humboldt County.

The majority of gross receipts are paid by parents, but a significant portion are paid by government assistance programs that make child care programs affordable for low-income families.⁵⁵ This gross receipts value includes any subsidies from employers to parents, since they would make up a portion of the consumer price paid towards child care programs the parents purchase for their children. This analysis does not include any employer monies invested in a program outside of consumer price. For example, if a company made a grant to an on-site or near-by establishment which enabled the establishment to offer services at a lower cost to parents, only the cost to parents would be captured. This discrepancy results in an underestimate of the total dollars going into the industry.

GROSS RECEIPTS COMPARED WITH OTHER INDUSTRIES

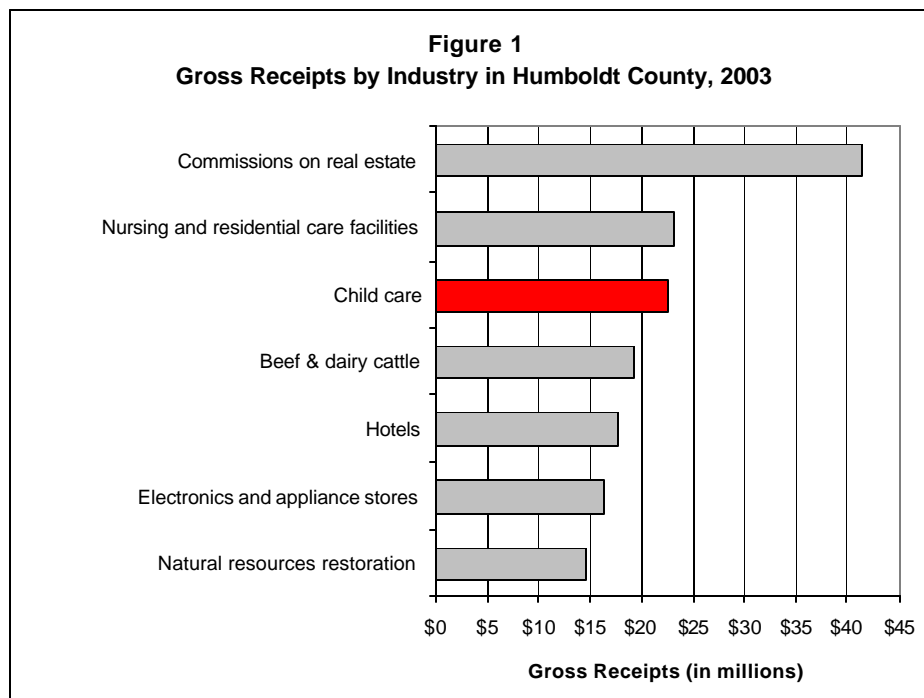
Comparing the child care industry's gross receipts with other industries in the state puts the gross receipts calculation into context. Humboldt County industries range widely in size, from \$1.6 million for "specialized design services" to more than \$799 million for wood product manufacturing.⁵⁶ Comparing the child care industry with Humboldt County's other industry sectors indicates that child care generates more gross receipts than hotels (\$17.7 million) and natural resources restoration (\$14.8 million; see Figure 1 and see Appendix E for more comparisons), and is similar in size to other industries in the county, such as nursing care and residential services (\$23.1 million) and the real estate industry (\$41.2 million; see Figure 1).⁵⁷

The gross receipts of child care are similar to beef and dairy cattle and nursing care and residential facilities in Humboldt County.

⁵⁵ Later in this section government spending for child care is profiled. Approximately 62 percent of gross receipts consist of parent fees, the remaining dollars are either subsidies or the annual budgets of state and/or federally funded child development programs.

⁵⁶ Based on the U. S. Census Bureau's 1997 Economic Census, and adjusted to 2003 values using the CPI.

⁵⁷ With the exception of beef and dairy cattle and natural resource restoration, all gross receipts estimates are based on the U.S. Census Bureau's 1997 Economic Census, and adjusted to 2003 values using CPI. Beef and dairy cattle gross receipts are derived from the *Humboldt County 2002 Sustainable Agriculture*, and updated to 2003 dollars using the CPI. Gross receipts for natural resources restoration is derived from Forest Community Research's 2002 *Socioeconomic Characteristics of the Natural Resources Restoration System in Humboldt County, California*, and updated to 2003 dollars using the CPI.



DIRECT EMPLOYMENT

Direct employment for child care in 2003 in Humboldt County is estimated to be 562 full-time equivalent jobs (FTEs) including:

- 214 FTEs in licensed family child care homes
- 131 FTEs in programs funded by the California Department of Education
- 66 FTEs in private, licensed for profit, nonprofit and sectarian child care centers
- 37 FTEs in license exempt before- and after-school programs
- 114 FTEs in Head Start/Early Head Start programs

This figure is derived from the number of children in different types of programs, assuming compliance with minimum staffing requirements imposed by licensing laws for different age groups, and minimal support staffing in centers (for specific staff-to-child ratios please refer to Table 2 in Appendix C). Direct employment estimates for some government funded child development centers and before and after-school programs were derived by estimates from administrators from the various programs (please see Appendix C for a detailed methodology).

The child care industry directly supports 562 full-time equivalent jobs.

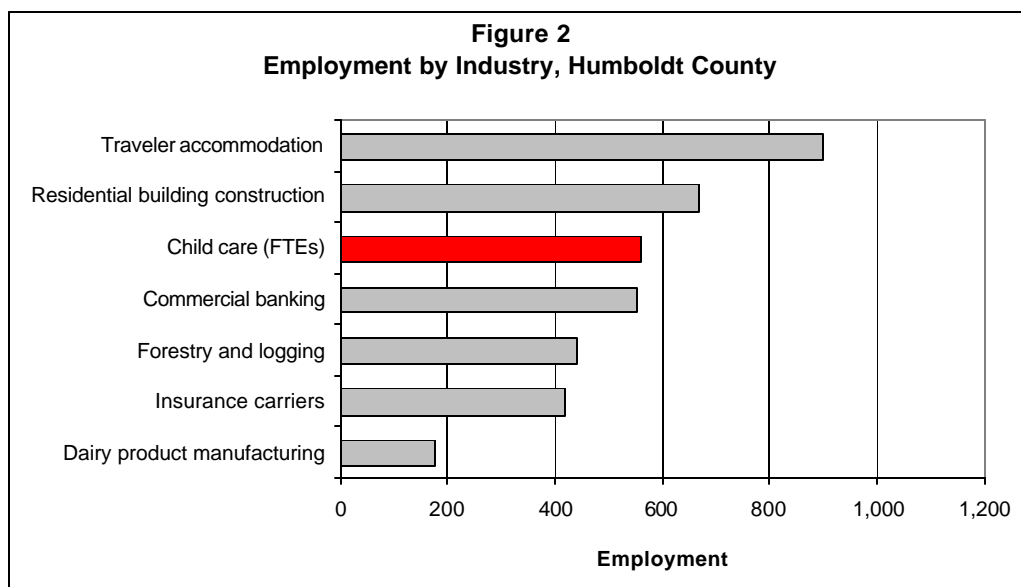
The total number of people working in the child care industry is likely higher because so many child care professionals work part-time. Therefore, the estimate derived from statewide data also understates the total child care economic activity because it only counts licensed establishments (excluding license-exempt individual care-giving by nannies, babysitters, relatives, or neighbors). In addition, the estimate is calculated based on the minimum staff-child ratio required by state law. Some child care operators choose to maintain higher ratios in order to improve program quality, to achieve specific quality goals that increase their business' competitiveness, or to qualify them for accreditation from the National Association for the Education of Young Children.



DIRECT EMPLOYMENT COMPARED WITH OTHER INDUSTRIES

To put employment findings in context, the number of FTEs in child care is compared to employment in other industries. The number of FTEs in child care is similar to the number of employees in traveler accommodation (899) and residential building construction in the county (668; see Figure 2 and see Appendix E for more comparisons).⁵⁸

There are more FTEs in child care in the county than there are workers in commercial banking (553; see Figure 2). There are almost three times as many professionals working in child care as there are people working in dairy product manufacturing (179, see Figure 2). The child care industry is also similar in size to some private and public employers in Humboldt County, including College of the Redwoods (1,042 employees), Humboldt State University (1,254 employees), Humboldt County government (3,350 employees), and the Pacific Lumber Company (800 employees).⁵⁹



MEASURING INDIRECT AND INDUCED EFFECTS

Child care is linked to the rest of the local economy through a number of avenues. Child care providers purchase supplies from other businesses and child care employees spend their earnings in part, on locally produced goods and services. These linkages can be measured using an input-output model and its associated multipliers, a methodology used by some economic development specialists. Many informed observers have indicated that these effects are not part of a conservative approach and thus these analyses are not included in the main body of this report. An analysis of these linkages for employment in other industries is included in Appendix D.

⁵⁸ Data is from the 2002 Humboldt County Covered Employment and Wages (ES-202) survey.

⁵⁹ With the exception of employment estimates for the College of the Redwoods, Humboldt State University, and Pacific Lumber Company, all employment data is from the 2002 Humboldt County Covered Employment and Wages (ES-202) survey. Employment information for Humboldt County includes jobs across all industries and is not limited to public administration. Employment data for Humboldt State University and the College of Redwoods came from The Prosperity Network. *Prosperity Journal: Education and Research Industry Cluster*, as posted Oct. 20, 2003. Employment data for the Pacific Lumber Company came from Pacific Lumber Company's website: http://www.palco.com/company_about.cfm, 2004.

In addition, the child care industry pays taxes to state and federal governments. Because of the diversity of establishments, the direct tax contribution is not possible to calculate. Indirect business taxes, including excise, sales, and property taxes total over \$187,000.⁶⁰

CAPTURE OF FEDERAL AND STATE SUBSIDIES

The state and federal governments provide support for child care by funding child care assistance for low-income families and by directly funding child development programs. The availability of federal and state child care investments plays an important role in supporting local economic development and the sustained employment of low-income families. Furthermore, these funds promote the development of Humboldt County's low-income children for economic success in the future. There are a number of programs that provide direct services in local communities. They are described here with the most recent funding information available.

Subsidies are provided in three 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, an "Alternative Payment" (AP) program which enables families to choose their own licensed or license-exempt child care provider, and direct payments to providers to improve child care quality.

The Humboldt Child Care Council (HCCC) provides subsidized child care assistance available to low-income families. The HCCC supports a portion of the cost of child care services to assist parents who are maintaining employment or attending education/training classes that lead to employment. Families may choose their own licensed or license-exempt provider.

