



PREPARED FOR CUESTA COLLEGE

# Economic Impact of Child Care in San Luis Obispo County

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# Executive Summary

## Introduction

The COVID-19 pandemic has brought unprecedented volatility across different industries and types of workers. Through the closures of schools and child care programs and the rise of remote work, few industries have faced as much disruption as child care. The turmoil of the pandemic has only exacerbated the underlying “trilemma” of challenges that existed before COVID-19. This “trilemma” can be described through challenges related to the accessibility to child care, the affordability of child care, and the quality of child care. This research, commissioned by Cuesta College and its partners in the region, discusses some of these challenges and factors that play a role in the child care industry. The research ultimately provides an economic impact assessment of child care in San Luis Obispo (SLO) County to describe the economic role that the industry plays in the county. This assessment includes a current estimate of the economic impact of child care on the economy, as well as the economic potential that may be possible through the expansion of child care. The data used in this report only reflect the available data on licensed child care programs. While unlicensed and informal child care programs certainly play a role in the child care sector, data on these programs are sparse.

## Key Findings

**Most child care workers can work full-time and still not earn a living wage.** The living wage for a single adult with no dependents in San Luis Obispo County is roughly \$38,400<sup>1</sup> per year. The average earnings for a child care worker in the county are \$27,200, meaning that the average full-time worker will make only 71% of the living wage. A single-parent child care worker with one child of their own will make only a third (33%) of the living wage for the county, on average. This creates a terrible paradox, where child care workers spend much of their time supporting others’ families but are financially unable to support themselves or families of their own.

**Child care is expensive, and child care workers likely cannot afford full-cost child care for their own child.** The average cost of child care in SLO County is roughly \$10,000 per year. This means that the cost of child care for one child is about 18% of the pre-tax earnings of the average worker in SLO County. For child care workers, this represents roughly 37% of their pre-tax income.

**There is a large need for additional child care capacity in SLO County.** The conservative estimate suggests that 2,300 children in the county may have working parents but are not enrolled in a program. The high-end estimate suggests there may be as many as 16,000 of these children ages 12 and under.

**Meeting 100% of the low-end estimates for the potential need for child care in SLO County would increase Gross Regional Product (GRP) by more than \$108 million annually and support and create 425 jobs from this new economic activity.** This activity would also generate more than five million dollars in local and county taxes and nearly seven million in state revenues.

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<sup>1</sup> MIT Living Wage Calculator. <https://livingwage.mit.edu/counties/06079>

**Meeting the entirety of the high-end estimate of potential child care demand would have even greater economic impacts, contributing \$734 million to GRP, roughly equivalent to the GRP contributions of Full-Service Restaurants, Residential Property Managers, and Hotels, combined.**

Adding 8,300 new workers to the SLO County Workforce would create and support close to 2,900 additional jobs in the economy through indirect and induced effects.

**In the 2019-2020 school year, state and federal subsidies for child care in SLO County were just under \$24 million. These subsidies created and supported more than 2,400 jobs in the county and added \$161 million in GRP, but these subsidies only reduced the conservative gap between child care needs and what was provided by approximately half.** The added economic activity from existing subsidies also bolsters tax collections, adding nearly \$42 million to federal, state, and local coffers. This subsidy spending would have to roughly double to meet the remaining gap of the conservative estimate of child care needs.

## Conclusions

BW Research offers the following conclusions based on the findings of this research:

**There is a considerable need to expand the delivery of child care services in SLO County.** The conservative estimate suggests that 2,300 children ages 12 and younger would participate in child care if it were more accessible. This presents a substantial opportunity for the county to support student learning and development while simultaneously allowing more parents to enter the local labor force, generating additional economic activity. The additional economic activity would be substantial, enabling up to 1,400 additional workers to enter the local labor force, resulting in \$108 million in Gross Regional Product annually and \$28 million in local, state, and federal taxes annually.

**The Biden Administration's plans for universal pre-K education and subsidized child care for low and middle-income families could have benefits for SLO County, though the county will likely still face child care shortages.** The initiatives proposed through the American Families Plan would address some of the existing child care needs in SLO County, but the county's high cost of living would likely mean some barriers still persist, particularly for those families just above low-income thresholds. Furthermore, the scale of the proposed efforts would require more resources and coordination on the ground through Community-Based Organizations and other regional institutions.

**Meeting the needs of child care demand in SLO County will require a larger workforce. Developing career pathways into, through, and from child care may help attract and retain more workers.** A clear designation of career pathways within and out of child care can signal to potential workers that there is upward mobility and opportunity for advancement. This upward mobility may not only help retain employees for longer, but it may also help reward longer-term and more experienced workers with higher pay. Additionally, profiling the skills and abilities developed throughout a child care job can help workers—and future employers—understand the value of a background in child care and connect it to additional employment opportunities. Tying these strengthened skills and abilities to other jobs outside of child care may help increase the pipeline of interested talent.

**Low pay perpetuates challenges in the child care industry.** The data in this report highlights the crucial economic role that child care workers play within the community. Along with the short-term economic impacts, quality child care offers long-term societal benefits; numerous studies have shown that quality

child care can influence the future outcomes of participating children.<sup>2</sup> This report also highlights that these workers are underpaid relative to the societal benefits they provide, with wages that are often below the living wage for the county. Policies that support these workers and the opportunity for higher pay will help ensure that they can continue to provide quality child care that generates outsized impacts on the local economy. Regional investments in a healthier and more sustainable child care workforce would generate both short-term and long-term benefits.

