

LEGISLATIVE COMMISSION ON THE ECONOMIC STATUS OF WOMEN

Public Hearing on Child Care: From Social Service to Economic Infrastructure January 23, 2004, 9-11:00 a.m. State Capitol Room 107

Members present: Senator Linda Berglin; Representative Karen Clark; Senator Leo Foley; Senator Becky Lourey; Senator Sandy Pappas; Representative Connie Ruth; and Representative Barb Sykora

Members absent: Representative Mindy Greiling; Representative Joe Hoppe; and Senator Julianne Ortman

Staff present: Diane Cushman; Cheryl Hoium; and Michelle Pryce.

The following is a summary of the discussion that took place at the meeting.

Senator Pappas, chair, called the hearing to order at 9:30 a.m.

Diane Cushman updated members on the status of the Milbank study. Cushman also informed members about the hearing materials in their folders including the following new LCESW Status Reports: “*Children and the Employment Status of Their Parents, Minnesota 2000*”; “*Mothers in the Labor Force, Minnesota and the United States 2000*”; and “*Distribution of Employment by Industry and Establishment, Minnesota 1999*.”

ERIN KELLY, PH.D., ASSISTANT PROFESSOR, DEPARTMENT OF SOCIOLOGY, UNIVERSITY OF MINNESOTA

Handout: “*The Big Picture: Working Families and Child Care*” PowerPoint presentation
Erin Kelly provided an overview of the social and historical context of working families and child care from the pre-industrial era to the present time. In the industrial era the separation of work and family began. A mother’s employment outside of the home was seen as a sign of real economic need and child care was seen as a social service for the children of women who had to go to work. From the middle to the end of the twentieth century there have been dramatic increases in mothers’ employment across the board. There has also been a movement from interrupted labor force participation of women with children to near continuous labor force participation and an increase in total hours worked by families. Working families are now the norm.

Kelly discussed current strategies for balancing work and family including part-time work, shift work with tag-team parenting, and increased use of child care. Kelly testified the child care system is a necessary underpinning of the new economy and said the trend of working families is unlikely to reverse. Workers need to find ways to care for their children and there have been 60 years of “figure it out on your own.” In the last 20 years in particular more and more families have been trying to figuring it out on their own which is not efficient. Kelly added it may be time for a new round of community and state supports to assist families who are trying to pull things together as families are often faced with not having enough appropriate or affordable child care options.

Kelly's research has focused on the development of employers' family policies. She said a small number of dedicated employers are trying to figure out what they can do to help employees with child care. There are challenges with each employer trying to figure it out on their own, especially for smaller employers, multi-site employers, and employers that are not in metro areas. To address these issues Kelly suggests the following: increasing public/private initiatives to bring more child care to communities that need it; working with employers and employees together to figure out what the child care needs may be and how they can afford it; and helping some families that need assistance to afford the high quality child care we now believe is essential for a healthy childhood and for becoming a productive worker.

Senator Foley asked what the effects of moving away from the extended and nuclear family caring for children have been. Also, with the movement toward more children being in child care, he is concerned that child care workers tend to be underpaid even though they are dealing with our most precious resource.

Dr. Kelly answered there have been significant impacts including economic impacts. Families are making it today and many, many of them are doing so because both parents are in the workforce. She also mentioned that we have moved from extended families living together toward nuclear families and more single parent families. Kelly explained extended families living together was never the most common situation in the history of our country. It was more common in rural areas and with immigrant families but it was never the norm. She added that other testifiers would further address the question about the impacts.

Senator Lourey expressed her appreciation for the testimony and said it spoke about the reality of families today. Senator Lourey asked if a moment could be taken to remember Mary McEvoy who died in a plane crash last year. She wished to thank her for all of her early childhood contributions and for paving the road for so many others.

A moment of silence was observed.

Dr. Kelly said when she teaches her sociology of family course one thing that is essential for students to understand is that the 1950s were a historical anomaly. It was a period that has had enormous cultural power. During that time most Americans were living in two parent households and most mothers were able to stay at home. However, that was not the case before or after that time. It was a blip and if one looks at the last 150 years we can get a better understanding of how unusual that period was.

Senator Berglin asked Dr. Kelly if she had any data about the child care issue with older children. Senator Berglin added children of that age can get into as much trouble as younger children can when they are left alone. In addition, Senator Berglin said after-school programs have been wiped out and there aren't many options for parents.

Kelly answered the middle childhood period from when children enter school until when they are really able to take care of themselves is a crunch time for a lot of families. Young teenagers who are not supervised after school are more likely to get into trouble and lack of supervision is a risk factor associated with teen pregnancy and other issues.