Subsidized child care assistance, 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 created its own version of welfare to comply with the new federal system, called CalWORKs (California Work Opportunity and Responsibility to Kids). 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

CalWORKs Child Care at a Glance

Stage One: CalWORKs families become eligible when the parent starts work or work-related activities and there is no other adult family member to provide care. The child's age, the cost of care, and the provider chosen sometimes limits eligibility. Centers, licensed family day care, or license-exempt providers provide care based on the parent's choice. Families who cannot transfer to Stage Two continue to receive subsidies through Stage One under Stage Two rules and limits.

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

⁶⁰ Based on direct multipliers in the IMPLAN input-output model. See Appendix D for more details about the model.



local agencies under contract with the California Department of Education (CDE). In SFY 2003, low - income families in Humboldt County received \$3.5 million in CalWORKs and AP payments for child care.⁶¹

The comprehensive child development programs of Head Start and Early Head Start make up another significant portion of public funding for child care. Head Start and Early Head Start programs serve children from birth to age 5, pregnant women and their families in child-focused programs designed to increase school readiness of young children in low-income families.⁶² In 2003, Humboldt County spent more than \$5.0 million in federal and state funds for Head Start and Early Head Start programs.⁶³

The California Department of Education supports a number of child development programs throughout the county. For example, the California Department of Education funds state pre-schools, general child development centers, latchkey centers, and federal block grant centers. In SFY 2003, the California Department of Education spent a total of \$4.3 million on child development programs in Humboldt County.⁶⁴

The United States Department of Agriculture contracts with multiple local sponsors to operate a child care food program, which contributes dollars to the local economy in the amount of \$895,000 for Humboldt County in FY 2001-2002. These funds enable providers to supply nutritious meals for children from low-income families.⁶⁵

In SFY 2003, Humboldt County drew down approximately \$13.7 million in federal and state child care investments.

Some federal funds for child care include a requirement that four percent be used to improve the quality of child care. These federal dollars are matched by state funds. This money goes to support the education and training of child care professionals, capacity building, resource and referral, and a number of other activities designed to build and sustain the capacity of high-quality child care.

In SFY 2003, Humboldt County drew down roughly \$13.7

Vouchers and Direct Services	
CalWORKs (CDSSL) & Alternative Payments (CDE) ⁶⁶	\$3.5 million
Child Development Programs Funded by the California Department of Education ⁶⁷	\$4.3 million
Head Start and Early Head Start ⁶⁸	\$5.0 million
USDA Child Care Food Program ⁶⁹	\$0.9 million
Total:	\$13.7 million

⁶¹ Humboldt Child Care Council. *SFY 2002-2003 Funding for CalWORKs and AP Payments*.

⁶² 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>.

⁶³ Northcoast Children's Services. Funding is based on SFY 2003.

⁶⁴ California Department of Education. *County Profile for California Child Care Food Program, Humboldt County, FY 2001-2002*.

⁶⁵ California Department of Education. *FY 2000-2001 County Profile for California Child Care Food Program, Humboldt County*.

⁶⁶ Humboldt Child Care Council. *SFY 2002-2003 Funding for CalWORKs and AP Payments*. Roughly two-thirds of funding for child care assistance in CalWORKs and AP programs is spent on licensed child care. Roughly one-third is spent on license-exempt care. Funds for the General Child Care Network are not included in this figure.

⁶⁷ This subsidy estimate is based on comprehensive SFY 2003 fiscal information on programs that are funded by the California Department of Education, which is collected by the Humboldt Child Care Council and Northcoast Children's Services. This figure includes California Department of Education funds for the Humboldt's General Child Care Network.

⁶⁸ North Coast Children's Services. *Head Start and Early Head Start Budget Plan, SFY 2003*.

⁶⁹ California Department of Education. *FY 2000-2001 County Profile for California Child Care Food Program, Humboldt County*.

million in child care-related funds (see Table 1 for breakdown).⁷⁰ Some of the funds for direct services were distributed through licensed child care facilities; however, 31 percent of parent vouchers were redeemed by license-exempt providers, thus these funding levels should not be compared to the gross receipts analysis described earlier in this section.⁷¹

Child care subsidies benefit Humboldt County in several ways. First, since 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 in new dollars to the local economy, which then circulate through various service sectors and stimulate other economic activity. Third, high quality child care programs generate high future public savings in criminal justice, remedial education, and other areas. Please see Section 4 for a more detailed analysis of the public savings stemming from quality child care.

Because lower-wage occupations lead much of Humboldt County's projected job growth, the availability of federal and state child care subsidies will continue to play an increasingly important role in supporting local economic development. Targeted local investments in child care 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.

THE CHILD CARE MARKET

There are approximately 274 formal child care facilities in Humboldt County, including:

- 159 licensed family child care homes
- 26 in private, licensed for profit, nonprofit and sectarian child care centers
- 21 Head Start and Early Head Start programs
- 30 child development programs funded by the California Department of Education
- 38 license-exempt before- and after-school programs⁷²

The child care industry can serve 5,000 children at any one time, 38 percent of children from birth through age twelve with all parents in the workforce.

Currently, the child care industry, including licensed child care centers, licensed family child care homes, Head Start and Early Head Start programs, license-exempt before- and after-school programs, and programs funded by the California Department of Education has the capacity to serve just 5,000 children at any one time.⁷³ In 2003, there were over 13,000 children ages 0 through 12 with all parents in the labor force. The formal child care industry has the capacity to serve 38 percent of those children at any one time. While not all families utilize formal child care arrangements- some may arrange work schedules so that one parent is home with children and others may place children with family, friends or neighbors- this information does highlight that there is a significant percentage of children with all parents working who are not in formal child care.

DEMAND FOR QUALITY CHILD CARE

Parental demand for child care services relies on key factors: need, quality, affordability, accessibility, and preference. These factors are interrelated, thus making it difficult to quantify market demand from an economic standpoint. In *Child Care Quality*, Deborah Vendell and Barbara Wolfe

⁷⁰ With the exception of the Child Care Food Program, all subsidy information is based on SFY 2003.

⁷¹ Humboldt Child Care Council. *SFY 2002-2003 Funding for CalWORKs and AP Payments*.

⁷² 2003 data for formal child care programs comes from the Humboldt Child Care Council and Northcoast Children's Services.

⁷³ Ibid.



note that there are two causes for market failure for quality child care: 1) parents lack accurate information about quality child care, and 2) “the benefits of child care accrue not just to the parents and to the child but to society in general.”⁷⁴ Given the high labor force participation rates of parents in Humboldt County, the need for some form of child care to enable parents to work is strong, and parental demand for quality is growing as parents understand the importance of quality early education opportunities for young children and how to identify quality programs.

Affordability is a critical barrier for many families who need or prefer quality child care. For example, in a selective survey of Humboldt County employees, many responded that they didn't feel confident about their child care arrangement being in place in six months. The cost of care was a critical factor in their lack of confidence.⁷⁵ Demographic and economic trends indicate that more families will be challenged by child care affordability as the low-wage workforce expands.

The supply of accessible child care is also a substantial problem for parents in Humboldt County. Accessibility refers to parents' ability to use programs. In a selective survey of employees in Humboldt County, 58 percent reported that they experienced problems in arranging for child care, some of which include:

- Shortage of available child care
- The unavailability of friends or relatives
- Lack of flexible hours or drop-in care
- Lack of substitute care when provider is sick
- Lack of care during the summer
- Lack of before- and after-school care and weekend care
- Lack of infant care
- Lack of transportation⁷⁶

Location, hours of operation, available transportation and transitions between part-day programs all affect accessibility. Rural and urban areas differ in the best service delivery system, since transportation, commute patterns, and parental preferences differ. While population projections and high vacancy rates in family child care homes indicate that the overall supply of child care may be adequate in Humboldt County, evidence suggests that there is already a shortage of subsidized and affordable child care, care for infants and toddlers, rural child care, quality child care, child care for mildly ill children, and care that occurs outside the traditional workday.⁷⁷ Efforts to expand existing child care programs to meet the growing needs of working parents and to improve the quality will not be successful unless affordability and accessibility for parents are addressed.

MAXIMIZING BENEFITS OF INDUSTRY GROWTH

The child care industry is expected to be one of the top six fastest growing occupations in the county from 2001 to 2008.⁷⁸ The industry faces challenges, however, to meeting increased demand for programs that are quality, affordable, and accessible and that ensure maximum benefits for parents, business, and government alike. These challenges include:

⁷⁴ J. Lombardi. *Time to Care: Redesigning Childcare to Promote Education, Support Families, and Build Communities*. Temple University Press, Philadelphia, 2003.

⁷⁵ T. Wilson and E. Wolthausen. *Assessing Humboldt County's Child Care Needs and Costs: A Summary of Survey Findings, 2004*. Due to the nature of the sample and low response rate the findings in this report cannot be generalized to the total population of Humboldt County. Respondents were mainly from Eureka, Arcata, McKinleyville, and Fortuna.

⁷⁶ Ibid.

⁷⁷ According to the latest survey from the Humboldt Child Care Council in 2004, on average, family child care homes are operating at 59 percent of total capacity.

⁷⁸ Humboldt County Department of Job and Family Services. *Humboldt County Job Outlook to 2010: Industries with High Employment Prospects, 2000-2010*.

- A shortage of integration with economic development activities
- Barriers to increased quality and accessibility
- Insufficient investment by other industries and government

Although it is a part of the economic infrastructure that enables people to work, child care is often not included in traditional economic development activities designed to stimulate the county's economy. Child care providers are one of the largest groups of self-employed individuals in Humboldt County. They also represent a significant portion of small businesses in the county. Resources available to small businesses and entrepreneurs in Humboldt County, such as business skills training and technical assistance in getting loans, however, are often not targeted to child care providers.

To improve quality, increasing the professionalization of the child care workforce is critical. Low wages, poor benefits, and inadequate higher education opportunities lead to high turnover and an unstable and less educated workforce. In a 2001 survey of the child care center workforce in Humboldt County:

- The median hourly wage of a child care center teacher (Title 22 qualified) was only \$7.75
- Only four percent of all professionals working in child care centers in Humboldt County earned over \$15.00 per hour
- Only 35 percent reported that they received health benefits
- Less than 25 percent reported that they received retirement benefits
- Almost 60 percent earned a poverty level wage for a single parent with two dependents
- Over 26 percent reported being at their current agency for less than a year⁷⁹

There are a number of efforts to improve educational attainment, wages, benefits, and the retention rate of the child care workforce. For example, the Humboldt County Retention Incentive Program is a professional development program designed to recognize and support the work of early childhood educators. Its goals are to encourage the retention of qualified staff and to increase the county child care workforce's training and education levels. Funding for the program comes from First 5 California, state legislation known as AB 212 – administered by the Local Child Care Planning Council – and First 5 Humboldt (the Humboldt County Children and Families Commission). A total of almost \$500,000, of which \$60,000 was raised locally, has been awarded to 266 providers in 2002 and 2003. The funding commitment for the Retention Incentives Program continues through 2005.

