



# The Economic Impact of the Early Care and Education Industry in Los Angeles County

## Executive Summary

January 2008

The early care and education (ECE) industry is vital to Los Angeles County's economy. It currently:

- Generates \$1.9 billion annually and provides over 65,000 full-time equivalent jobs
- Is projected to generate the sixth highest number of new jobs between 2006 and 2016 of all industries in Los Angeles County
- Benefits all industries in the county by enabling parents to work and attend higher education programs or job training programs to upgrade their skills
- Lays the groundwork for Los Angeles County's future economic success by preparing the next generation for effective participation in the economy and attracting business to Los Angeles County

Nontraditional stakeholders have a vested interest in joining existing ECE stakeholders in ensuring that there is a high-quality and affordable ECE system in Los Angeles County.



**INSIGHT**

CENTER FOR COMMUNITY  
ECONOMIC DEVELOPMENT

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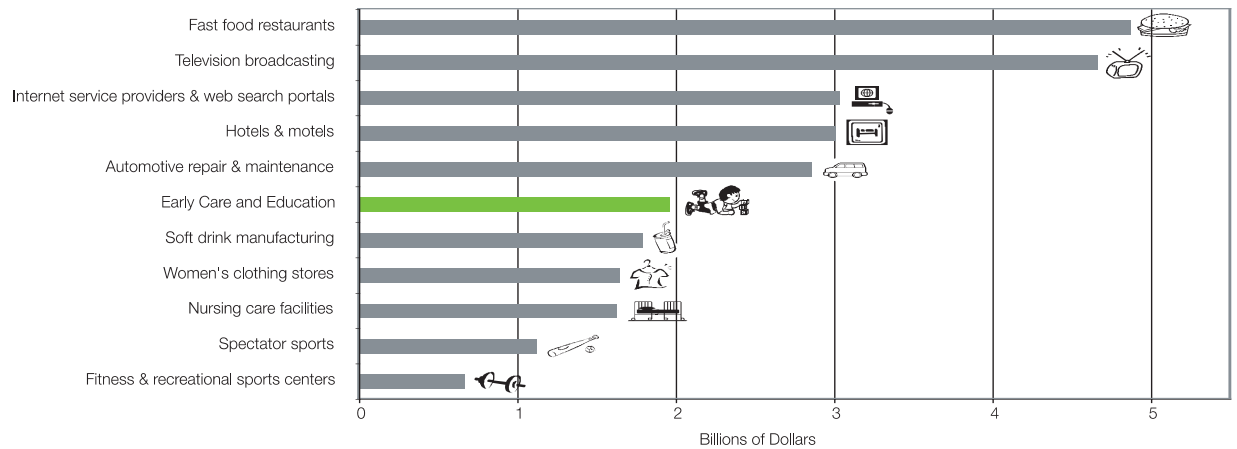
HELPING PEOPLE AND COMMUNITIES BECOME, AND REMAIN, ECONOMICALLY SECURE



# Early Care and Education is a Significant Industry in Los Angeles County

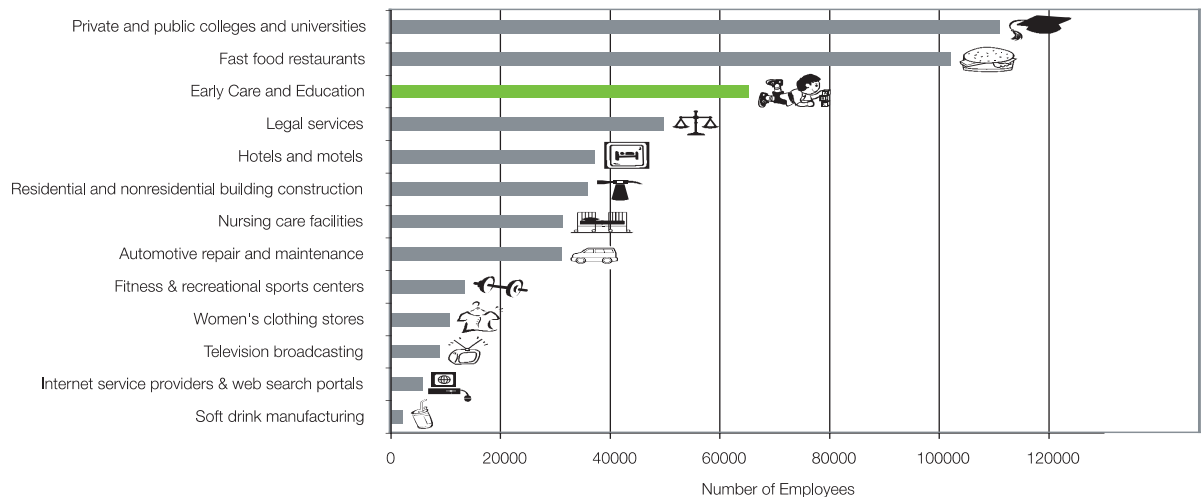
- The ECE industry generates \$1.9 billion annually in gross receipts, more than fitness and recreational sports centers (\$666.6 million) and nursing homes (\$1.6 billion; see Figure 1).
- The ECE industry directly supports 65,139 full-time equivalent jobs, employing more people than television broadcasting (8,832 employees) and hotels and motels (37,085 employees; see Figure 2).
- Based on a direct employment estimate of 60,000 full-time equivalent jobs in ECE, 9,510 jobs are indirectly sustained by the ECE industry, including retail trade (1,402 jobs); food and beverage service (1,044 jobs); and real estate (577 jobs).