ANN McCULLY, EXECUTIVE DIRECTOR OF MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK
Handouts: *“The Economic Impact of the Child Care Industry in Minnesota”* PowerPoint presentation, report and executive summary

McCully described the function and services of the child care resource and referral network. She provided some background on the development of the report on the economic impact of child care in Minnesota. The three major report findings about the child care industry were: (1) it enables businesses to recruit and retain employees; (2) it ensures a strong economy in the future; and (3) through income generation and job creation it is a major contributor to Minnesota’s economy.

McCully provided statistics about Minnesota’s children and workforce. McCully shared highlights from the child care and business section of the report which found that child care: cultivates the future workforce; increases employee retention and labor force participation; lowers turnover costs; enhances recruitment of new employees; attracts a skilled workforce to the area; reduces absenteeism; and increases productivity in existing employees.

McCully discussed some of the strategies the child care industry has been promoting with the business community which include: partnering in long-term planning; incorporating child care into business and residential development; and providing a range of child care benefits to employees. These benefits include developing on-site child care, offering flexible scheduling, providing help with dependent care tax accounts, and offering back-up or sick child care.

Senator Pappas asked if McCully had seen a model in which an employee could be provided with child care benefits as an alternative to receiving health insurance benefits. For example, in families with both parents in the work force, many times one of the parents is not using their health benefits because they are covered by the other spouse’s insurance as a family unit.

McCully answered she had not heard of such a program but thought it was an interesting idea to bring forward.

McCully testified the child care industry in and of itself is important to the economy. The report found annual gross receipts of the licensed child care industry to be \$962 million dollars. If all of the receipts of unlicensed child care and other early childhood programs could be quantified and added the figure would be much larger. In comparison, the licensed child care industry is just a bit smaller than the hotel industry and is 77 percent of the size of the corn industry. The licensed child care industry also supports 28,000 full-time jobs.

McCully added investing in quality child care is a win-win situation which benefits government, businesses, banks, communities, and children. McCully pointed out the importance of recognizing the role of child care in building and sustaining the state’s workforce and as an infrastructure we need to support. She provided an analogy that it is understood that it is the employee’s responsibility to figure out how to get to work but we don’t ask them to build the roads. She concluded her testimony with further recommendations to support efforts to build public/private partnerships and focus on quality child care.

Senator Lourey commented there is another way to look at McCully's analogy that we expect people to find a way to work, but we don't ask them to build the roads. Through the revenue from the gas tax we all build the road together. Senator Lourey added we could also build the child care infrastructure together.

LOUISE NOOMEN, ADMINISTRATIVE ASSISTANT, TRACY ECONOMIC DEVELOPMENT AUTHORITY

Handout: "*Tracy Economic Development Authority: The Economic Development Case for Child Care*" written copy of testimony

Noomen testified the Tracy Economic Development Authority (EDA) has taken a leadership role in sharing the idea that child care is a valuable part of the infrastructure needed to bring new business and industry to their rural community. Her position was created two years ago to further develop and ultimately create a child care center in Tracy. Noomen said adding child care to the existing infrastructure picture expands on the viability and willingness of their community to ensure a positive and supportive atmosphere for business development and the working parent.

A non-profit corporation, Tracy's Kid's World, has been established and the goal is to make a child care center a reality. In addition to serving the families of Tracy, the center would serve the communities of Garvin, Balaton, Amiret, Milroy, Walnut Grove, and Currie. Noomen asserted adding quality and affordable child care for their workforce will only enhance their rural community and provide interest for more families to move to their rural area.

Noomen said many ideas were explored in pursuing the best avenue to provide quality and affordable child care. A stand-alone facility would have difficulty maintaining a low overhead and would not be able to carry much debt load, key issues to consider. The hospital in Tracy is planning an expansion for their assisted living, congregate, and memory care units. Positive steps are being taken to include Tracy Kid's World with this expansion. Noomen stressed the importance of child care and added that businesses must realize the importance quality child care has and the investment needed to continue to develop a quality workforce. Noomen said tax options are available to the employer and employee for child care through the use of Flex Plans. She added a child care assistance benefit could be one way for an employer to invest \$.50 to \$1.00 per hour per child over and above what the flex plan options offer.

Senator Pappas asked if there was a way businesses could use child care benefits as a tax deduction and asked if health benefits could be taken as a deduction for the employer.

Senator Lourey answered her company has an onsite child care center and they offer the pre-tax dependent care program along with an extended benefit plan that employees can use for whatever their personal needs are including child care. Senator Lourey further explained how they formed a nonprofit child care center. To keep the wages up for the providers the business subsidizes the child care center about \$3,000 per month.