In addition, Humboldt's California Early Childhood Mentor Program uses quality improvement federal block grant funds to support the professional development of new and existing child care providers in Humboldt County. The program provides advanced training for experienced child care workers who wish to become mentors to students taking early childhood education courses at the College of the Redwoods. Mentors are paid stipends for continued training, and for the supervision of students who are assigned to the Mentors' classrooms.⁸⁰ The program improves the quality of child care in Humboldt County in two main ways: 1) it improves the accessibility of much needed lab experience for students and 2) it encourages skilled providers to stay in the field. In SFY 2003, there were 15 mentors who mentored 10 students from the College of the Redwoods, and the state paid stipends totaling \$14,130.⁸¹

Lastly, SFY 2003, 37 students participated in the College of the Redwoods Child Development Teacher Consortium program, completing 300 college credits. Using federal quality

⁷⁹ Daniel Chandler, Ph.D. *Humboldt County Child Care Centers: Staff Compensation and Turnover, 2001*. This study surveyed those who worked in both public and private child care centers.

⁸⁰ The California Early Childhood Mentor Program. Information was gathered from the following website: <http://www.ecementor.org/What.htm>

⁸¹ The California Early Childhood Mentor Program. *California Early Childhood Mentor Program 2002-2003 Annual Report*.



improvement dollars, the California Department of Education invested \$7,500 to reimburse these students for tuition, textbooks, and other indirect costs.

Humboldt's rural population faces a number of unique barriers to child care including a shortage of suitable child care facilities. Additionally, low population density and transportation barriers often make child care businesses in rural areas financially unfeasible (see page six for a more in-depth analysis of rural child care issues in Humboldt County). Efforts to utilize existing facilities in schools, faith-based organizations, and assisted living facilities for child care is one strategy that could improve the accessibility of Humboldt's child care system in rural areas.

Relying on parents to pay the full cost of quality, accessible child care is not realistic. As household expenditures in other areas increase (see the previous section), and in many cases, wages go down, child care is cost-prohibitive for families in most income brackets. Increased investment by other stakeholders of the child care system is necessary. These stakeholders include industries who rely on a skilled workforce, economic development agencies who work to create sustainable communities in Humboldt County, and workforce agencies who ensure that people remain employed despite low wages. The benefits for other stakeholders will be discussed in more detail in the following section.

SECTION SUMMARY

The diversity of the child care system is a vital feature in its ability to meet the needs of families in Humboldt County but makes it difficult to analyze and measure. However, using data maintained by organizations that administer programs and track the supply, market price, 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 more easily recognizable industries in the county, such as commercial banking, beef and dairy cattle, and traveler accommodation.

The substantial size of the child care industry means that it not only supports the economy by allowing parents to work and preparing children for future academic and economic success, but also contributes to the economy's vitality by employing significant numbers of workers, generating gross receipts, and purchasing goods and services from many other industry sectors. The industry also supports the economy by garnering significant levels of state and federal funds available to support quality improvement and to provide child care to low-income families. These families represent a substantial portion of the existing and potential workforce, and are vital to the continued growth of the economy.

Efforts to improve the accessibility, affordability, and quality of child care programs will ensure that the child care industry can meet the needs of the Humboldt County economy.

Section Four

Child Care, Business and Economic Development

In addition to being a significant job-creating, income-generating industry in its own right, the child care industry is linked to Humboldt County businesses and the economy as a whole in the county in four key ways. Child care:

- Enables parents to be productive members of Humboldt County's labor force
- Drives labor force productivity by decreasing absenteeism, reducing turnover, and enhancing recruitment at existing businesses
- Cultivates Humboldt County's future workforce by improving the cognitive skills and emotional well-being of children and ensuring they enter the traditional K-12 school system ready to continue learning
- Offers a financial return by reducing future public spending in such areas as criminal justice, remedial education, unemployment, and welfare

ENABLING THE CURRENT WORKFORCE

The child care industry:

- Sustains labor force participation rates of parents
- Promotes career development and educational advancement
- Attracts young working families to the county and helps retain them

Sustaining Labor Force Participation

Most parents work. Almost one in five labor force participants in Humboldt County are parents with children under 18 living in households where all parents work. One in ten workers live in a household with children

under six and have all parents in the household working. In total, 8,660 families with children under 18 in which all parents work earn over \$171.3 million annually in Humboldt County.⁸² Working parents with children under 6 earn \$47.4 million every year.⁸³ These estimates provide a snapshot of the vital role that working parents play in the economy.

There are over 8,660 families with children under 18 in which all parents work. These parents earn over \$171.3 million every year.

Clearly, not all families who currently have a parent at home would choose to have that parent in the workforce, if there were increases in accessible, affordable, quality child care capacity. For economic vitality, providing a quality and affordable infrastructure, so that all adults who wish to work can find and sustain employment, is critical to meeting workforce demands for an economically competitive region. It also offers the economy an untapped labor force in those who wish to work but who are unable to do so because they are caring for children.

⁸² Based on Census 2000 income for various family types with and without children.

⁸³ *Ibid.*



Example: “Approximately 50 percent of my employees are either single-working parents or parents in a dual-working parent household. A shortage of child care that is both affordable and of high quality limits our ability to attract and retain a qualified staff.”

-Steve O’Meara, *President of Kokatat, Arcata*⁸⁴

Enabling Career Development and Educational Attainment

Child care also enables parents to pursue additional education or training, preparing them to enter the workforce as skilled professionals, or to retrain in mid-career for current labor force demands. As the county shifts from a resource extraction based economy to industries that require more education and training, ensuring that the current labor force has access to skills training and higher education degrees is paramount.

Child care enables parents to advance in their careers and contribute more to the economy.

Prosperity! The North Coast Strategy, Humboldt County’s Comprehensive Economic Development Strategy, recognizes the vital role that human capital plays in economic development. In fact, one of the *Prosperity’s* main principles highlights the importance of “improving the skills of individuals seeking to enhance their economic situation.”⁸⁵ In addition, the strategy recognizes that addressing families’ needs through affordable child care, housing, and education is necessary in order to create economic prosperity in the county.⁸⁶ Given that much of the emerging, dislocated, and incumbent workforce are parents, child care options are critical to enabling families to earn living wages and take advantage of educational opportunities that improve their skills and earning power in the workplace.

Increasing human capital in Humboldt County by expanding opportunities for education results in economic benefits to:

- Individuals through higher incomes
- Government through larger tax revenues, a decreased reliance on government programs, and lower unemployment
- Businesses through a more skilled workforce and better productivity

Higher educational attainment reduces the likelihood of needing various government supports. In a long-term study of low-income families who needed government assistance to meet basic family needs, mothers with children who participated in an intensive child development program that included parental involvement achieved higher educational and employment status than similar mothers whose children were not randomly assigned to the program.⁸⁷ Another study investigating higher education opportunities for individuals transitioning from welfare to work found that 88 percent of individuals receiving welfare assistance who obtained four-year college degrees discontinued participation in welfare after earning their degree.⁸⁸

Unemployment is also less likely for those who have attained higher education. Research from the Department of Labor demonstrates that while 9 percent of the nation’s labor force with less than a high school diploma were unemployed between October 2002 and October 2003, 5.4 percent of those with a high school diploma, 4.8 percent of those with an associate’s degree or some college,

⁸⁴ Interview. Steve O’Meara, President of Kokatat. National Economic Development and Law Center, 2004.

⁸⁵ *Prosperity! Prosperity!: The North Coast Strategy*. <http://www.northcoastprosperity.com/strategy/strategy.html>

⁸⁶ The Prosperity Network. *The Prosperity Network Strategy*. <http://www.northcoastprosperity.com/strategy/strategy.html>

⁸⁷ Discussion of results of *The Abecedarian Study*, as cited on www.fpg.unc.edu/~abc/.

⁸⁸ T. Karier, *Welfare Graduates: College and Financial Independence*, Levy Economics Institute of Bard College, as cited in *Grassroots to Graduation: Low-income Women Accessing Higher Education*. Boston: Wellesley College Center for Research on Women and Women’s Institute for Housing and Economic Development, 2003.

and 3.1 percent of those with a Bachelor's degree or higher were also unemployed.⁸⁹ Ensuring access to higher education for parents will help them to meet the skilled labor force demands in Humboldt County in the coming years and to remain employed.

Many colleges and universities are committed to ensuring that parents have access to higher education by providing on-campus child care facilities to accommodate parents pursuing both undergraduate and graduate degrees, although funding for these programs to make them affordable to students is often in jeopardy. In 2003, the College of the Redwoods invested \$5.1 million in a new on-campus child development center in order to reduce barriers to education and training that student-parents were experiencing. The center currently serves approximately 48 families.⁹⁰ However, there are over 80 families on the waitlist for child care at the center, and due to a shortage of funding, the child development center was forced to close one preschool classroom.⁹¹ While some families on the waitlist may be able to find subsidized child care off campus, more frequently they are unable to find child care and thus are unable to attend school. As Judy Whiteoak of the College of the Redwoods Child Development Center says, "If students don't have access to child care, they withdraw from school."⁹²

"If student-parents do not have access to child care, they withdraw from school."
Judy Whiteoak, College of the Redwoods Child Development Center

RECRUITING AND RETAINING BUSINESSES AND SKILLED YOUNG WORKERS

Recruiting and retaining young professional families is critical to maintaining a healthy workforce in the county. A strong economic infrastructure, which includes a quality child care system, creates sustainable communities that attract businesses and young workers to the county.

One of the ways Humboldt County attracts and retains young working families, as well as entrepreneurs and businesses, is to maintain a regional quality of life. As the *Prosperity!* Strategy states, "Businesses locate here (Humboldt County) because it is a good place to live. It is imperative that economic development efforts work in concert with efforts to preserve the rural landscape, enhance social capital, and provide the amenities necessary to keep Humboldt County a great place to live."⁹³ One essential component that *Prosperity!* identifies for improving social capital is to "continue to improve education and expand the interaction between business and education."⁹⁴ Incorporating quality, affordable child care as a component of the county's education system will ensure that the system supplies skilled workers. A qualified workforce will enhance the competitive advantage of local businesses and industries so that they continue doing business in Humboldt County.

Improving child care opportunities for children makes Humboldt County a more attractive place to live and work.

⁸⁹ U.S. Department of Labor. *The Employment Situation: October 2003*. Washington, D.C. : U.S. Department of Labor Bureau of Labor Statistics, 2003.

⁹⁰ Judy Whiteoak. Interview, the National Economic Development and Law Center, 2004.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Prosperity!. *Prosperity!: The North Coast Strategy*. <http://www.northcoastprosperity.com/strategy/strategy.html>

⁹⁴ Ibid.