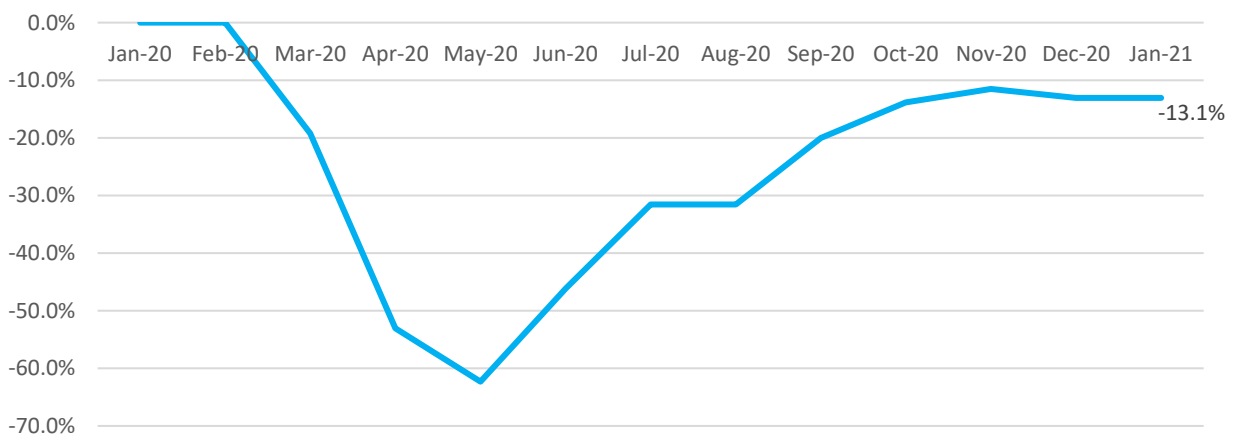
## Demographic and Economic Data

This section of the report provides data on the underlying state of child care in San Luis Obispo (SLO) County. These data provide detail on the impacts of COVID-19 on the child care sector, the child care workforce, and the estimated supply and demand for child care in the region.

### Impacts of COVID-19

Data from the California Child Care Resource & Referral Network suggests that the number of licensed home programs in SLO County fell by 10% between January 2020 - January 2021. This decline is not unique to family programs; the number of total licensed programs declined by a similar 13% in SLO County (Figure 1). This suggests there are roughly 900 children whose child care program has not re-opened. At the height of the pandemic, 62% of licensed programs were closed, equating to 4,500 children and their families without child care options. Ensuring the full return of child care will be a crucial step to helping workers return to their jobs as public health orders subside.

Figure 1. COVID-19 Changes to Number of Licensed Child Care Programs in San Luis Obispo County<sup>3</sup>



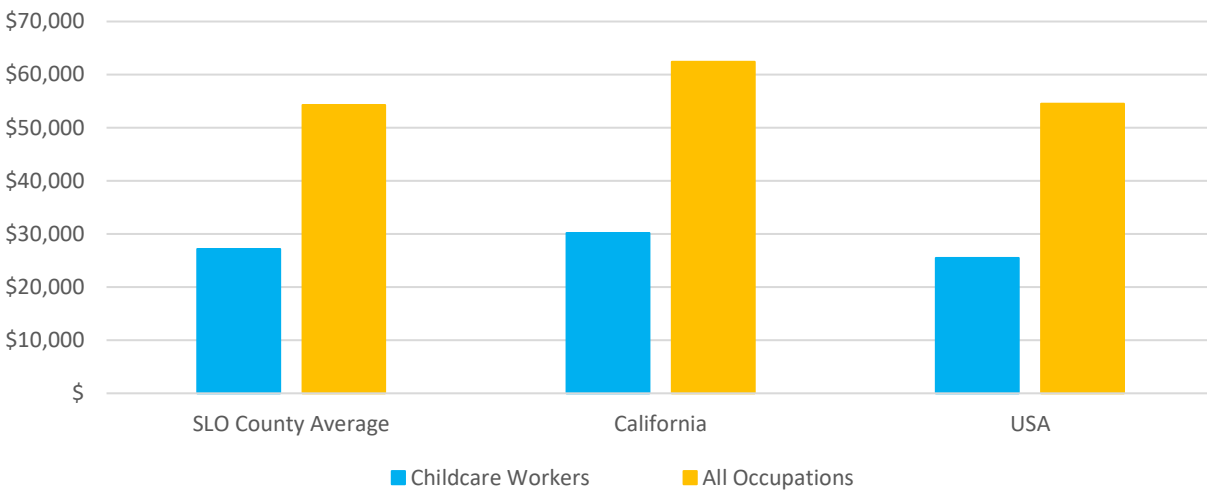
<sup>2</sup> See as the latest example from MIT: <https://seii.mit.edu/wp-content/uploads/2021/05/SEII-Discussion-Paper-2021.4-Gray-Lobe-Pathak-and-Walters.pdf>

<sup>3</sup> "How the pandemic has impacted California child care supply." California Child Care Resource & Referral Network. <https://rrnetwork.org/assets/general-files/COVID-Graphs-San-Luis-Obispo.pdf>

## Child Care Workers in SLO County

There are roughly 600 Child Care Workers in SLO County, representing 0.5% of the overall workforce. The child care workforce has declined by approximately 7% between 2015 and 2020. On average, Child Care Workers in SLO county earn \$27,200 in annual wages. This is about \$3,000 lower than the statewide average, and \$2,300 higher than the national average. Child Care Workers also make roughly 50% of the average wages of workers overall in SLO County (Figure 2).

Figure 2. Average Earnings



**Most child care workers can work full-time and still not earn a living wage.** It is important to factor in San Luis Obispo County’s cost of living, which is notably higher than the national average. According to the M.I.T. Living Wage Calculator,<sup>4</sup> the living wage for a single adult with no dependents is \$18.44 per hour, or just under \$38,400 per year. This means child care workers with no dependents can work full-time and still earn only 71% of the living wage for the county. The financial situation is even more strained for child care workers with children; the living wage for a single adult with one child is roughly \$83,000 per year, and the average child care worker would only earn about 33% of that living wage (Table 1). Thus, a terrible paradox is formed; the average child care worker can work full-time supporting others’ families, and is unable to financially support themselves, let alone their own family.