Senator Pappas asked if the donation to the non-profit could be taken as a tax deduction.

Noomen answered that a business should be able to as it would be considered a donation which are an allowable tax deduction.

Senator Foley asked about the number of clients, the costs, and if there was employer, city or county subsidization of this program.

Noomen answered they are just in the beginning stages of the development of the center. She added the only city dollars that would be spent would be through the EDA for soft costs to get the center up and running.

Senator Pappas asked if there was an organization that helps with start up funds for child care.

Noomen answered there were some funds available, but not a lot, through the Child Care Resource and Referral Network (CCR&R).

Ann McCully, executive director of the Minnesota CCR&R, further explained the CCR&R system has grants available for start-up, emergency, and other grants. She added that the Development Corporation for Children (DCC) does a loan program specifically to give start-up loans to family child care and child care centers. There are also some other business support systems in the state.

Noomen added when looking at loans to start a non-profit corporation you have to be aware of the debt load and if you can pay that debt back.

Senator Pappas asked what legislative district the center would be in.

Noomen answered it was in Rep. Siefert and Senator Vickerman's district.

Senator Pappas said she'd show Ms. Noomen's testimony to Senator Vickerman if she hadn't already met with him.

Representative Sykora mentioned she grew up in Milroy/Walnut Grove area in rural Minnesota so she's very familiar with Tracy. She was glad to see that Tracy was moving forward with their child care.

MOLLY CARON, GENERAL MANAGER, EMR INNOVATIONS

Caron spoke about EMR Innovations, a software development company located in St. Cloud, and how they developed an on-site company child care center. Caron described the work the company does and their on-site child care and preschool program called Little Innovators.

Caron testified EMR's highly skilled staff is one of its more important assets. In 1999, EMR relocated its offices to a newly renovated building on 10 wooded acres on the outskirts of St. Cloud. In the midst of a competitive job market for information technology (IT) professionals, EMR made the decision to enhance their employee benefit package by adding on-site child care to recruit new employees as well as retain their existing staff. A part of the building was designated and renovated for the child care facility. EMR employed about 70 staff at that time. The child care center was, and is, open to EMR staff as well as the general community.

Caron stated that by creating a quality on-site child care facility, EMR made a commitment to its staff, its customers and its community. To its staff, EMR committed to creating a family environment, where parents feel more secure in the nurturing and care of their children while

they work. Helping working parents with some of the challenges they face leads to a less stressed working environment. Stress manifested in the workplace can lead to employee burnout, absenteeism, and lost productivity. A less stressed environment leads to a happier more productive staff. Caron added the chief executive officer's (CEO) office overlooks the outdoor play area for the children and watching children swing and ride Big Wheels has helped him put many stresses in perspective. To its customers, EMR provided better quality services and products through its more productive staff that are eager to assist customers and take pride in their work. This led to higher levels of customer service and quality workmanship. EMR showed its clients how much they respect and value the client/vendor relationship. To its community, EMR filled a very real need for quality child care in their area. Little Innovators has had a waiting list from almost the day they opened. They have provided jobs for several child care staff in the area and quality child care for many working parents. Also, Little Innovators prepares children to succeed in their future years in school.

Caron stated that child care is as critical as healthcare benefits are to any working family with young children. Little Innovators Child Care and Preschool Center is licensed for 48 children, split into four age-appropriate rooms. The center has a full kitchen, two outside play areas, and child-to-teacher ratios lower than the state licensing requirements. Little Innovators has approximately 14 staff caring for between 30 and 40 children. Their philosophy stresses that each child deserves to be treated with the highest level of respect and be given love, nurturing and a sense of being understood. Caron said this leads to good self esteem and confidence, characteristics they will need the rest of their lives.

Caron shared several e-mails regarding the child care facility and the value it brings to the workplace from EMR staff. Caron testified that identifying and addressing their staffs' child care needs have helped set their company apart from the rest. She added that she hoped everyone realizes what a crucial issue this is and that the business community needs to be educated on the many benefits of establishing high quality on-site child care facilities. The development of such facilities benefits working parents, their children and the local economy.

Caron concluded her testimony with a policy recommendation to support legislation to assist businesses financially with the start-up investments required to establish quality on-site child care centers.

Senator Pappas asked if all of the employees with small children used the center.

Caron answered that all but two staff members with young children used the center.

Senator Foley asked if the center offered sick child care.

Caron said they had looked into adding a facility to provide sick care with an addition to their current building. However, they have not executed those plans because of the downturn in the economy. At this time, parents need to take their children home when they are sick. Caron added they strive to prevent as much illness as possible through their procedures.