A CATALYST OF INCREASED LABOR FORCE PRODUCTIVITY

Like other components of a strong economic infrastructure, the child care industry supports businesses by increasing employee productivity. The availability of affordable, accessible, quality child care has positive effects on businesses' bottom lines. As Jacqueline Debets, Humboldt County's Economic Development Coordinator, says, "The employers I have spoken to, especially in manufacturing, complain that a lack of child care costs them money, increases absenteeism, and makes it very difficult to recruit skilled parents as valued employees. More child care options and greater affordability will make a substantial difference in our region's economic stability."⁹⁵ Stephanie McCaleb, Human Resources Manager with Coast Central Credit Union recognizes this link: "Affordable, accessible, reliable child care is a key component to a successful business. Most of our employees are parents with children. Knowing that their children are well cared for during the workday is crucial to productivity, morale and dependability. Without child care, they couldn't work, and without workers, we couldn't stay in business."⁹⁶

"Most of our employees are parents with children. Knowing that their children are well cared for during the workday is crucial to productivity, morale, and dependability. Without child care they (our employees) couldn't work and without workers, we couldn't stay in business."

Stephanie McCaleb, Vice President of Human Resources, Coast Central Credit Union

Nationally and locally, businesses are starting to realize that they can increase their profitability by working to ensure that good child care options exist for their employees. For individual businesses, child care helps them:

- Increase employee retention
- Reduce absenteeism
- Enhance recruitment of the most skilled workers

"The child care industry contributes to both sides of the employee/employer relationship. It enables parents to work and increase household income and it improves workplace productivity by reducing absenteeism and turnover. The community benefits yet again when the earnings are spent in the local economy."

--Dennis Mullins, North Coast Labor Market Consultant, CA Employment Development Department⁹⁷

Increasing Employee Retention

Particularly for companies that rely on highly skilled workers, retaining existing staff is a priority. Employees with young children may consider discontinuing work or moving to a more family-friendly company. Those who feel supported in their new family roles and who feel that their workplaces offer a balance between work and home obligations are less likely to leave their jobs.⁹⁸ When employees do leave because of child care problems or transfer to a company with better child care options, companies lose human capital and incur high turnover costs. A meta-analysis of 15 different turnover cost studies found that average turnover costs for a full-time employee who makes \$8 per hour are over \$9,000 annually, 56 percent of the annual wages for that employee.⁹⁹ For

⁹⁵ Jacqueline Debets. Interview, the National Economic Development and Law Center, 2004.

⁹⁶ Stephanie McCaleb. Interview, the National Economic Development and Law Center, 2004.

⁹⁷ Interview. Dennis Mullins, North Coast Labor Market Consultant, California Employment Development Department. National Economic Development and Law Center, 2004.

⁹⁸ Blue Cross Blue Shield of Massachusetts. "Blue Cross Blue Shield of Massachusetts Named One of the 100 Best Companies for Working Mothers Nationwide." September 23, 2003, www.bcbsma.com.

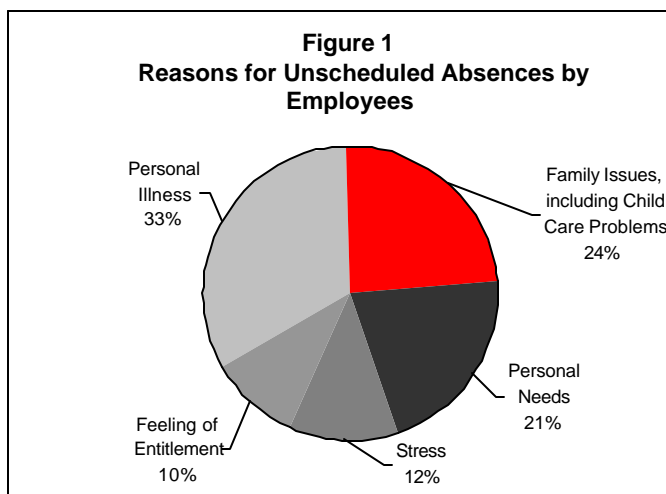
⁹⁹ Sasha Corporation. Turnover costs in 15 different studies. www.sashacorp.com. November 2003.

salaried employees, costs are at least 150 percent of the base salary, and increase for higher-paid and more valued staff.¹⁰⁰

There is considerable evidence that child care benefits increase employee retention. A national study of companies that offer child care centers to their employees found that turnover was nearly one-half in those who used the center compared to other workers.¹⁰¹ The survey also found that more than half of the center users had been with their company for more than five years and nearly half had been with their company for more than ten years. In a national survey, 19 percent of employees at companies with child care programs indicated that they have turned down another job rather than lose work-site child care.¹⁰²

Reducing Absenteeism

Nationally, unscheduled absenteeism in 2002 cost an average of \$60,000 per year for small companies and more than \$3.6 million for large companies, according to a national survey of human resource executives.¹⁰³ One-quarter of unscheduled absences were due to family issues, including children's illness and unscheduled breakdown of child care arrangements (see Figure 1). In a survey of participating employees in Humboldt County, 57 percent reported that they stay at home when one of their children is sick.¹⁰⁴



57 percent of Humboldt County working parents report that they stay at home when one of their children is sick.

Nationally, approximately 16 percent of major employers offer sick or emergency back-up child care to reduce absenteeism of their employees.¹⁰⁵ These programs have a significant return on investment. J.P. Morgan Chase found that operating a back-up child care center, as well as providing employees with resource and referral consulting to help them find stable quality care, had an annual savings of \$800,000, a 112 percent return on the company's investment in child care benefits.¹⁰⁶ Similarly, PNC Financial

Services Group found a 91.7 percent return on investment from a newly implemented back-up child care program, recovering 3,060 parent-days at work and receiving positive feedback from parent-employees, their coworkers, and their managers, who report less distraction and more loyalty.¹⁰⁷ Businesses with fewer employees may find even greater benefits from reducing absenteeism by supporting back-up child care, particularly when programs are low or no cost.

¹⁰⁰ W. Bliss. *The Business Cost and Impact of Employee Turnover*. New Jersey: Bliss & Associates, Inc., 1999, www.blissassociates.com.

¹⁰¹ Bright Horizons Family Solutions. *The Real Savings from Employer-sponsored Child Care: Investment Impact Study Results*. Boston, MA: Bright Horizons, 2003.

¹⁰² Simmons College, *Benefits of Work-Site Child Care*, 1997, as cited by Bright Horizons Family Solutions.

¹⁰³ Harris Interactive. *The 2002 CCH® Unscheduled Absence Survey*. Riverwoods, IL: CCH®, 2003.

¹⁰⁴ T. Wilson and E. Wolthausen. *Assessing Humboldt County's Child Care Needs and Costs: A Summary of Survey Findings, 2004*. Due to the nature of the sample and low response rate the findings in this report cannot be generalized to the total population of Humboldt County. Respondents were mainly from Eureka, Arcata, McKinleyville, and Fortuna.

¹⁰⁵ Hewitt Associates. "Hewitt Study Shows Work/Life Benefits Continue to Grow Despite Slowing Economy" April 23, 2001. www.was.hewitt.com

¹⁰⁶ Bright Horizons Family Solutions. *Return on Investment*. Presentation, 2003.

¹⁰⁷ K. D'Appolonia. *The Business Case for Back-Up Child Care*. PNC Financial Services Group. Presented at the 2003 WorkFamily Congress in New York, NY, October, 2003.



Enhancing Recruitment

The accessibility of quality, affordable child care, on-site or in the community, is a strong recruitment tool for businesses. Family-friendly policies indicate a company's commitment to the well-being of potential new employees and their personal lives, which make the company more attractive in a competitive workforce market. Particularly for highly specialized workers, company values are critical to attracting the best of the labor pool, with or without young children.

In an internal survey of working parents in 2001, Carlson Companies in Minnesota found that 78 percent of parents who were hired since an on-site child care center opened and who use the center reported that the benefit played a significant role in their decision to seek employment at Carlson.¹⁰⁸

WHAT BUSINESS CAN DO TO SUPPORT THE CHILD CARE NEEDS OF THEIR EMPLOYEES

There are a range of options that businesses have to support the child care needs of their employees (see below). However, few businesses capitalize on the advantages that child care benefits offer through increased economic productivity and reduced absenteeism and turnover. For example in a selective survey of employees in Humboldt County, 90 percent reported that their employer did not offer child care benefits. Additionally, onsite child care and vouchers for child care payment were listed as the two most popular child care resources that would help employees be more productive at work—41 and 37 percent of respondents.¹⁰⁹ In a survey of employees, a top human resources and consulting firm found that caring for dependents was one of the top six employee considerations concerning benefits. However, child care benefits were not considered by employers as being essential.¹¹⁰ Businesses can avoid this disconnect by offering benefits that focus on their employees' needs and thus reduce costs stemming from absenteeism, low productivity, and turnover. Strong benefits packages increase loyalty and reduce the likelihood that employees will leave the company.

Family Friendly Options for Employers

- Create flexible personnel policies
- Offer flextime, flexi-place, compressed workweek, and job sharing
- Structure sick/personal leave to meet dependent care needs
- Provide employees access to dependent care resources
- Partner with dependent care resource and referral agencies
- Offer family & parenting seminars/brown bag lunches, parent newsletters
- Offer dependent care financial assistance
- Create a cafeteria-style benefit plan or a dependent care pre-tax account
- Offer a child care voucher program or develop corporate discounts
- Develop on-site child care or a network of providers
- Develop a network of child care providers for your employees
- Contract for on or near-site child care
- Support local child care providers (funds, training, etc.)

¹⁰⁸ Carlson Companies, Inc. Internal survey, 2001. Minneapolis, MN.

¹⁰⁹ T. Wilson and E. Wolthausen. *Assessing Humboldt County's Child Care Needs and Costs: A Summary of Survey Findings, 2004*. Due to the nature of the sample and low response rate the findings in this report cannot be generalized to the total population of Humboldt County. Respondents were mainly from Eureka, Arcata, McKinleyville, or Fortuna.

Several local employers already recognize the importance investing in child care benefits for their employees. For example, Mad River Hospital invests in child care slots for their employees in a near-site family child care home. Other employers offer cost effective child care assistance to their employees through flexible spending accounts (FSA's), which significantly reduce child care costs without negatively impacting a business' bottom line. Kokatat, in Arcata, assists their employees with dependent care needs by allowing them to use sick days when their own children are sick. WaterMark PaddleSports also contributed funds to the Retention Incentives Program to assist child care providers who needed assistance in purchasing materials for their education. The Pacific Lumber Company operates a child care center in Scotia and subsidizes it for their employees.

Examples: Mad River Hospital supports child care for their employees by investing in a near-site family child care home. Other employers like Coast Central Credit Union, Humboldt State University and College of the Redwoods offer cost effective child care assistance to their employees through flexible spending accounts (FSAs), which allow their employees to significantly increase their disposable income without increasing the companies' salary expenses.