Figure 1  
**Gross Receipts by Various Industries,**  
 Los Angeles County, 2006



Source: U.S. Census Bureau, 2002

Figure 2  
**Direct Employment by Various Industries**  
 Los Angeles County, 2005



Source: U.S. Department of Labor, Bureau of Labor Statistics, 2005



## Early Care and Education Career Lattice

As the ECE industry becomes more professionalized, a greater number of higher wage administrative and policy occupations are being created, allowing for a stronger career lattice for the current and future workforce. As the industry becomes more formalized in the future, movement up the career lattice will become more viable.

Bachelors Degree or Higher (May Include 24 Child Development Units)	
Program Director (Title 5)*	Child Development Coordinator
Teaching Director (Title 5 Center)*	Specialist- Special Education/Intervention Specialist
Planning/Policy Coordinator	Trainer
After-School Program Executive Director	After-School Program Administrator or Manager
Parent Coordinator	Family Services Coordinator
Social Worker	Counselor
Child Therapist	Instructor/Professor
Researcher	
Associates Degree or 60 Units (including 24 Child Development Units, 16 General Education Units, 6 Administration Units)	
Site Supervisor (Title 5 Center)	After-School Program Worker
After-School Program Supervisor***	
Associates Degree in Child Development + Experience	
Eligibility Advocate	Education Resource Specialist/Coordinator
R&R Manager	After-School Program Manager
Case Manager	After-School Area Program Manager
Family Service Worker	After-School Program Supervisor
Program Specialist	Program Evaluator
Associates Degree	
After-School Program Worker	
Community College Units, but No Associate Degree Required	
24 Child Development Units, 16 General Education Units	
Teacher (Title 5 Center)	
12-16 Child Development Units	
Teacher (Title 22 Center)	Program Director** (Title 22 Center)
Associate Teacher (Title 5 Center)	
6 Child Development Units	
Assistant Teacher (Title 5 Center)	
On-the-Job Training	
After-School Program Helper	
Background Check and Health and Safety Training	
Family Child Care Home Owner/Operator	
Background Check	
Family Child Care Home Aides and Assistant	Assistant Teacher (Title 22 Center)
No Mandated Minimum Requirements	
Nanny***	

\* Must have 3 administration units

\*\*These are minimum requirements and not necessarily typical

\*\*\*Since job titles are not standardized across the ECE industry, job requirements may vary significantly in different types of industry businesses (e.g., state preschool, private child care centers, Head Start, etc.)

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# The Early Care and Education Industry is an Economic Driver in Los Angeles County

Although education and the acquisition of skills is a lifelong process, starting early in life is crucial. Recent research... has documented the high returns that early childhood programs can pay in terms of subsequent educational attainment and in lower rates of social problems, such as teenage pregnancy and welfare dependency.

## Ben Bernanke

*Chairman of the Federal Reserve Board*

Keeping kids waiting in line for preschool multiplies the likelihood that I will see them in a police line-up later in life.

## Leroy Baca

*Los Angeles County Sheriff*

### **ECE enables parents to be part of Los Angeles County's workforce and to upgrade their skills**

- Fifteen percent of workers in Los Angeles County have children ages 0 through 13 and 51 percent of these children live in households where all parents work. Together these working parents earn \$22.3 billion annually.
- Colleges and universities throughout the county provide subsidized on-campus ECE, enabling many parents to access educational opportunities. Research documents that student parents who use on-campus ECE have higher grade point averages, are more likely to remain in school and graduate in fewer years, and have higher graduation rates than their campus counterparts.