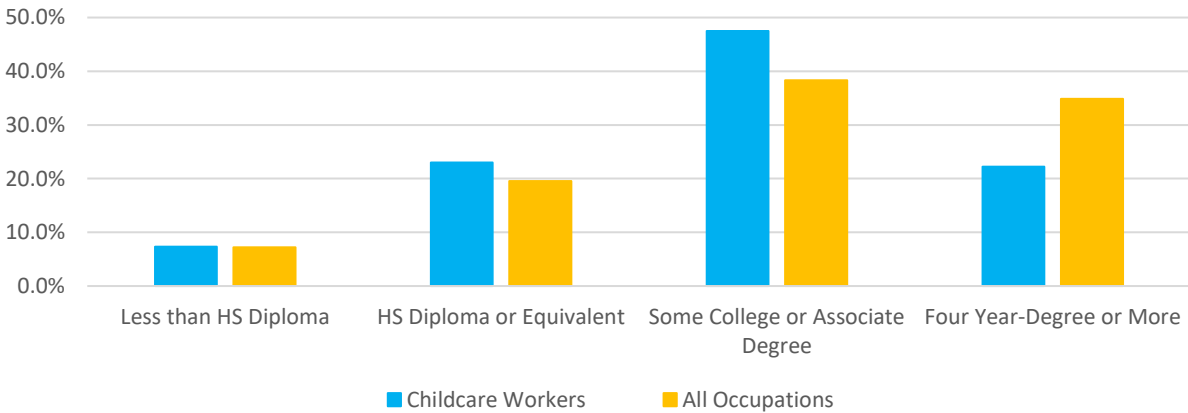
Table 1. Living Wages and Child Care Worker Wages

	Annual Living Wage	Share of Living Wage Met by Full-Time Child Care Worker Wages
<b>Single adult, no dependents</b>	\$38,355	71%
<b>Single adult, one child</b>	\$82,846	33%
<b>Two working adults, two children</b>	\$55,286	49%

<sup>4</sup> MIT Living Wage Calculator. <https://livingwage.mit.edu/counties/06079>

**Child Care Workers in SLO County are relatively well-educated.** Nearly half (48%) of all Child Care Workers in the county have some college or an associate degree, and another 22% have a four-year degree or higher (Figure 3).

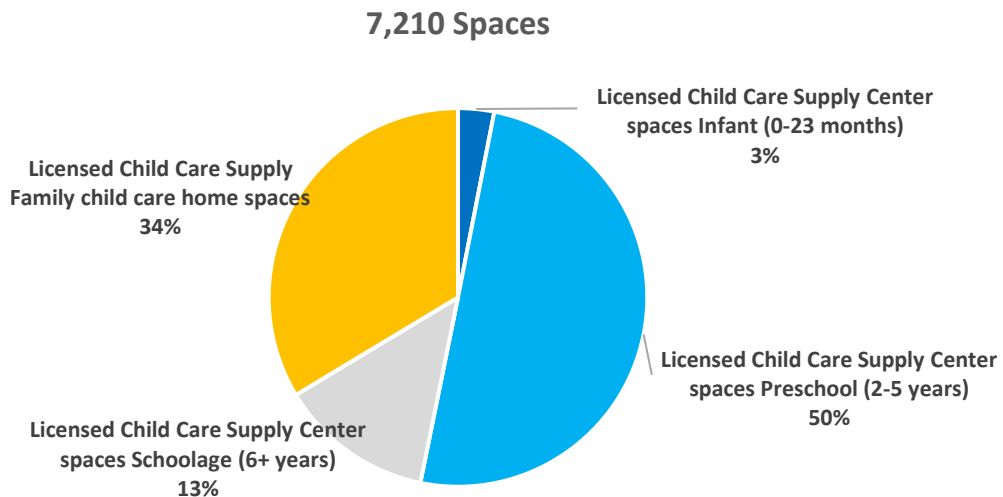
Figure 3. Educational Attainment in SLO County



### Child Care in SLO County

Of the 7,210 spaces available at licensed child care programs, half are at preschool programs for children ages 2-5. Licensed family home care programs offer the second-most spaces, with roughly 2,400 spaces for children across a range of ages (Figure 4).

Figure 4. Share of Child Care Spaces Available<sup>5</sup>



<sup>5</sup> California Child Care Resource & Referral Network. (2019). 2019 Child Care Portfolio, San Luis Obispo County

**Annual costs of child care in SLO County are high.** Even though costs in SLO County are slightly lower than the statewide average, child care costs are exceptionally burdensome. For example, the average cost of annual full-time child care in SLO County is approximately \$10,000 per child (Figure 5). Put another way, the average cost of full-time child care would cost a Child Care Worker an average of 37% of their annual wages (Table 2). This means that after the cost of child care, an average Child Care Worker would make approximately \$8.27 per hour.