Humboldt State University established a Family Friendly Task Force in order to fulfill its commitment to "creating a workplace environment that supports its students and faculty in balancing their professional, educational, and family lives."¹¹¹ The *Family Friendly Task Force* developed several recommendations relating to child care for Humboldt State University some of which include:

- Establish drop-in child care for faculty, staff and students who need "emergency" short-term child care
- Establish a dependent care co-op for those who need flexible and affordable dependent care
- Provide onsite child care/pre-school for faculty and staff as well as expand student-child care facilities
- Collaborate with local communities regarding after-school/day programs for children, teenagers, and elders¹¹²

HUMBOLDT COUNTY'S FUTURE LABOR FORCE

There is a demonstrable link between high-quality child care programs and the preparation of qualified, skilled individuals entering the labor force. While not every child care program can guarantee lifelong success for its participants, quality early childhood education and care can increase children's ability to enter traditional K-12 schooling ready to continue learning so that they are prepared for future opportunities.¹¹³ Decades of research have been dedicated to understanding the effects of child care on young children. A number of large surveys and long-term studies have consistently found that quality child care programs are beneficial to young children.

¹¹⁰ Merk. *Using Benefits to Attract and Retain Employees*, 1999. As cited on www.probenefits.com.

¹¹¹ Humboldt State University. *Family Friendly Task Force Findings*, 2004.

¹¹² *Ibid.*

¹¹³ J. Brooks-Gunn. "Do You Believe in Magic? What We Can Expect from Early Childhood Intervention Programs." *Social Policy Report*, 17, 1. Society for Research in Child Development, 2003.



For example, a national survey found that young children who attended higher quality and more stable child care centers had the following characteristics through elementary school, compared to peers in care settings rated as having poorer quality:¹¹⁴

- Improved math and language ability
- Enhanced cognitive and social skills
- Fewer behavioral issues

The National Academy of Sciences recently brought together a committee of experts to synthesize research on early childhood development. They agreed that “the effects of child care derive not from its use or nonuse but from the quality of the experiences it provides to young children.”¹¹⁵

“Early learning begets later learning and later success.”
-James J. Heckman, Nobel Prize-Winning Economist, University of Chicago

Schools and universities receive public and private investments because their role in educating and preparing children for the future labor market is clear. While more research will enable a better understanding of the long-term effects of high-quality child care for all children, current findings indicate that investments in early education have greater returns than educational investments in later life because younger people have more time to generate returns on investments and because “skill begets skill.”¹¹⁶

“Investment in quality, affordable child care programs as part of the overall educational system will leverage and increase the effectiveness of investments in economic and workforce development.”

Jacqueline Debets, Humboldt County Economic Development Coordinator

Government and economic development leaders have openly discussed the need for a skilled workforce prepared for the economic demands of tomorrow. As Jacqueline Debets, Humboldt County’s Economic Development Coordinator says, “Industry leaders across all sectors identify workforce readiness and skills attainment as a top challenge in their ability to grow and create new jobs.”¹¹⁷ There are many efforts to link schools to workforce development so that Humboldt’s children are better prepared to work in a world with constantly changing demands for skills, creativity, communication and technical know-how. The Humboldt Regional Occupation Program and the North Coast School to Career Consortium are two examples.

Recognition that quality child care programs contribute to an outstanding educational system will go a long way in building a skilled workforce that can help Humboldt County’s employers succeed in a demanding global marketplace. As Jacqueline Debets says, “Investment in quality, affordable child care programs as part of the overall educational system will leverage and increase the effectiveness of investments in economic and workforce development.”¹¹⁸

¹¹⁴ E. S. Peisner-Feinberg, M. R. Burchinal, R. M. Clifford, M. L. Culkun, C. Howes, S. L. Kagan, and N. Yazejian. “The Relation of Preschool Child-Care Quality to Children’s Cognitive and Social Development Trajectories through Second Grade.” *Child Development*. September/October 2001, Volume 72, Number 5, Pages 1534-1553. Quality was assessed in this study using the following criteria: classroom quality measures using the Early Childhood Environment Rating Scale (ECERS), teacher sensitivity using the Caregiver Interaction Scale (CIS), child-centered teaching style using Early Childhood Observation Form (ECOF), teacher responsiveness using Adult Involvement Scale (AIS). In addition, teacher-child relationship and child assessment measures were used.

¹¹⁵ J. Shonkoff and D.A. Phillips, Editors. *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Washington, D.C.: National Academies Press, 2000, p. 307.

¹¹⁶ James J. Heckman and Aaron Wildavsky Forum. Policies to Foster Human Capital Joint Center for Poverty Research working paper, Northwestern University/University of Chicago, page 39.

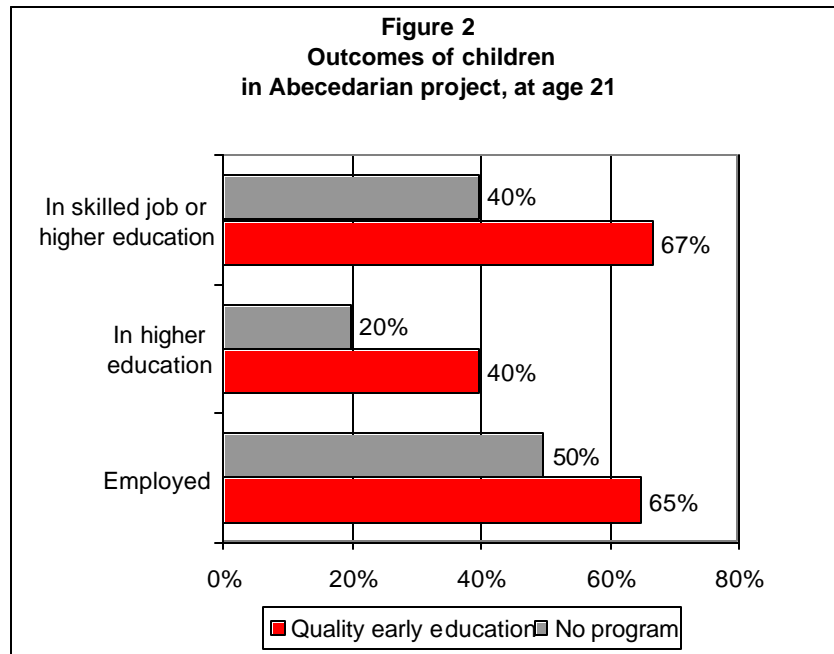
¹¹⁷ Jacqueline Debets. Interview, the National Economic Development and Law Center, 2004.

¹¹⁸ Ibid.

AN INVESTMENT WITH A SIGNIFICANT RETURN

While there are no long-term studies of the economic effects of child care in Humboldt County specifically, cost-benefit analyses of three long-term, high-quality, early education intervention programs indicate that there are significant future public savings when money is invested in high-quality child care, particularly for low-income children.

In one longitudinal study, the Abecedarian Study, a group of low-income children were randomly assigned to an early intervention program and a second group of participants were not offered the program. At age 21, the investigators found that children who participated in the early intervention program were significantly more likely to attend college and be in a high-skilled job or in higher education (see Figure 2).¹¹⁹



In another long-term study, low-income children in a high-quality, child-focused intervention program were less likely to drop out of high school, be in special education, repeat a grade, or be arrested as juveniles than peers.¹²⁰ A third study found that individuals who were in the high-quality child care program as children earned more money, were more likely to own their own home and were less likely to have been on welfare at age 27 than their peers who were not randomly assigned to the program.¹²¹

Decreasing the need for remedial education in the traditional school system and decreasing involvement in the criminal justice and welfare systems save public funds otherwise spent on these programs. Increased earnings by adults who attended quality early education programs translate to a larger tax base. Future savings can also be found in criminal justice costs and tangible costs to victims; decreased child welfare spending associated with child abuse and neglect; and decreased health costs from smoking and other causes. There is one cost associated with investment in quality early education programs: public supports for higher education increase because children who have participated in quality early education programs are more likely to enroll in higher education.

Local public officials also recognize the importance of quality

“We already know children who benefit from quality child care and preschool programs do better in school, but...I know these programs also prevent crime and improve public safety.”

Paul V. Gallegos, Humboldt County District Attorney

¹¹⁹ See The Frank Porter Graham Child Development Institute at the University of North Carolina at Chapel Hill, *Early Learning, Later Success: The Abecedarian Study*. www.fpg.unc.edu/~abc/.

¹²⁰ A. J. Reynolds, J. A. Temple, D. L. Robertson, E. A. Mann. “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, pp. 2239-2346.

¹²¹ L. J. Schweinwart, H. V. Barnes, and D. P. Weikart. *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.

child care programs. As Paul V. Gallegos, Humboldt County District Attorney states, “We already know children who benefit from quality child care and preschool programs do better in school, but...I know these programs also prevent crime and improve public safety.”¹²²

Economists have analyzed the overall costs and benefits of these three child care programs, revealing that significant cost savings were realized in each program (see Table 1 for a summary).¹²³

Table 1 Economic Benefits of Targeted Early Education Intervention Programs				
	Number of Years of Program	Average Annual Cost per Child	Total Cost of Program per Child	Lifetime Benefit to Society per Child
Chicago CPC Study	2, half-day	\$3,500	\$7,000	\$48,000
Perry Pre-School Project	2, half-day	\$6,000	\$12,000	\$108,000
Abecedarian Project	5, full-day	\$7,200	\$36,000	\$136,000

All dollar values reported are based on a 3 percent discount rate.

These findings indicate the economic value of investing in quality child care, especially for low income children. However, children in middle- and high-income families also experience similar academic problems, including significant grade retention and high school dropout rates.¹²⁴ Therefore, significant future public savings could be realized by using quality early childhood programs for young children in families at all income levels to reduce grade retention.

A recent study by economists at the Federal Reserve Bank in Minneapolis used the Perry High-Scope findings to estimate returns on public investment. Quality early childhood development programs generate a 16 percent rate of return on investment, 12 percent of which is a public rate of return.¹²⁵ As they argue, “Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, studies find that well-focused investments in early childhood development yield high public as well as private returns.”¹²⁶ They demonstrate that the High Scope/Perry Preschool project’s 16 percent return on investment when adjusted for inflation is considerably higher than the long-term return on U.S. stocks, 7 percent (see Figure 3).¹²⁷

¹²² P.V. Gallegos. “The Verdict is in: Protect Child Care,” editorial in *Times-Standard*, April 26th, 2004.