### **ECE supports employee productivity in Los Angeles County industries**

- Representing nearly 50,000 Los Angeles County workers, SEIU Local 721 negotiated changes to existing dependent care accounts, which help to cover the cost of child care for many employees and help the county recruit and retain the most qualified and dedicated workers. Based on a sliding scale, the county contributes to the dependent care accounts of these county employees.
- 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, representing a 112 percent return on the company's investments in ECE benefits.
- Nationally, unscheduled absences cost businesses an average of \$660 per employee per year. More than 1 in 5 unscheduled absences are due to family issues, including ECE needs.
- The average annual cost for full-time, licensed, center-based ECE for an infant is over \$10,000 in the county, which is significantly more expensive than the in-state undergraduate tuition at California State University, Los Angeles (\$3,773 for the academic year).
- Approximately 43,000 income-eligible children are currently on waitlists for subsidized ECE in Los Angeles County. A shortage of subsidized ECE facilities inhibits labor force participation and reduces opportunities for low-income residents seeking to upgrade their skills and reach economic self-sufficiency.
- In addition to the overwhelming need for a greater supply of child care facilities, there is a need for many more highly trained and educated workers to provide the early care and education.
- Stemming turnover in the industry and maintaining standards are key drivers to ensuring that the full benefits of expanding ECE are felt throughout the economy.

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# The Early Care and Education Industry Enables Future Economic Success in Los Angeles County

Both the mastery of skills that are essential for economic success and the development of their neural pathways follow hierarchical roles...such that later attainments build on foundations that are laid down earlier...Skill begets skill.

**James Heckman**  
*Nobel Laureate Economist*

Skill acquisition is a cumulative process that works most effectively when a solid foundation has been provided in early childhood. As such, programs to support early childhood development...not only appear to have substantial payoffs early but also are likely to continue paying off throughout the life cycle.

**Janet L. Yellen**  
*President and CEO*  
Federal Reserve Bank  
of San Francisco

## **ECE helps prepare young children for opportunities in the new economy if the early care and education offered is of high quality.**

- Young children in high-quality preschool settings show greater language development, mathematical ability, and thinking and attention skills in kindergarten than children in lower quality care settings.
- California Department of Education data suggests that Los Angeles County is lagging behind other counties in terms of school performance, and trails both the state and the nation significantly in terms of preschool enrollment.
- Long-term studies of child-focused, quality education programs for low-income children show significant long-term improvements in employment, educational attainment, public subsidy needs, and homeownership compared to peers who did not participate in these programs.
- Evidence suggests that high-quality and culturally appropriate ECE programs can help close the achievement gap for English language learners in Los Angeles County.

## **ECE provides a positive rate of return on investments**

- Long-term studies show that quality programs, particularly for low-income children, decrease the following future negative outcomes: likelihood of special education enrollment, juvenile delinquency, adult incarceration, and welfare participation. This increases the quality of life for all citizens and reduces government spending.
- The Federal Reserve Bank in Minneapolis analyzed rates of return from investing in a model early childhood program for low-income children. They found a 16 percent rate of return on investment—considerably higher than the long-term return from U.S. stocks of 7 percent.
- According to RAND, a nonprofit research organization, universal preschool, if implemented throughout California, would generate an estimated \$2.62 for every dollar invested.



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## Recommendations

Now is the time for public sector, business, the ECE industry, and the general public to work together to:

- Enhance the affordability and accessibility of quality ECE so that children receive the full benefit of quality early education experiences and so that parents can obtain and maintain employment.
- Develop an ECE industry-wide workforce development agenda.
- Increase the supply of quality ECE facilities.

### **Recommendations for action by the public sector:**

- Encourage regional and local planning entities (e.g. Southern California Association of Governments (SCAG), Community Redevelopment Agencies, etc.) to incorporate ECE issues into their agendas.
- Increase public investment to expand and improve ECE program options for low-income families.
- Develop a comprehensive strategy for the county's Workforce Investment Boards that supports career development and small business development within the ECE industry, including job training and apprenticeship programs for ECE employers, employees and potential employees.
- Offer business development trainings to, or connect such training sources with, ECE business owners and family child care home operators through agencies such as the Small Business Administration and Small Business Development Centers.
- Ensure that there is specific language that encourages and facilitates the development of ECE services in the general plans of the County and of each city within it.

### **Recommendations for action by the business sector:**

- Advocate for increased public investment in a comprehensive ECE system that provides high-quality care and education for children from birth through age 12 in accessible settings that families can afford regardless of income.
- Establish and promote ECE benefits such as on-site care facilities, child care subsidies and supports, back-up child care, flexible spending accounts, or other benefits appropriate to the specific workforce.
- Establish leave policies and employment practices that do not exacerbate the need for scarce ECE services (e.g., permitting use of paid sick leave for a child's illness).
- Provide leadership through groups such as Chambers of Commerce to educate employers and the public about the provision of and access to ECE as an important public policy issue.
- Assist in the development of additional ECE facilities by providing space or low-cost leases to ECE providers, including ECE facilities in mixed-use developments, and modifying lease agreements to allow rental tenants to offer family child care.
- Provide loan products specifically designed for ECE providers and developers through financial institutions and banks.