Figure 5. Average Annual Costs of Child Care<sup>6</sup>

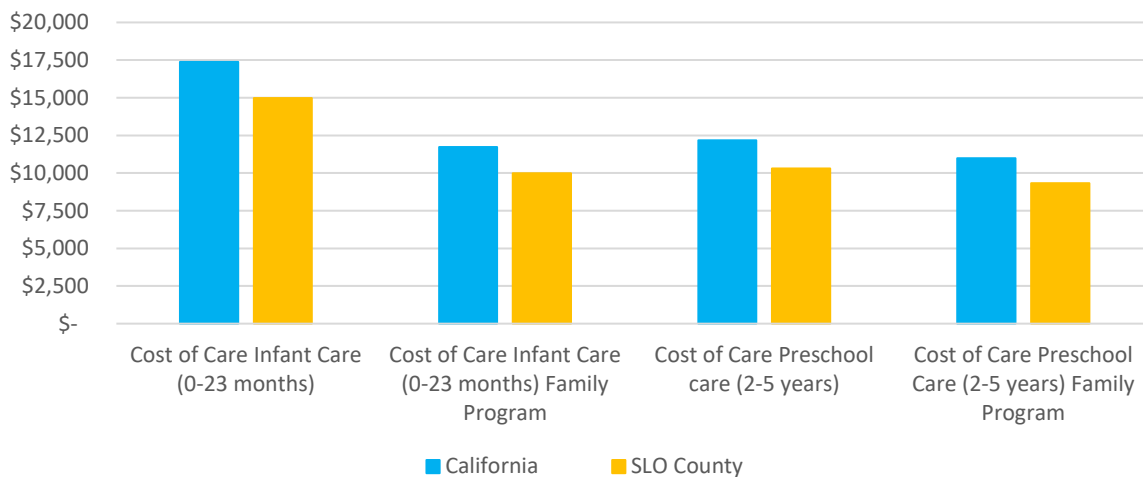


Table 2. Share of Average Annual Income Spent on Annual Child Care<sup>7</sup>

	Average Child Care Worker	Average Worker
<b>One Child</b>	37%	18%
<b>Two Children</b>	74%	27%

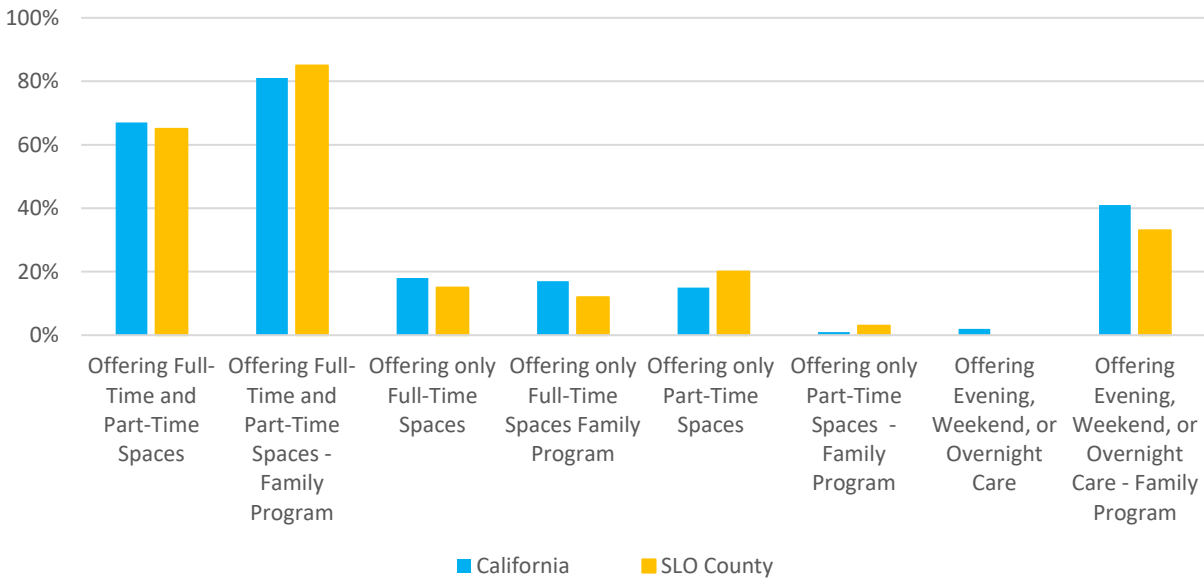
<sup>6</sup> California Child Care Resource & Referral Network. (2019). 2019 Child Care Portfolio, San Luis Obispo County

<sup>7</sup> Percentages based on average cost of \$10,000 annually for full-time care. \$27,200 average wages for Child Care Workers, \$54,300 average wages for all SLO workers, and \$77,265 for median household incomes.



**Family child care programs play a large role in the SLO child care economy, both in scale and flexibility.** Eighty-five percent of family child care programs in SLO County offer both part- and full-time services. Furthermore, a third (33%) offer evening, weekend, or overnight care. This type of care is important for families with non-traditional work schedules and fills in a gap in services in the region, as no licensed non-family child care programs offer such services (Figure 6).

Figure 6. Child Care Offerings by Program Type



### The Long-Term Benefits of Quality Child Care

Along with the economic benefits of additional workers able to enter the workforce, access to child care can have long-term benefits to child outcomes. A recent NBER working paper (Guthrie Gray-Lobe, Parag A. Pathak, and Christopher R. Walters, May 2021) found that, when families in Boston were randomly provided with universal child care, the participating children were subsequently more likely to graduate high school and attend college, and less likely to enter juvenile incarceration. Another study (Arthur J. Reynolds, et Al., 2011), after finding similar findings as mentioned above, conducted a cost-benefit analysis, finding that every dollar spent on a preschool program produced \$10.83 in benefits to society through additional earnings and tax revenues, reduced expenditures on crime and decreased future education costs through fewer remedial courses. These benefits often go unaccounted for.

## Potential Child Care Population

San Luis Obispo County has nearly 15,000 children under the age of six. Of those children, approximately 9,700 (65%) have parents in the labor force.<sup>8</sup> The SLO sub-region has the greatest percentage of children with parents in the labor force (Table 3). Among children between 6 and 12 years of age, roughly 71% have either both parents working, or live in single-parent households where that parent is working (Table 4).

