

San Francisco Business Times

Child care feels squeeze

Weak economy stunts growth

Daniel S. Levine

The strong economy of the late 1990s took its toll on child care in the Bay Area as the industry's low wages made it difficult to attract and retain employees and rising real estate prices squeezed providers.

Now the weak economy is wreaking its own havoc on the industry. Centers struggle to stay open despite staffing and real estate pressures, while parents pull out of programs because they lost their jobs.

"It's a double whammy for centers.

As the strong economy and demand for services grew, there was a labor drain. Now that the economy has slowed and parents have gotten laid off and pulled their kids, the demand has dropped," said Shelley Waters Boots, research director for the California Child Care Resource & Referral Network, a statewide membership organization that advocates for quality affordable child care across the state. "They can't keep teachers when times are good, and then their doors are shutting because they are losing enrollment when times are bad, so it's a real Catch-22."

Judith Baker, executive director of South of Market Child Care Inc. has experienced the dilemma first hand.

"Last year was extremely difficult for us because there was a constant exodus of families," said Baker. "We would be full and then we'd lose families and we didn't have other families waiting for those positions. Last year we had a revolving door of children and before that we had a revolving door of staff."

Fragile system

California's child care infrastructure plays a critical role in the state's economy, according to a study prepared for the National Economic Development and Law Center as part of the Local Investment in Child Care Project last fall. Child care allows working parents to earn \$13 billion annually. Those earnings, in turn, create more than \$40 billion in total direct and indirect personal income, generates \$5 billion in tax revenues and supports 1.1 million jobs.

But the child-care system is a fragile one that has failed to grow with demand in good times and even now still lags demand for open slots to care of children under the age of 3 as well as subsidized care. In the Bay Area, demand is better met than throughout most of the state, according to a recent study by researchers at Policy Analysis for California Education, an independent research center based at the University of California, Berkeley and Stanford University. Statewide, there was only one child-care slot for every seven children of working parents under the age of 5 between 1996 and 2000. Most Bay Area counties ranked toward the top of the list with Alameda, Contra Costa and San Francisco having about one slot for every four children of working parents under the age of 5. But the absence of meaningful growth of new child-care slots during a period of robust economic expansion suggests troubling implications for the economic health of the region.

Child-care experts are struggling to figure out what is going on. In Northern Alameda County, where just a handful of centers typically close each year, 19 closed last year.

"We see more centers closing now than ever before," said Arlyce Currie, program director of the child care resource and referral agency Bananas, which serves Northern Alameda County. "At first we thought it was mainly the staffing issue, but we're also worried about rent and there is also an aging out of the population that has traditionally been running child-care centers so we are losing expertise.

"The mode of delivering center-based care is an endangered species and we really better pay attention to it," Currie warned.

Complex problems

The news has not all been bad. Experts point to programs that offer stipends to child-care workers who continue their education and stay on the job.

Such programs help ease some of the pay pressure felt by workers and induces workers to stay on the job, but many say the child care's complex problems require far greater public investment if the system is to meet the needs of working parents and their children.

Marcy Whitebook, senior researcher at the Institute of Industrial Relations at the University of California at Berkeley, said there's been little progress. Despite the

[INDUSTRY UPDATE](#)

[Economic Snapshot](#)

[EMAIL NEWS ALERTS](#)

[Sign up to receive free daily business updates by email every weekday afternoon.](#)

[Use Search Watch to watch for related topics, companies.](#)

[Receive free Industry News via email. Choose from 46 different industries.](#)

additional money being spent by public agencies, the industry isn't growing in line with demand.

"There is certainly more public awareness about child care and child-care problems, but we are still reluctant as a society to say this is a really big thing," Whitebook said. "We have to think about making public investment in this so we have some kind of system in place so that families have choices. In child care there really isn't a system in place. For most families, the private solution is really the only solution."

Daniel S. Levine covers the Bay Area economy for the San Francisco Business Times. n