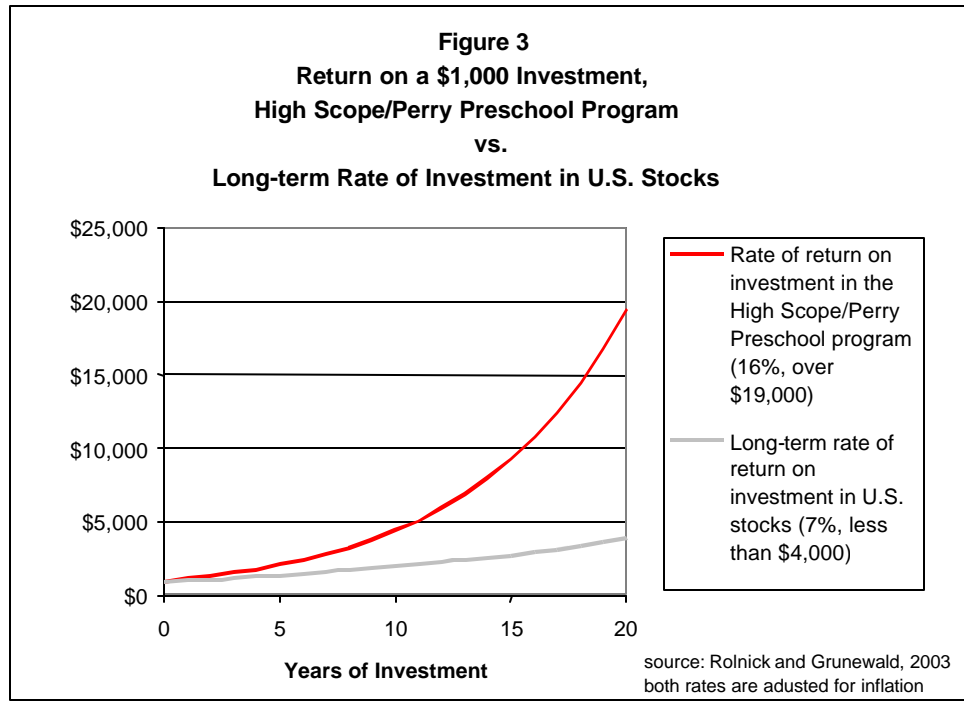
¹²³ Reynolds, Arthur J., Temple, Judy A., Robertson, Dylan L., Mann, Emily A. “Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Center Program: Executive Summary”, 2001, and Reynolds, A. J., Temple, J. A. Robertson, D. L., Mann, E. A. & Ou, S. “Prevention and cost-effectiveness in the Chicago Child-Parent Centers.” Paper presented at the Biennial Meeting of Society for Research in Child Development, Tampa, FL, April 2003. Values are in 1998 dollars, and benefits are based on a 3 % discount rate evaluated at beginning of pre-school participation. Barnett, Steven, W. *Lives in the Balance: Age 27 benefit-cost analysis of the High/Scope Perry Preschool Program*. Ypsilanti, MI: High/Scope Press. Values are in constant dollars and based on a 3% discount rate. Leonard N. Masse and W. Steven Barnett. *A Benefit Cost Analysis of the Abecedarian Early Childhood Intervention*. New Brunswick, NJ: National Institute for Early Education Research, 2002. Values are in 2002 dollars, and are discounted at 3 %.

¹²⁴ W. S. Barnett. *Characteristics of Successful Early Education Programs*. Presentation at *The Economics of Early Childhood Development: Lessons for Economic Policy* conference, Federal Reserve Bank of Minneapolis, October 17, 2003. Information is based on the National Center for Education Statistics.

¹²⁵ A. Rolnick and R. Grunewald. *Early Childhood Development: Economic Development with a High Public Return*. Fedgazette. Minneapolis, MN: Federal Reserve Bank of Minneapolis, January, 2003.

¹²⁶ Ibid.

¹²⁷ A. Rolnick and R. Grunewald. *Early Childhood Development: Economic Development with a High Public Return*. Fedgazette. Minneapolis, MN: Federal Reserve Bank of Minneapolis, January, 2003.



“There are some areas of clear agreement between market economists and child development researchers. The time has come to invest in young children, and there are substantial gains to be made from these investments if they are made wisely.”

-Jack Shonkoff, Co-Editor of *From Neurons to Neighborhoods*¹²⁸

After-school programs for school-age children also save public sector dollars. A review of multiple research studies to evaluate the effects of after-school programs showed significant gains in school engagement, school attendance, academic performance, and positive youth development.¹²⁹ A cost-benefit analysis of school-age programs found financial benefits from improved school performance, increased compensation, reduced juvenile and adult criminal activity, and reduced welfare costs outweighed the costs of increased attendance at school and the cost of programs.¹³⁰ In a George Mason University study, 91 percent 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.”¹³¹ Locally, Kathy Moxon, Director of Programs with the Humboldt Area Foundation, believes that quality after-school programs are essential because they “provide social interaction among an increasingly diverse group of students, are a critical supplement to academic skill development, build community awareness, and help develop leadership skills for Humboldt County’s future workforce.”¹³²

¹²⁸ J. Shonkoff. Closing remarks at *The Economics of Early Childhood Development: Lessons for Economic Policy* conference, Federal Reserve Bank of Minneapolis, October 17, 2003.

¹²⁹ B.M. Miller. *Critical Hours: Afterschool Programs and Educational Success*. Quincy, MA: Nellie Mae Educational Foundation, 2003.

¹³⁰ W.O. Brown, S.B. Frates, I.S. Rudge, and R.L. Tradewell. *The Costs and Benefits of After-school Programs: The Estimated Effects of the After School Education and Safety Program Act of 2002*. Claremont, CA: The Rose Institute, September, 2002.

¹³¹ 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.

¹³² Kathy Moxon. Interview, the National Economic Development & Law Center, 2004.



“(Quality after-school programs) provide social interaction among an increasingly diverse group of students, are a critical supplement to academic skill development, build community awareness, and help develop leadership skills for Humboldt County’s future workforce.”

Kathy Moxon, Director of Programs, Humboldt Area Foundation

CONCLUSION

Child care, business, and economic development are linked in many ways. A healthy child care industry ensures that the current labor force has access to jobs and career advancement opportunities and helps businesses attract and retain the best employees and increase their productivity. Investments in high-quality early education programs reduce future public expenditures and help the county have a skilled and productive workforce in the future. In the same way that local government and the private sector collaborate to increase the availability of affordable housing and quality transportation systems in order to attract a skilled workforce, they benefit from investing together in the child care infrastructure. Investing in quality child care benefits all stakeholders:

- Taxpayers benefit when costs for criminal justice, remedial education, and welfare decline as a result of high-quality child care
- Businesses benefit when quality, affordable, accessible child care options attract new skilled workers to the area, and prepare children for skilled employment in the future
- Communities benefit when parents have access to safe, quality child care for their children while they work
- Children benefit because they enter the traditional K-12 school system socialized and ready to continue learning

SECTION FIVE

CONCLUSION AND RECOMMENDATIONS

The formal child care industry in Humboldt County plays an important role in economic development in the county. It generates \$22.5 million in gross receipts annually and provides more than 562 jobs. Child care is similar in size to other Humboldt County industries such as beef and dairy cattle, nursing care and residential facilities, and residential building construction.

In addition, demographic and economic trends indicate a need for increased labor force participation and the need to train the workforce which, for parents, necessitates a strong child care system. The growth in low wage jobs during non-traditional hours highlights the need for a child care system that is financially accessible to low- and middle- income families. A quality, affordable, and accessible child care infrastructure also contributes to a high quality of life in Humboldt County and maintains its attractiveness to businesses and young professionals. There is a recognized shortage of accessible child care programs in Humboldt County.

Finally, the economy benefits from children's participation in high-quality child care. Children in high-quality programs are better prepared for kindergarten and more likely to become life-long learners who are ready to meet the demands of the future economy. Low-income children participating in high-quality programs at a young age have a reduced likelihood of negative outcomes, which saves the government money and increases the quality of life for all the county's residents.

Four main challenges constrain the child care industry from growing and maximizing the impacts of investment by families, employers, and county and municipal governments:

- A shortage of awareness that child care is an essential component of economic development and community planning.
- Insufficient financial investments
- Economic barriers to improving quality
- Financial limitations of consumers

To overcome these barriers, child care must be recognized as a vital component in Humboldt County's economy. The findings in this report should inform legislators, community organizations, businesses, education leaders, financial institutions, the public, and the child care industry about the economic and educational importance of an affordable, quality child care system in Humboldt County. Understanding the link between child care and the economy, government, business, community organizations, the child care industry and the general public should work together to accomplish the following three overarching goals:

- Include the child care industry as a vital part of the county's economic development, workforce development and education strategies.
- Ensure that all children in child care programs in Humboldt County receive high quality child care to maximize the benefits of these programs to children and the county's future economy.
- Ensure that all child care programs are accessible and affordable to all families in Humboldt County.



To accomplish these goals, one initial step must be taken in Humboldt County:

An active collaborative alliance between business, government, education, financial institutions, community organizations, child care, and other nontraditional stakeholders should be formed to carry out the recommendations and strategies in this report so that the child care system is meeting the needs of children, families and businesses in Humboldt County.

Once this alliance is formed, the following strategies are specific examples of ways to achieve Humboldt's three overarching goals.

Recommendation #1: Include the child care industry as a vital part of the county's economic development, workforce development and education strategies.

Business Examples

- Encourage business membership organizations to adopt the following guiding principle for decision-making: *How will this affect Humboldt County's youngest citizens?*
- Survey best management practices concerning child care benefits and include findings in business strategic planning for employee benefit packages, human resource management, and wage evaluation.
- Include child care representatives in economic development and business community planning efforts and activities, such as those of the Humboldt County chambers of commerce, business roundtables, and other business organizations in Humboldt County.
- Establish partnerships with government and child care leaders to create innovative funding mechanisms that address economic needs of child care establishments.
- Encourage media to highlight the economic importance of the child care industry.
- Partner with child care leaders to provide resource and referral information to businesses and business organizations.
- Allocate space for child care facilities within business/commerce parks or in close proximity.
- Advocate for legislation that improves the quality of life for children and families.

Government Examples

- Adopt the following guiding principle for decision-making: *How will this affect Humboldt County's youngest citizens?*
- Review and amend existing community planning and zoning laws to remove barriers affecting the child care industry and add language about the importance of planning for the emerging community child care needs.
- Convene a Round Table discussion among the industry clusters, economic development and child care leaders to create a project related to the Manufacturing Industry Cluster Work Plan Prosperity Strategy 1E: "Increase availability of child care for working parents."
- Make child care benefits an important criteria for businesses seeking public investment for expansion or relocation in Humboldt County.
- Allocate small business support services, such as financial products that are designed to meet the specific needs of child care owners, to work with child care directors and owners to increase financial sustainability of their programs.
- Require developers to make child care a consideration in all future development by incorporating permit requirements into general plans.