Table 3. Children in SLO County Under the Age of Six<sup>9</sup>

	Total Children	Children with parents in the labor force <sup>10</sup>	% of children with parents in labor force
<b>Coastal</b>	1,677	1,038	61.9%
<b>North County</b>	6,506	4,003	61.5%
<b>SLO Sub-Region</b>	2,054	1,584	77.1%
<b>South County</b>	4,610	3,080	66.8%
<b>Grand Total</b>	<b>14,847</b>	<b>9,705</b>	<b>65.4%</b>

Table 4. Children in SLO County Between 6 and 12<sup>11</sup>

	Total Children	Children with parents in the labor force <sup>12</sup>	% of children with parents in labor force
<b>Coastal</b>	2,266	1,544	68.1%
<b>North County</b>	7,958	5,743	72.2%
<b>SLO Sub-Region</b>	2,807	2,023	72.1%
<b>South County</b>	6,253	4,287	68.6%
<b>Grand Total</b>	<b>19,284</b>	<b>13,597</b>	<b>70.5%</b>

<sup>8</sup> This category includes children in households with either a) both parents working or b) single-parent households with one working parent.

<sup>9</sup> American Community Survey. U.S. Bureau of Labor Statistics. 2014-2019. 2019 Data.

<sup>10</sup> This category includes children in households with either a) both parents working or b) single-parent households with one working parent.

<sup>11</sup> American Community Survey. U.S. Bureau of Labor Statistics. 2014-2019. 2019 Data.

<sup>12</sup> This category includes children in households with either a) both parents working or b) single-parent households with one working parent.

# Initial Economic Impact Model

The research team developed a preliminary model of the current offerings, requested demand, and potential universe of demand for child care. The research team estimates that there are potentially 23,300 children 12 and younger that have working parents. This figure is considerably higher than the estimated 7,210 available child care spaces in the county (Table 5). Roughly 88% of the referral-based estimated demand for child care is currently met by SLO child care programs for children under the age of 6.<sup>13</sup> Conversely, only 51% of the county’s referral-based demand for children ages 6-12 is met (Figure 7).

**The “Requested Demand” can be viewed as the lower-bound estimate for demand, while the “Potential Universe” represents the absolute upper-bound estimate for demand for**

*Table 5. Potential Universe, Referral-Demand, and Current Seats by Number of Children*

	Under 6	6 to 12	12 and Under
<b>Requested Demand<sup>14</sup></b>	6,467	3,032	9,499
<b>Potential Universe<sup>15</sup></b>	9,705	13,597	23,302
<b>Current Seats<sup>16</sup></b>	5,658	1,552	7,210
<b>Requested Demand Gap</b>	<b>(809)</b>	<b>(1,480)</b>	<b>(2,289)</b>
<b>Potential Universe Gap</b>	<b>(4,047)</b>	<b>(12,045)</b>	<b>(16,092)</b>

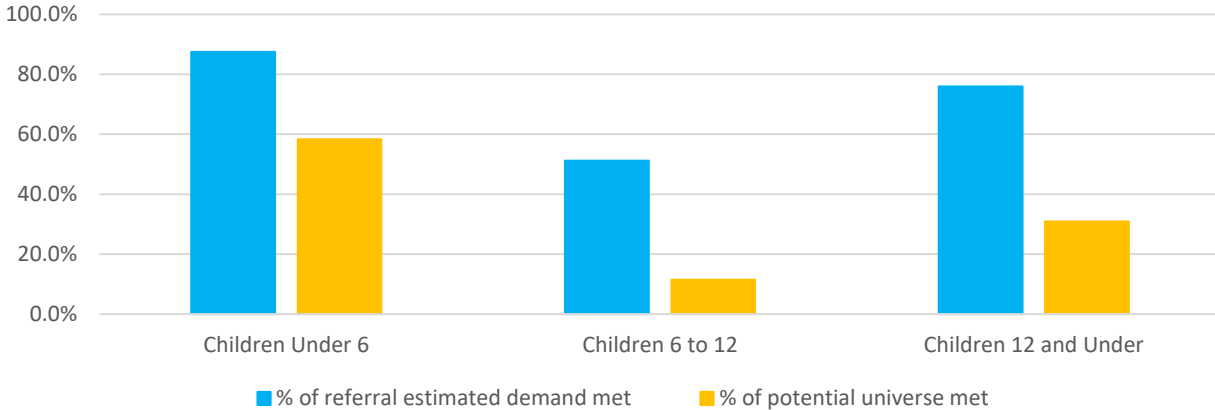
<sup>13</sup> This estimate is provided by the California Child Care Resource and Referral Network and based on child referral request data.

<sup>14</sup> Data from California Child Care Resource and Referral Network and based on child care referral request data.

<sup>15</sup> This includes children in households with either a) both parents working or b) single-parent households with one working parent.

<sup>16</sup> Data from California Child Care Resource and Referral Network and based on state-licensed programs.

Figure 7. Share of Child Care Demand Met by Child Age



Adjusting the number of children in need of child care by the average number of children per household, the research team estimates that nearly 9,300 parents could enter the workforce if 100% of the demand for child care of the potential universe was met. If 100% of the referral-estimated demand was met, nearly 1,400 parents would be able to join the workforce. This next section applies economic impacts to these estimates, presenting a counterfactual “what-if” scenario where child care was no longer a barrier to employment.<sup>17</sup>

## Economic Impact Model Outputs

### INTRODUCTION TO ECONOMIC IMPACTS

This section of the report provides an overview of the types of economic impacts. To capture the complete range of economic activity that occurs as a result of child care related activity, the economic impacts are broken down into direct, indirect, and induced effects.

- **Direct effects** show the change in the economy associated with the initial job creation and or initial economic activity. In this case, direct jobs represent Child Care Workers and any managerial or administrative staff involved in child care.
- **Indirect effects** include all the backward linkages or the supply chain responses as a result of the initial (direct) effects. An example of an indirect job would be a new delivery driver who is hired to deliver the additional cleaning supplies that a child care program orders.
- **Induced effects** refer to household spending and are the result of direct and indirect workers spending their wages. An example of an induced job would be a local restaurant hiring more

<sup>17</sup> These estimates also assume that child care is the sole barrier to employment, and that 100% of parents would seek to enter the workforce.

staff because child care workers and delivery drivers are going out to eat more now because of their income.