MEGAN GUNNAR, PH.D., PROFESSOR OF CHILD DEVELOPMENT AND DISTINGUISHED MCKNIGHT UNIVERSITY PROFESSOR, COLLEGE OF EDUCATION AND HUMAN DEVELOPMENT, UNIVERSITY OF MINNESOTA
Handout: "*Stress and Development: Implications for Child Care*" PowerPoint presentation

Gunnar provided information about the role of stress and stress hormones on brain development and what the implications are for child care and the quality of child care. Gunnar detailed how psychological stress is translated into biological functions and explained how elevated cortisol levels can influence behavior. She discussed animal studies which showed that early experiences are linked through a biological process to learning, memory, appropriate behavior, and drug and alcohol abuse. Gunnar discussed studies with children that showed that sensitive and responsive parenting provides a very powerful stress buffer. Children receiving insensitive, intrusive, or neglectful care seem to be developing more reactive stress biological systems. A Wisconsin study of how families integrate work has demonstrated that by age four and one-half years children reflect the amount of stress their parents have been under.

Gunnar testified we know from a lot of studies that high quality child care can be great for children. Studies have shown children who spend long hours in poor quality child care arrangements show behavior problems at increasing rates. A study that compared the morning and afternoon levels of cortisol of children while in child care and at home on a non-child care day showed by late afternoon toddlers in child care have elevated levels of stress hormone. Older children had levels that were more similar to home. Also, the transition into child care is stressful. Gunnar said quality of care is critical and quality matters hugely to what children experience in terms of stress. Children with behavior issues respond differently to child care. Gunnar summarized that stress hormones that sculpt brain development are elevated when young children are at child care primarily if the care is poor and they are entering new care arrangements.

Senator Pappas asked if there have been studies that have looked at children coming from stressful homes who go to quality child care.

Gunnar answered the behavioral data has shown high quality child care can be a benefit for kids who are living in homes where the parents are struggling. Poor quality child care added to a stressful home can make it worse.

Senator Foley asked how we might accomplish something in this area given the importance of the findings.

Gunnar answered can we use the biological information to show this is not just the way kids feel, it's actually affecting the way their brains are developing.

Senator Foley asked if there was a way the information about cortisol levels in different settings could be made available to parents so they could make a better choice about child care.

Gunnar said this is just one of many things a person would want to look at. There could be a way to share the information with parents.

Representative Clark asked if there have been any studies which look at correlations with nutrition and other things such as lead or arsenic poisoning.

Gunnar answered and discussed some animal studies that have looked at some of these relationships.

Representative Clark said this would be helpful to study this area further.

Representative Sykora asked what the optimal time would be for an average mother from an average home to return to work and put their child safely in child care without them having to go through too much stress.

Gunnar answered that it depends on the nature of the child care that is available and on the person. It could be day two if high quality care is available, the parent is able to make it seamless, and if the people taking care of the child are capable of developing relationships so children feel they are going from the parent they love to the teacher they adore and they know adores them. Children are capable of, and enjoy having multiple attachment relationships. The issue is what care is available for most people. If we could create more of the kind of care just described it is great for kids. Children love it and love the stimulation. Their parents feel good and there's good communication back and forth with the caregivers. Children feel like they are living in an organized care environment and they benefit greatly.

Senator Pappas commented that the information that stress levels increase as the day goes on is very useful information for parents to have.

Gunnar responded the challenge for the child is getting integrated into the child care setting. If they come later in the day trying to break in the established playgroups is difficult.

Representative Ruth asked how the children and homes to study were selected. Were they across a broad socio-economic range?

Gunnar answered there has not been a great range in the child care work that has been done. The Wisconsin study she mentioned about the work-family issue had a wide socio-economic range.

Representative Clark asked if we have numbers about the percentages of child care that would be rated as poor, moderate, and excellent quality.

Ann McCully, executive director of the Minnesota Child Care Resource and Referral Network, answered that a quality rating system has not been instituted in Minnesota, but is an idea that has been discussed. Centers that are accredited by the National Association for the Education of Young Children (NAEYC) comprise 12 percent of centers in Minnesota. Last session there were some cuts to the reimbursement for accredited centers so some of the incentive to be accredited has been lost.

Representative Clark asked if someone is proposing legislation around assessing quality.

Barbara Yates from the Department of Human Services (DHS) answered there is a study being conducted on the quality of child care in Minnesota and the study will be released this spring. DHS is also currently doing a study in accredited child care centers looking at how they are doing in preparing children for kindergarten.

Laura Plummer-Zrust from the licensing division of DHS answered the licensing information we have is regulatory. Licensing standards are often referred to as minimum health and safety standards.

The meeting adjourned at 11:05 a.m.