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### **Recommendations for action by the early care & education community:**

- Work with key organizations to raise awareness of training and resources that seek to improve the business skills of early care and education providers.
- Expand existing efforts to provide license-exempt providers with specialized training in early childhood development.
- Disseminate information about state and local efforts designed to increase the supply of quality ECE facilities through the provision of technical assistance and/or funding (e.g., Constructing Connections, Building Child Care, Child Care Facilities Revolving Loan Fund, etc.).
- Establish policies and procedures that enable staff in ECE settings to take advantage of workforce incentives and professional development programs.
- Revise wage scales and personnel policies in alignment with the development of a career and wage lattice.
- Encourage families to advocate for early childhood investment and increased quality and service availability.
- Invite LAUP, First 5 LA, and county government to implement the broad-based actions and recommendations listed below.

### **Recommendations for broad-based action at the county level:**

- Convene a county-wide workforce development task force comprised of ECE providers, public entities, business, and institutions of higher education to create a comprehensive strategy that will:
  - Establish a career and wage lattice for ECE.
  - Standardize job titles, minimum education and experience requirements, and wages as a means of accurately tracking industry growth and opportunity to support ECE workforce development.
  - Enable the alignment and articulation among and between ECE training and education systems.
  - Encourage recruitment efforts to increase the supply of qualified and culturally/linguistically competent teachers, administrators, and providers.
  - Facilitate adequate educational opportunities in the public higher education system to ensure an appropriately-sized and educated workforce reflective of the languages and cultures of Los Angeles County children, recognizing that the field of ECE serves children from birth to school age.
  - Focus workforce development on both skill development and formal education.
- Convene a summit of Los Angeles County planners to provide education on the need and demand for ECE services and to elicit suggestions for ways in which early care and education programs and services can be incorporated into communities throughout Los Angeles County.

# The Economic Impact of The Early Care and Education Industry in Los Angeles County

The Insight Center for Community Economic Development is a national research, consulting and legal organization dedicated to building economic health and opportunity in vulnerable communities.

We work in collaboration with foundations, nonprofits, educational institutions and businesses to develop, strengthen and promote programs and public policy that:

- Lead to good jobs—jobs that pay enough to support a family, offer benefits and the opportunity to advance
- Strengthen early care and education systems so that children can thrive and parents can work or go to school
- Enable people and communities to build financial and educational assets

The Insight Center was formerly known as the National Economic Development and Law Center (NEDLC).

In developing this report, we worked closely with our partners: County of Los Angeles, Child Care Planning Committee; Los Angeles Universal Preschool; and the City of Los Angeles, Workforce Investment Board.

Our partners appointed the Los Angeles County Technical Advisory Committee consisting of stakeholders in the early care and education industry. It was the hard work of this committee that provided data and guidance of the methodology of the report.

## Los Angeles County Technical Advisory Committee Members:

- Tim Bower, LAUSD/Beyond the Bell
- Patrick Burns, Economic Roundtable
- Grace Cainoy, Child Care Alliance of Los Angeles
- Laura Escobedo, County of Los Angeles, Child Care Planning Committee
- Katie Fallin, First 5 LA
- Leslie Flores Valmonte, Alliance for a Better Community
- Kimberly Hall, Ph.D., Los Angeles Universal Preschool
- Jan Isenberg, LACOE/Training Institute
- Angelo Reyes, Child Care Alliance of Los Angeles
- Marni Roosevelt, Los Angeles Valley College
- Susan Savage, Child Care Resource Center
- Angelica Solis, Alliance for a Better Community
- Lupita Tannatt, Ph.D., Los Angeles Universal Preschool
- Randi Wolfe, Ph.D., Los Angeles Universal Preschool

Our partners appointed the Los Angeles County Advisory Board consisting of leaders in the fields of business, government, ECE and economic development. It was the hard work of this board that provided the vision, direction and expertise needed for the development of this report.

## Los Angeles County Advisory Board Members:

- Bruce Ackerman, Economic Alliance of the San Fernando Valley
- Cristina Alvarado, Child Care Information Services
- Sandra Burud, Ph.D., Berger Institute for Work, Family, and Children
- Maricela Carlos, Low Income Investment Fund
- Martin Castro, Mexican American Opportunity Foundation
- Richard Cohen, Westside Children's Center
- Sandra Dennis, Ph.D., California Association of Family Child Care
- Elizabeth Diaz, City of Los Angeles, Commission for Children, Youth and Their Families
- María Elena Durazo, LA County Federation of Labor, AFL-CIO
- Alexa Frankenberg, Service Employees International Union
- Rafael González, Office of the Mayor
- Wendy Greuel, Los Angeles City Council
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- Gregory Irish, City of Los Angeles, Workforce Investment Board
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- Lindsay Koshgarian, formerly of City of Los Angeles, Workforce Investment Board
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- Alejandro Stephens, SEIU Local 660
- Bea Stotzer, New Economics for Women
- Hon. Zev Yaroslavsky, Los Angeles County Board of Supervisors
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