Other terms used in the economic impact analysis are:

- Labor Income** The total value of monetary paychecks and benefits received by relevant parties.
- Value Added** Gross output less intermediate inputs. This is equivalent to Gross Regional Product (GRP).
- Output** The total economic impact, which includes value added and intermediate expenses (money spent on materials or goods from other industries).

### ECONOMIC ACTIVITY OF THE CURRENT CHILD CARE WORKFORCE

The current child care industry in SLO County employs nearly 670 people that allow an estimated 3,850<sup>18</sup> parents to enter the workforce. The additional entrants to the workforce have a multiplier effect, generating and sustaining nearly 700 jobs through indirect effects and nearly 900 additional jobs through induced effects (Table 6). This economic activity also results in substantial tax revenue, equating to \$19 million annually in local and county taxes (Table 7).

Table 6. Annual Economic Impact of Current Child Care Industry

	Employment	Labor Income	Value Added (GRP)	Output
<b>Direct</b>	4,516	\$198,651,339	\$264,226,328	\$461,215,358
<b>Indirect</b>	687	\$33,129,363	\$51,520,874	\$107,287,804
<b>Induced</b>	876	\$42,038,150	\$83,347,094	\$136,618,520
<b>Total</b>	<b>6,079</b>	<b>\$273,818,852</b>	<b>\$399,094,295</b>	<b>\$705,121,682</b>

Table 7. Annual Fiscal Impact of Current Child Care Industry

	Local and County	State	Federal	Total
<b>Direct</b>	\$11,227,327	\$16,119,341	\$41,832,384	\$69,179,052
<b>Indirect</b>	\$2,510,349	\$3,270,892	\$6,979,869	\$12,761,110
<b>Induced</b>	\$5,347,788	\$5,924,723	\$9,723,464	\$20,995,975
<b>Total</b>	<b>\$19,085,464</b>	<b>\$25,314,956</b>	<b>\$58,535,717</b>	<b>\$102,936,137</b>

<sup>18</sup> This estimate is based on average children per household and labor force participation rate of women between the ages of 25 and 54.

## Impacts of Meeting Demand for Child Care

This section outlines the economic impact outcomes of meeting the total demand for child care in SLO County. There are two methods used in this section to estimate the demand for child care that is currently not being met; one method uses estimates produced by the California Child Care Resource and Referral Network using referral rate data. The second method captures the broader “potential universe” by including all households with parents who are working. These two methods provide low- and high-end estimates for the share of demand not currently met.

It is also important to note that these estimates are based on the economic *potential* of meeting the entirety of child care needs. There are a few assumptions built into this model; first, this model assumes all parents that are subsequently without child care will enter the workforce at rates similar to a comparison demographic.<sup>19</sup> Second, the model assumes that these parents could enter the labor force with minimal barriers. In practice, the sudden introduction of thousands of new entrants to the workforce would have substantial effects on the labor market. Data are segmented by two age categories (5 & under and those ages 6-12) because of limitations in data granularity.

### REFERRAL ESTIMATED DEMAND

Under the estimations provided by the California Child Care Resource and Referral Network, approximately 76% of all child care demand for children ages 12 and younger is met. However, this would still leave nearly 1,400 households without child care. This economic impact model assumes that child care needs for all 1,400 households can be met, resulting in 1,400 additional workers able to consider joining the workforce. We then use the labor force participation rate of women between the ages of 25 and 54 to approximate how many of these potential workers would seek to enter the workforce.

**Meeting 100% of referral estimated demand for child care would increase Gross Regional Product (GRP) in SLO County by more than \$108 million annually, roughly the equivalent of New Car Dealers and Petroleum Refineries in the county.** The new entrants to the workforce would also result in the creation and support of 425 new indirect and induced jobs through the increased purchasing power of the new direct and indirect workers. This new economic activity would also generate \$28 million in local, state, and federal taxes annually. Municipalities and the county would see nearly \$5.2 million in additional tax revenues (Table 9 and Table 11). The additional care to meet the referral estimated demand for children under the age of six would create and support more than 700 jobs (Table 8), while care for children between the ages of 6 and 12 would create and support more than 900 jobs annually (Table 10).

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<sup>19</sup> The rate used is the national labor force participation rate (76%) of women between the ages of 25 and 54. <https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm>

## Children Under Six

Table 8. Annual Economic Impact of Meeting 100% of Referral Estimated Demand (Children Under Six)

	Employment	Labor Income	Value Added (GRP)	Output
<b>Direct</b>	541	\$23,780,941	\$31,629,076	\$55,178,499
<b>Indirect</b>	82	\$3,966,183	\$6,167,249	\$12,841,329
<b>Induced</b>	105	\$5,032,399	\$9,977,504	\$16,354,642
<b>Total</b>	<b>728</b>	<b>\$32,779,523</b>	<b>\$47,773,829</b>	<b>\$84,374,470</b>

Table 9. Annual Fiscal Impact of Meeting 100% of Referral Estimated Demand (Children Under Six)

	Local and County	State	Federal	Total
<b>Direct</b>	\$1,341,646	\$1,927,894	\$5,007,451	\$8,276,990
<b>Indirect</b>	\$300,335	\$391,433	\$835,560	\$1,527,328
<b>Induced</b>	\$640,185	\$709,250	\$1,163,999	\$2,513,434
<b>Total</b>	<b>\$2,282,166</b>	<b>\$3,028,577</b>	<b>\$7,007,010</b>	<b>\$12,317,752</b>

## Children Six to Twelve

Table 10. Annual Economic Impact of Meeting 100% of Referral Estimated Demand (Children Ages Six to Twelve)

	Employment	Labor Income	Value Added (GRP)	Output
<b>Direct</b>	689	\$30,267,284	\$40,297,090	\$70,280,127
<b>Indirect</b>	105	\$5,039,790	\$7,840,976	\$16,335,878
<b>Induced</b>	133	\$6,403,332	\$12,695,596	\$20,809,999
<b>Total</b>	<b>927</b>	<b>\$41,710,406</b>	<b>\$60,833,662</b>	<b>\$107,426,005</b>