- Incorporate child care into economic development strategies designed to improve Humboldt County's education system.
- Utilize Community Reinvestment Act funding available to Humboldt County to support economic development projects that include child care.
- Include child care in workforce development activities.
- Promote the professionalization of child care by funding business skills trainings for child care providers.
- Incorporate child care information into county and local economic development materials as part of the community profile and recruiting process.

Community Organizations and Education Examples

- Adopt the following guiding principle for decision-making: *How will this affect Humboldt County's youngest citizens?*

Child Care Industry Examples

- Adopt the following guiding principle for decision-making: *How will this affect Humboldt County's youngest citizens?*
- Educate legislators, businesses, the public, and the child care industry itself about the economic and educational importance of an affordable, quality child care system.
- Serve on Chambers of Commerce, Workforce Development Boards, and Economic Development Commissions.
- Create a tool kit of child care benefit options for Humboldt County employers to utilize.
- Create incentives for employers, financial institutions, and economic development organizations to promote the child care industry.
- Partner with the Small Business Development Corporation, the Small Business Administration and other economic/workforce development organizations to provide business skills trainings and other resources for child care providers.

Recommendation # 2: Ensure that all children in child care programs in Humboldt County receive high quality child care to maximize the benefits of these programs to children and the county's future economy.

Business Examples

- Contribute to a funding pool for quality improvement programs, including increased accreditation of family child homes and child care centers.
- Advocate for government policies that improve the quality of child care programs.
- Support the professional development of the child care workforce by supporting important child care organizations including: Humboldt Family Child Care Association, Humboldt Association for the Education of Young Children, the First 5 Humboldt, the Humboldt Child Care Council, Northcoast Children's Services, the Local Child Care Planning Council, etc.
- Partner with local child care resource and referral agencies to assist parent-employees in locating quality child care and understanding the elements and effects of quality programs.



- Provide information on how to choose and assess quality child care in new employee packets and make this information accessible to all employees.
- Partner with local child care providers and support the sustainability and quality of the programs in targeted and cost effective ways.
- Earmark charitable giving and community development funds to non-profit child care quality initiatives or capital projects.

Government Examples

- Integrate quality, affordable, child care as part of a comprehensive system of supports for families in Humboldt County.
- Ensure that quality improvement initiatives accompany investments in the affordability and accessibility of child care in Humboldt County.
- Advocate at the state and federal levels for policies that increase the wages of those working in the child care field.
- Increase the number of accredited child care programs by financially supporting those seeking accreditation.
- Support a loan forgiveness program for child care providers who have graduated with a degree in early childhood education and child development.
- Increase the proportion of Title 1 funds that are spent on public preschools and Head Start programs.

Community Organizations and Education Examples

- Partner with child care leaders to ensure that children are entering kindergarten ready to learn.
- Offer space in existing facilities that meet state licensing guidelines to child care providers in rural areas.
- Encourage higher learning institutions to schedule early childhood development courses at times that would accommodate those working in the field.
- Lobby to keep educational and licensing fees affordable.
- Inform current and potential students about child care specific grant and loan programs
- Create a partnership of leaders from Humboldt State University and College of the Redwoods and other nontraditional stakeholders to ensure that the educational requirements to meet the Child Care Licensing Standards and Teacher Credentialing Requirements are affordable and accessible to the present and prospective child care workforce in Humboldt County.

Child Care Industry Examples

- Establish a fund for businesses and donors wishing to contribute to the improvement of quality in child care programs throughout Humboldt County.
- Research the true cost of quality child care in Humboldt County.
- Increase outreach efforts to parents to inform them about the elements of quality child care and its importance.
- Identify “economy-of-scale” factors that maximize and support quality but minimize cost for parents.

Recommendation # 3: *Ensure that child care programs are accessible and affordable for all families in Humboldt County.*

Business Examples

- Offer child care benefits to employees, including reimbursements/vouchers and pre-tax flexible spending accounts that include child care as an option for employees.
- Partner with individual child care providers to ensure that programs meet the specific needs of employees.
- Develop funds to support licensed programs to care for sick young and school age children.
- Ensure that quality child care is accessible to employees at all pay levels through sliding scale fees, child care reimbursements or direct payments to nearby or on-site quality child care establishments.
- Donate resources and/or services to child care providers.
- Initiate or participate in public/private partnerships designed to meet the child care needs of working families in Humboldt County.
- Advocate for increased federal and state child care funding to ensure that employees have access to the child care services they need.
- Hold internal reviews and forums for employees on child care related issues.
- Share space in existing training sessions on budgeting, computer usage, and management techniques with child care providers.

Government Examples

- Promote transportation plans that address the child care accessibility needs of parents and children in Humboldt County, and recognize rural child care transportation barriers.
- Designate existing facilities and other community assets in outlying areas of Humboldt County suitable for use by child care programs.
- Provide incentives for child care programs so that they will operate during hours outside the traditional workday, serve children with special needs, serve children from different age groups, care for mildly ill children, and/or meet the needs of rural and migrant families in Humboldt County.
- Publicly reward businesses, individuals, etc. that support the child care industry.
- Support increased investment in child care assistance to reduce the number of eligible families who are on waitlists for subsidized child care.
- Protect child care subsidies for working parents and parents attending training/education from state and federal budget cuts.
- Develop a training strategy to increase the business skills of the child care providers, which will improve the sustainability and capacity of the industry.
- Identify “economies of scale” that can reduce costs for child care establishments and encourage quality improvement.

Community Organizations and Education Examples

- Incorporate child care into transportation plans for public schools in Humboldt County.
- Publicly reward businesses, individuals, etc. that support the child care industry.
- Offer existing facilities and other community assets in outlying areas of Humboldt County for child care programs.



Child Care Industry Examples

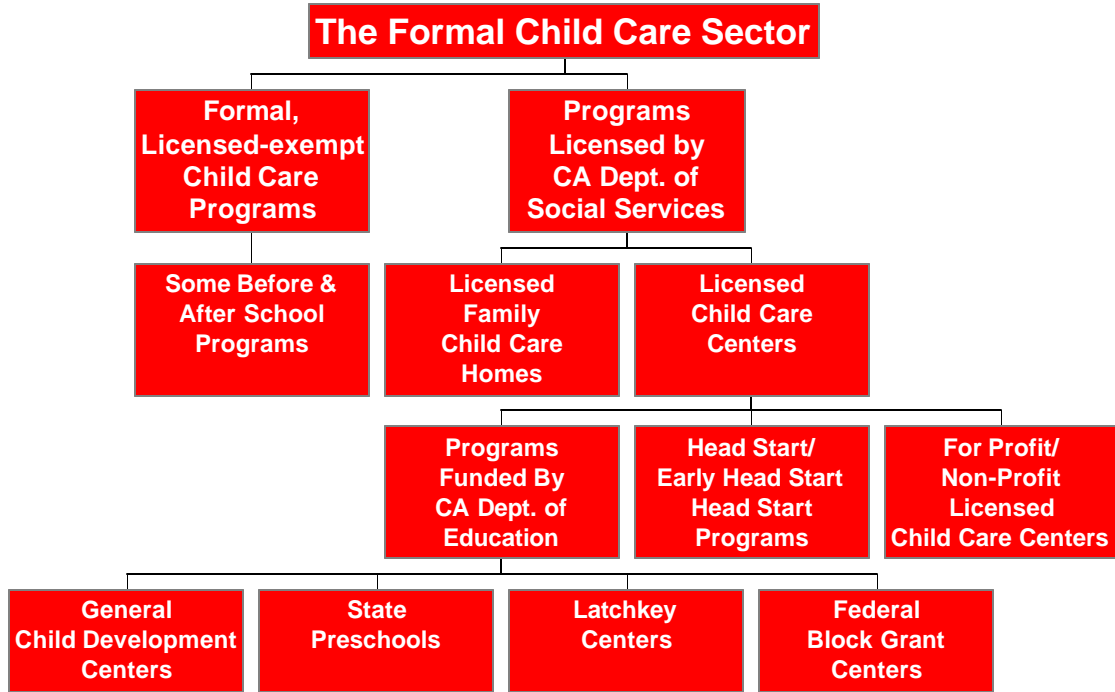
- Increase the supply of child care for infants, sick children, children with special needs, and increase the supply of child care that occurs outside the traditional workday.
- Develop and promote a bank of qualified substitute child care teachers.
- Work with financing groups to increase the number of licensed child care facilities in rural areas.
- Collaborate with government officials to ensure state and federal funding is strategically invested.
- Increase the use of surveys to assess the child care needs of businesses and their employers, including the need for part-time care and child care during non-traditional work hours.

CONCLUSION

Given the comprehensive economic benefits of child care for business, government, and the child care industry, planning for and investing in a strong child care industry in Humboldt County should not be the responsibility of parents and providers alone. A diverse group of stakeholders—government, business, community, education and industry leaders – has a role in maintaining the vitality of the industry and must work and plan together to reach innovative solutions to overcome challenges to the child care industry. It is critical that an alliance of stakeholders be formed to find solutions to the barriers to quality, affordable, accessible child care programs.

APPENDIX A

The Formal Child Care Industry



APPENDIX B

The Self Sufficiency Standard, Humboldt County, 2003

The Table 1 The Self Sufficiency Standard for Humboldt County, CA, 2003								
Monthly Costs	Adult	Adult + Infant	Adult + Pre- schooler	Adult + Infant + Pre- schooler	Adult + Schoolager + Teenager	Adult + Infant + Pre-schooler+ Schoolager	2 Adults + Infant + Pre- schooler	2 Adults + Pre-schooler + Schoolager
Housing	\$487	\$638	\$638	\$638	\$638	\$891	\$638	\$638
Child Care	\$0	\$589	\$420	\$1,009	\$250	\$1,259	\$1,009	\$670
Food	\$182	\$266	\$276	\$358	\$473	\$481	\$515	\$565
Transportation	\$245	\$251	\$251	\$251	\$251	\$251	\$481	\$481
Health Care	\$89	\$286	\$298	\$305	\$336	\$324	\$343	\$354
Miscellaneous	\$100	\$203	\$188	\$256	\$195	\$321	\$299	\$271
Taxes	\$100	\$203	\$188	\$256	\$195	\$554	\$412	\$293
Earned Income Tax Credit (-)	\$0	-\$18	-\$62	\$0	-\$178	\$0	\$0	\$0
Child Care Tax Credit (-)	\$0	-\$70	-\$73	-\$125	-\$62	-\$100	-\$105	-\$118
Child Care Tax Credit (-)	\$0	-\$83	-\$83	-\$167	-\$109	-\$250	-\$167	-\$167
Self- Sufficiency Wage								
Hourly	\$726	\$13.40	\$11.85	\$16.33	\$11.16	\$21.19	*\$9.73	*\$8.49
Monthly	\$1,278	\$2,359	\$2,086	\$2,873	\$1,964	\$3,730	\$3,424	\$2,987
Annually	\$15,334	\$28,308	\$25,038	\$34,481	\$23,563	\$44,763	\$41,094	\$35,843
							*Per Adult	*Per Adult

APPENDIX C

Methodology for Calculating Gross Receipts and Direct Employment for Child Care

The economic contribution of the child care industry is significantly undercounted in traditional economic accounting tools and alternate methodologies for collecting data are necessary.

UNIVERSE OF THE CHILD CARE INDUSTRY

The child care industry includes 274 formal programs for children from birth through age twelve:

- 159 licensed family child care homes
- 26 licensed child care centers operated for profit, nonprofit, and/or sectarian
- 21 Head Start and Early Head Start programs
- 30 child development programs funded by the California Department of Education
- 38 license-exempt centers

The estimates of gross receipts and direct employment represent a “snapshot” of the industry taken at a particular time. It is important to note that the estimates only capture the formal child care sector, because enrollment and costs are difficult to measure for the informal education and care sector. Adding license-exempt care would increase gross receipts and direct employment figures. For a detailed description of the child care arrangements that are not included in the analyses of this report, please see page three.

Direct service dollars include the following programs and/or funding:

- Private pay by parents who do not receive vouchers for programs that take place in licensed child care centers and licensed family child care homes.
- Federal and state funds to low-income families to subsidize the cost of child care distributed through the Humboldt Child Care Council.
- Parental co-payments of families who receive some part of their children’s tuition for child care from the Humboldt Child Care Council.
- Federal and state funds for all Head Start programs, including Early Head Start
- Federal and state funding for all programs supported through the California Department of Education
- License-exempt before- and after-school programs (parent fees)
- The Child Care Food Program

GROSS RECEIPTS

Gross receipts estimates for licensed child care centers and licensed family child care homes, are based on this calculation:



$$\text{Full-time Equivalent Enrollment} \times \text{Average Cost/Child/Year} = \text{Gross Receipts}$$

Full-time equivalent enrollment numbers are derived from the Humboldt Child Care Council's database which tracks capacity and vacancy in licensed child care centers by children's age groups (infant, toddler, and pre-school-age child) as well as in licensed family child care homes and license-exempt before- and after-school programs. Full-time equivalency was derived from a survey of licensed child care centers, licensed family child care homes, and license-exempt before- and after-school programs in March of 2004. Full-time equivalency estimates account for part- and full-time enrollment.

In order to calculate the average yearly rate for each type of care and each age group the average rate was taken from Humboldt Child Care Council's March survey. For center-based child care programs, this was broken down by age. For licensed family child care homes, because enrollment cannot be broken down by age, child care costs for toddlers were used (see Table 1 for a range of county average rates).

Program	Total Full-time Equivalency Enrollment	Average Annual Cost
Private Licensed Child Care Centers		
Infant	N/A	N/A
Pre-schooler	506	\$5,909
School-age children	70	\$5,618
Licensed Family Child Homes (0-13)	899	\$6,469
License-exempt before- and after-school programs	1,469	\$2,256 ¹³³
Programs funded by the California Department of Education	719	publicly funded
Head Start/Early Head Start	484	publicly funded
Even Start	95	publicly funded

Gross receipts for Head Start/Early Head Start equal the total budget spending in state fiscal year 2003, as reported by the Northcoast Children's Services. Additionally, gross receipts for programs funded by the California Department of Education (state pre-schools, general child development centers, federal block grant centers, and latchkey centers) also equal the total budget spending in state fiscal year 2003, as reported by Humboldt Child Care Council and Northcoast Children's Services.

DIRECT EMPLOYMENT

Direct employment is an estimate of the total number of full-time equivalent jobs available in the child care industry.

¹³³ Cost is based on 18.48 hours per week and 37 weeks per year.

The number of people working in licensed family child care homes was calculated based on enrollment using licensing requirements. See below for the equation used to estimate full-time equivalent enrollment

$$\begin{aligned} \text{Family Child Care Homes licensed for 6-8} &= 1 \text{ FTE Employee} \\ \text{Family Child Care Homes licensed for 12-14} &= 2 \text{ FTE Employees} \end{aligned}$$

For licensed child care centers and license-exempt before- and after- school programs licensing ratios were also used, according to Table 2. These were applied to enrollment, which was estimated according to the method described above.

Table 2 Staff to Child Ratios Used to Generate Employment Estimates, By Program, Humboldt County				
Program	All ages	Infant	Pre- school- age child	School- age child
Licensed child care centers (Title V)		1:3	1:8	1:14
Licensed child care centers (Title 22)		1:4	1:12	1:14
License-exempt Before- and after- school programs	1:20	N/A	N/A	N/A

Full-time equivalent employment estimates for Head Start, Early Head Start and all child development programs funded by the California Department of Education are derived from surveys of the programs conducted by the Humboldt Child Care Council and the Northcoast Children's Services.



Appendix D

Indirect and Induced Effects of the Child Care Industry

Every industry, including child care, is linked to the rest of the local economy through a number of avenues, reflecting the fact that establishments purchase supplies from other businesses and the industry's employees spend their earnings in part on locally produced goods and services. The linkages of the child care industry in Humboldt County can be measured using an input-output model and its associated multipliers, a methodology used by some economic development specialists. While the multiplier methodology is not without controversy, these estimates illustrate that child care is an important integrated component of Humboldt County's economy, both through its direct employment and output, and through its economic linkages.

These estimates for the impact of child care on indirect and induced earnings and other productivity effects are based on the application of the 2001 Humboldt County module of the IMPLAN Input-Output (I-O) model. 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).

I-O models use area-specific data on industrial and commercial activity to trace the linkages between industries. IMPLAN is based on a table of direct requirement coefficients which indicate the inputs of goods and services from various industries required to produce a dollar's worth of output in another, single industry. Standard economic "production functions"—the capital, labor and technology needed to produce a given set of goods—determine how changes in one industry's demand ultimately affect the demand for the inputs to that industry. 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 regional economic information. National data are adjusted for the industrial and trading patterns for the subject region. Based on this structure, IMPLAN estimates the regional economic impact that would result from a dollar change in demand of a particular industry.

The multiplier effect estimates the links between an industry and other areas of the economy. For this analysis, Type II multipliers, which exclude government spending, are used. Estimates for the impact of child care on the economy are based on three primary types of multipliers:

- Direct effects: Effects introduced into the state's economy as a result of spending on child care.
- Indirect effects: Effects reflecting spending by the child care industry.
- Induced effects: Effects on household spending by the child care workforce. These effects reflect changes in the state's economy caused by increases or decreases in spending patterns as a result of the direct and indirect activity.

For Humboldt County, the various multipliers for the child care industry are reported in Table 1.

Table 1 Child Care Industry Type II Multipliers Humboldt County			
	Indirect	Induced	Total Type II
Output	0.289	0.299	1.588
Value-Added	0.309	0.348	1.657
Employment	0.118	0.132	1.250
Indirect Business Taxes	1.756	2.041	4.797
Labor Income	0.251	0.285	1.536

These multipliers may be used to assess indirect and induced effects of these economic indicators. Based on a gross receipts of \$22.5 million, the child care industry generates an estimate of \$6.5 million in indirect output. Gross receipts totaling \$22.5 million also correspond to \$6.7 million in induced output. In total, direct, indirect, and induced industry output for the Humboldt County child care industry totals \$35.7 million.

Similarly, a direct employment estimate of 562 jobs in licensed child care corresponds to 66 indirect jobs sustained by the child care industry, including: 10 jobs in the real estate industry and 9 jobs in food services and drinking establishments. In addition, the child care industry sustains 74 induced jobs. These induced jobs include an additional 9 jobs in food services and drinking establishments and 4 jobs in hospitals. In total, direct, indirect, and induced employment for the Humboldt County child care industry totals 702 jobs in this analysis.



Appendix E

Gross Receipts and Direct Employment Comparisons with Industries in Humboldt County

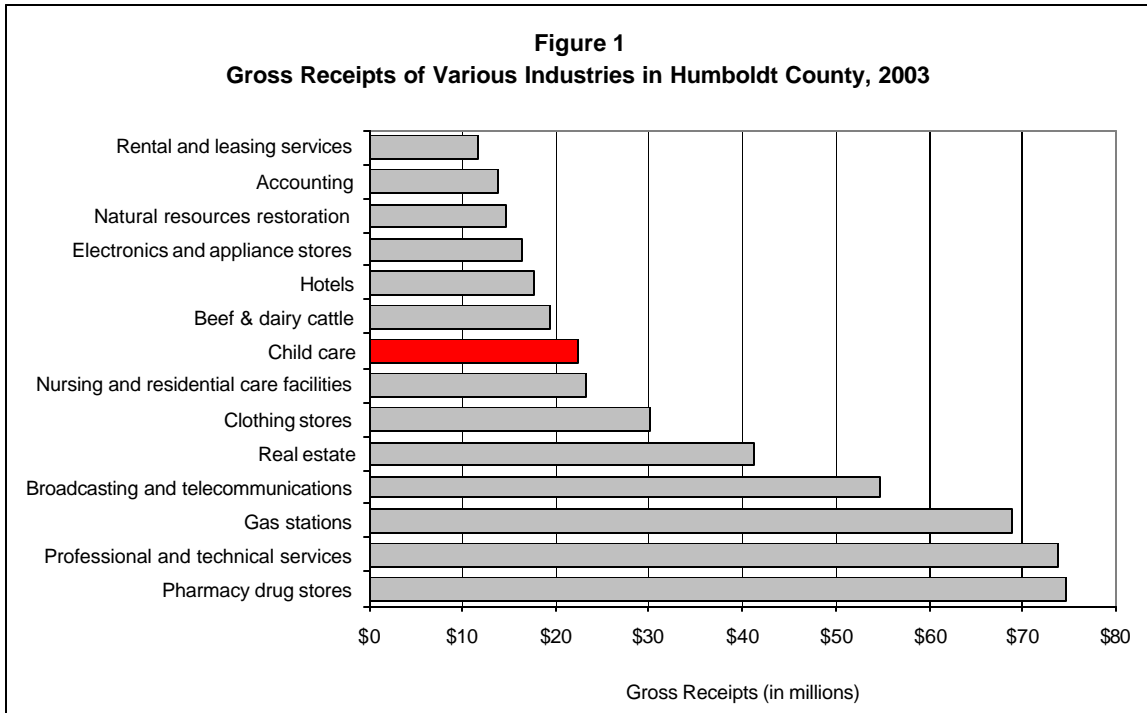


Figure 2
Employment by Industry in Humboldt County, 2003