Table 11. Annual Fiscal Impact of Meeting 100% of Referral Estimated Demand (Children Ages Six to Twelve)

	Local and County	State	Federal	Total
<b>Direct</b>	\$1,707,461	\$2,454,118	\$6,374,388	\$10,535,967
<b>Indirect</b>	\$382,049	\$497,749	\$1,061,869	\$1,941,667
<b>Induced</b>	\$814,587	\$902,466	\$1,481,097	\$3,198,150
<b>Total</b>	<b>\$2,904,097</b>	<b>\$3,854,333</b>	<b>\$8,917,355</b>	<b>\$15,675,784</b>

## POTENTIAL UNIVERSE ESTIMATES OF DEMAND

The potential universe of households requiring child care is much larger than the referral-based estimate provided by the California Child Care Resource and Referral Network. The potential universe includes all households with children under the age of twelve and either a) both parents working or b) single-parent households with one working parent. Under this definition, there are 14,366 households in SLO County in need of child care, 5,072 of which are currently having their demand met. This estimate suggests there are nearly 9,300 households in the county without child care. Meeting this demand would require 950 more workers involved in child care. The economic impacts of these additional child care workers are included in the below figures.

**Meeting 100% of the needs of these 9,300 households would spur the creation and support of roughly 11,200 jobs in SLO County, adding \$734 million to GRP.** This is a GRP contribution roughly equivalent to the GRP contributions of Full-Service Restaurants, Residential Property Managers, and Hotels, combined. Under these assumptions, the addition of 8,300 new workers to the SLO County workforce would generate close to 2,900 indirect and induced jobs (Table 12 and Table 14). Meeting 100% of the potential demand for child care in SLO County would also generate an additional \$189 million in fiscal impacts, including \$35 million of which would go to local and county coffers (Table 13 and Table 15).

### Children Under Six

Table 12. Annual Economic Impact of Meeting 100% of Referral Estimated Demand (Children Under Six)

	Employment	Labor Income	Value Added (GRP)	Output
<b>Direct</b>	2,718	\$119,575,137	\$159,031,123	\$277,846,287
<b>Indirect</b>	414	\$19,963,658	\$31,043,681	\$64,640,213
<b>Induced</b>	528	\$25,309,082	\$50,179,103	\$82,251,210
<b>Total</b>	<b>3,659</b>	<b>\$164,847,876</b>	<b>\$240,253,907</b>	<b>\$424,737,709</b>

Table 13. Annual Fiscal Impact of Meeting 100% of Referral Estimated Demand (Children Under Six)

	Local and County	State	Federal	Total
<b>Direct</b>	\$6,771,654	\$9,712,564	\$25,180,228	\$41,664,445
<b>Indirect</b>	\$1,513,258	\$1,971,369	\$4,206,122	\$7,690,749
<b>Induced</b>	\$3,219,627	\$3,566,973	\$5,854,013	\$12,640,614
<b>Total</b>	<b>\$11,504,539</b>	<b>\$15,250,907</b>	<b>\$35,240,363</b>	<b>\$61,995,809</b>



## Children Six to Twelve

Table 14. Annual Economic Impact of Meeting 100% of Referral Estimated Demand (Children Ages Six to Twelve)

	Employment	Labor Income	Value Added (GRP)	Output
<b>Direct</b>	5,596	\$245,875,173	\$327,390,689	\$570,712,690
<b>Indirect</b>	849	\$40,949,484	\$63,701,839	\$132,710,944
<b>Induced</b>	1,084	\$52,018,809	\$103,135,230	\$169,054,345
<b>Total</b>	<b>7,530</b>	<b>\$338,843,467</b>	<b>\$494,227,758</b>	<b>\$872,477,979</b>

Table 15. Annual Fiscal Impact of Meeting 100% of Referral Estimated Demand (Children Ages Six to Twelve)

	Local and County	State	Federal	Total
<b>Direct</b>	\$13,849,029	\$19,920,859	\$51,777,086	\$85,546,974
<b>Indirect</b>	\$3,101,567	\$4,042,315	\$8,627,223	\$15,771,105
<b>Induced</b>	\$6,617,442	\$7,331,355	\$12,031,998	\$25,980,795
<b>Total</b>	<b>\$23,568,038</b>	<b>\$31,294,528</b>	<b>\$72,436,307</b>	<b>\$127,298,874</b>

## Return on Investment

As the previous sections of this report have shown, there are substantial societal benefits to a bolstered child care industry. These benefits flow throughout the economy as parents can re-enter the workforce, resulting in additional tax revenue and discretionary income spent in the local economy. This section outlines some approximations on the societal benefits that are generated from adding one additional worker in the child care industry. This exercise provides a rough idea of the return on investment each additional worker in the child care industry.

Given state requirements<sup>20</sup> and practical limitations, child care workers for younger ages must have fewer students. This is particularly true for infant and toddler (students under 3 years of age) teachers, who have an average student-to-teacher ratio of less than five (Table 17). As a result, child care workers for younger ages open fewer new seats for students and subsequently fewer workers can matriculate into the labor market per additional child care worker. It should also be noted that, because programs have to scale their administrative and managerial staff as the number of teachers grow, these ratios include all adult staff, including administrators and management.

<sup>20</sup> <https://rrnetwork.org/assets/general-files/Title-5-Title-22-Comparison-Chart.pdf>

Table 16. Student Openings Per Additional Child Care Worker Added (by student age)

	Student Openings Added <sup>21</sup>	Workers Available to Enter Labor Market
<b>Per Infant &amp; Toddler Care (under 3 years) Professional Added</b>	4.7	3.6
<b>Per Preschool Care (3-5 years) to Professional Added</b>	11.2	5.8
<b>Per School Age (6+) Care Professional Added</b>	13.0	6.7

Each additional child care professional that enters a program adds between \$320,200 and \$540,300 in Gross Regional Product (GRP, or Value Added) annually, depending on the age of the children (Table 17). Furthermore, each additional child care professional would generate, on average, between \$14,000 and \$25,600 in local taxes and another \$19,300 to \$34,100 in state taxes annually (Table 18).

Table 17. Annual Economic Activity Generated per Child Care Professional Added to a Program

	Value Added	Output
<b>Per Infant &amp; Toddler Care (under 3 years) Professional Added</b>	\$320,164	\$552,083
<b>Per Preschool Care (3-5 years) to Professional Added</b>	\$475,117	\$833,536
<b>Per School Age (6+) Care Professional Added</b>	\$540,250	\$951,842

Table 18. Annual Fiscal Benefit per Child Care Professional Added to a Program

	Local and County	State	Federal	Total
<b>Per Infant &amp; Toddler Care (under 3 years) Professional Added</b>	\$14,136	\$19,349	\$46,138	\$79,623
<b>Per Preschool Care (3-5 years) to Professional Added</b>	\$22,206	\$29,715	\$69,319	\$121,240
<b>Per School Age (6+) Care Professional Added</b>	\$25,597	\$34,073	\$79,063	\$138,733

<sup>21</sup> State requirements vary by teaching credential and licensing. The figures used for these estimates are determined through licensing requirements as well as average staff counts, so an additional worker includes the added need for administrative and managerial staff as well.

## Subsidizing Child Care in SLO County

During the 2019-2020 school year, roughly 2,400 children in 2,100 families received financial support for child care.<sup>22</sup> These subsidies—from federal and state providers—amounted to nearly \$23.7 million over the academic year. Table 19 and Table 20 highlight the economic impacts of these subsidies by allowing an estimated 1,600 workers to join the labor market and supporting the 220 child care workers needed to meet the additional child care demand. The economic activity from these 1,800 additional workers generates \$161 million annually in GRP and creates and supports an additional 630 jobs through indirect and induced effects. The fiscal benefits are substantial as well, as these new workers generate \$41.8 million in federal, state, and local tax revenues. Given these findings, an additional \$22.5 million in subsidies would be needed to meet the lower-bound estimate gap in child care need.

Table 19. Annual Economic Impact of Subsidized Child Care in SLO County

	Employment	Labor Income	Value Added (GRP)	Output
<b>Direct</b>	1,815	\$80,380,554	\$106,319,199	\$187,134,258
<b>Indirect</b>	279	\$13,539,334	\$21,010,680	\$43,649,460
<b>Induced</b>	355	\$17,041,789	\$33,787,857	\$55,383,559
<b>Total</b>	<b>2,449</b>	<b>\$110,961,677</b>	<b>\$161,117,736</b>	<b>\$286,167,277</b>

Table 20. Annual Fiscal Impact of Subsidized Child Care in SLO County

	Local and County	State	Federal	Total
<b>Direct</b>	\$4,637,628	\$6,585,075	\$16,921,957	\$28,144,661
<b>Indirect</b>	\$1,026,405	\$1,336,424	\$2,852,434	\$5,215,263
<b>Induced</b>	\$2,167,907	\$2,401,795	\$3,941,778	\$8,511,479
<b>Total</b>	<b>\$7,831,940</b>	<b>\$10,323,294</b>	<b>\$23,716,170</b>	<b>\$41,871,403</b>

<sup>22</sup> These figures do not include data from two smaller programs that either have few subsidized seats or are largely licensed exempt. Thus, these figures account for a strong majority of the subsidized child care activity in the county.

# Appendix A: Regional Definitions

Table 21. City of SLO Sub-Region

Zip Code
93401
93403
93405
93406
93407
93408
93409
93410

Table 23. South County Sub-Region

Zip Code
93422
93423
93432
93446
93447
93451
93453
93461
93465

Table 22. North County Sub-Region

Zip Code
93422
93423
93432
93446
93447
93451
93453
93461
93465

Table 24. Coastal Sub-Region

Zip Code
93402
93412
93424
93428
93430
93435
93442
93443
93452

## Appendix B: Research Methodology

Population and demographic figures at the zip code and county level were obtained from the U.S. Census Bureau, 2014-2019 American Community Survey 5-Year Estimates.

BW Research utilized JobsEQ for baseline employment figures. The 2020 Q3 dataset was used for this report.

### ECONOMIC IMPACT MODELING

The research team utilized IMPLAN input-output economic impact modelling service to generate the estimated effects of child care in SLO County. This system utilizes complex models of industry spending patterns, commodity demands, and relationships between industries.

Two separate methods were employed for approximating the overall demand for child care in SLO County. One method uses estimates produced by the California Child Care Resource and Referral Network using referral rate data. Another estimate captures the broader “potential universe” by including all households where either a) both parents are in the workforce or b) parents in single-adult households are in the workforce. Existing child care capacity was then subtracted from these values to determine the current “gap” in child care services. Since women remain the parents that primarily forgo the labor market to provide child care, worker inputs were proportional across the 22 largest IMPLAN sectors that employ the greatest number of women workers.

The economic impact models used show the *potential* of meeting the entirety of child care needs. This model assumes all parents that are subsequently without child care needs at home would be willing and able to join the labor force. The research team used the labor force participation rate of a comparable category (women between the ages of 25-54)<sup>23</sup> to approximate the entry-rate into the workforce. It is possible that this estimate produces a lower-bound, as the opportunity to earn extra income would make entering the workforce an attractive prospect, particularly in a region with a high cost of living. The ability of all of these parents to join the labor force is also unclear. While thousands of new entrants to the world of work would disrupt the SLO County labor market, the additional demand brought on through indirect and induced effects could create a feedback loop that spurs market demand for workers.

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<sup>23</sup> <https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm>