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JOB CREATION IN THE FAMILY SERVICE SECTOR:
THE CASE OF CHILD CARE*

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*This report is part of a larger project on local economic development in Berkeley, undertaken by a group of faculty and graduate students at the University of California and members of the Planners' Network.

The summary report, Economic Development: An Implementation Strategy for the City of Berkeley, by Ann Markusen and Marc Weiss, and related papers, are available from the Institute of Urban and Regional Development, University of California, Berkeley.

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INTRODUCTION

Child care is not a lucrative enterprise. It does not promise high rates of profit. But child care is a very labor intensive activity and provides employment for growing numbers of Berkeley residents--almost all women, many of them black. Much available child care takes place in the providers' homes, referred to as family day care. Some institutional child care is also available, referred to here as child care centers.

THE ECONOMICS OF CHILD CARE PROVISION

Cost of Provision

Our preliminary research indicates that child care in day care homes costs approximately \$180-350 per month per child, depending upon the age of the children and the costs confronted by the provider. Table 1 presents the monthly range of costs and charges typically found in Berkeley at present for full-time infant and pre-schooler care. Expensive child care refers to situations in which the ratio of adults to children is one to six for pre-schoolers and one to three or four for infants, and in which the provider and employees are paid a wage of \$6.00 and up per hour,* and where no subsidies exist. Moderately priced child care is also available in Berkeley at the stated rates, but the lower charges reflect situations in which the providers and employees are receiving a wage below \$6.00 per hour, the number of

*The hypothetical earnings of \$6.00 per hour may be eroded by fluctuations in attendance, if parents do not pay for their slot during sickness or vacations.

TABLE 1

Monthly Full-Time Family Day Care Costs/Charges, 1981, Berkeley

<u>Cost of Care</u>	<u>Pre-Schooler</u>	<u>Infant</u>
Expensive	\$230-320	\$270-400
Moderate	\$155-230	\$180-270

Table 2 presents hypothetical cost estimates by type of expenditure for full time operation of a six child day care home with one adult, assuming optimal conditions and no subsidies.

TABLE 2

1980 Estimates Full-Time Monthly Costs of 6-Child Day Care Home*

	<u>Monthly Cost</u>
Food	\$57.00
Professional Costs	10.00
(dues, newsletters, books)	
Insurance	5.00
Business Expenses	15.00
(gifts, publicity, photos)	
Toys, equipment	66.00**
Supplies (paste, paper, paint)	7.00
Salary (@ \$6.00/hr)	1050.00***
Miscellaneous	30.00
Rent, utilities (or depreciation, if homes is owned) for that portion devoted to childcare	<u>235.00</u>
TOTAL	\$1475.00
Cost per child	245.83

*Estimates calculated from conversations with child care providers, Jan-Feb., 1981. These costs fall significantly below the federal figures of \$5500/year/child.

**Allowance high for first year(s) of operation: would be less if longer.
***Self-employed income--does not include unemployment, social security, etc.

children per adult is greater than optimal, the environment is less than optimal, or subsidies permit lower charges.

Figures for center-based care were not calculated separately. Centers tend to charge slightly higher rates, up to 20% higher than family day care (e.g. \$50 a week versus \$40 a week for preschoolers). The cost structure for centers appears to reflect higher non-labor costs than family day care. Centers must pay rent, business taxes, payroll taxes, and benefits for workers. They also tend to incur higher overhead costs, greater equipment charges, and increased costs from licensing and safety regulations. Family day care, in comparison, may take advantage of tax writeoffs, entitlements for food programs, and freedom from other forms of regulation. Family day care operators may realize a higher salary than the average center worker, according to our sources. Center care does not promise any economies of scale. An estimated seventeen centers operate on a for-profit basis in Berkeley, but it is unlikely that profit margins are high.

Affordability for Parents

Affordability of child care is an important issue. We calculated the costs and percentages of income spent on child care for hypothetical families with one, two, and three children. The results appear in Table 3.

The cost estimates of Table 3 indicate the high price of child care to parents. Assuming that parents were willing to spend 20% of the gross (before tax and deductions) income on child care, only those parents whose income/household size fits into the lower left corner of our table

TABLE 3

Monthly Incomes and Child Care Costs, Amounts and Percentages*

# Children	One	Two	Three	
Cost/Month	\$250	\$500	\$750	
Household Wage				
One Earner				
per month	per hour			
\$688	\$4	36.3%	72.6%	109.9%
\$1376	\$8	18.2%	36.4%	54.6%
\$1600	\$10	15.6%	31.2%	46.8%
Two Earners				
per month	per hour			
\$1376	\$4 \$4	18.2%	36.4%	54.6%
\$2064	\$4 \$8	12.1%	24.2%	36.3%
\$2976	\$8 \$10	8.4%	16.8%	25.2%

affordability
boundary

*Assumes optimal conditions, non-subsidized care for pre-schooler age.
Higher charges and infant care would inflate costs still more.

would be able to afford child care. Single parents at low wage levels would be unable to cover the cost of care for one child. Relatively high income earning households with two parents would not be able to comfortably afford the full time care of three children. The affordability picture indicates that subsidies for child care will be increasingly necessary unless income distributions within the population change.*

If child care, like education, should be regarded as entitlement, greater,

*Subsidies exist in various forms, including vouchers to parents, partially or fully subsidized "slots" in child care centers or family day care homes, reimbursements for meals served, and tax credits to providers of child care, and to parents.

if not complete, subsidization will become a feature of future public policy.

Despite the high cost of child care, unmet demand for quality child care in Berkely remains high. A recent study done for the city* indicates that high levels of unmet demand exist, particularly for infants. It is this lack of adequate supply, together with the good performance of child care as an income producing service employing members of the target population, that leads us to focus on child care as a part of an alternative economic development program. If Berkeley were to provide additional child care to meet the needs of the children currently on center child care waiting lists alone who are not presently in family day care (70% of 612, or approximately 428 children), something like eighty-five additional jobs would be created in child care services. These incomes would in turn be spent in Berkeley for the most part.

A Living for the Provider

While day care establishments--family and center--are not highly profit-making operations, they do provide satisfactory incomes for many Berkeley residents. Child care requires extensive skills. Such skills may be mastered by apprenticing or by watching or experiencing successful childrearing, as well as through formal schooling. Some early childhood education programs are available in universities and community colleges, but opinion on the necessity of extensive training is divided. Many providers, parents and referral groups contend that quality child care can be performed by providers with relatively little formal schooling.

*Amanda Smith, Owen Persons, "Day Care Need in Berkeley: A Preliminary Study," 1980. The study estimates that 56% of Berkeley's 7684 children of preschool age require child care.

Center care generally requires credentials, i.e., a minimum of 12 units of college-level course credit in early childhood training.

For many parents, mostly women, family day care has become a means of making an income while caring for their own children. By doing so, they can also cover some of their living costs--for space, for toys, for utilities--from charges for other children. A woman whose two children would cost her \$500 a month for child care, or half her gross pay if she makes \$12,000 a year, could take four other children into her home, charge \$250 apiece for child care, and realize twice as much income as she would if she had worked outside her home. Even though the apparent salary in this case would be approximately \$4.00 an hour, the family day care operator is still enjoying a better income than she would as a wage worker.

In addition to serving as a source of income, family day care permits many Berkeley residents, particularly in southwest Berkeley, to keep their homes in an era where housing prices are escalating fast. Child care in a neighborhood appears to carry with it positive externalities for neighbors. Family day care homes are generally the best kept and most attractive in appearance, and the day time presence of adults and children in yards and on streets indirectly serves to keep a crime-detering watch on neighborhoods.

ENCOURAGING CHILD CARE PROVISION

Most of the current federal subsidies to child care are in jeopardy under the Reagan administration, and Berkeley's existing array of

subsidized child care services have a struggle ahead in order to maintain current service levels. If child care is included as part of an economic development program, the measures taken should neither channel money away from, nor compete with, existing services. Neither can the city count on large sum of federal monies for new economic development projects. For these reasons we have focused our suggestions on non-subsidized child-care provision and on relatively inexpensive measures which would nonetheless have a noticeable impact.

Start-up and Rehab-Capital

Small sums of capital could be made available to potential family day care providers to improve their space and make it suitable for children. This involves particularly the restructuring of space, including play yards; safety features such as sufficient fire exits, adequate plumbing, new floors, paint, etc. Small loans for such purposes could be made from the revolving loan fund that now exists or from a similar fund established for this purpose, in amounts not to exceed \$5,000. Because of the low profit margins under which family day care centers operate, care should be taken to ensure sufficient time for repayment and small but regular monthly payments.

Zoning

Zoning creates some problems for child care, particularly for providers wishing to set up centers, family day care for six to twelve children, or family day care operations that are small but are not in their own homes. Since family day care appears to upgrade neighborhoods,

since it increases traffic marginally only for brief periods in the morning and afternoon, and since the increased presence of children occurs only during weekday daytime hours when other residents are generally working, day care should be considered a benign activity and rezoning approved unless some extraordinary consideration argues against it. Family day care permits Berkeley families, particularly those in southwest Berkeley, to keep their homes in an era of rising home prices and pressure to sell.

Technical Assistance

The Berkeley community has an enviable store of child-care expertise, which ought to be more fully and directly utilized by the city in any economic development plan related to child care. The community has a well-developed child-care providers' network, the Berkeley-Albany Licensed Day Care Operators Association. It also has superior, compared to most areas, city-subsidized referral and technical assistance services in Bananas and Berkeley Children's Services. These services can be used to encourage potential providers to go into business, to help them obtain training, finance, entitlements (e.g., federal food subsidies available for every child regardless of income), insurance and business skills. In addition, the advice and input of those groups should be obtained at every step of the process. A Day Care Advisory Board already exists but appears to be underutilized by the city. It could play a larger role, similar to PIC in the Business Incentive Program, in the targeting of child care as an economic development activity. Alternatively, a representative of the Berkeley-Albany Licensed Day Care Operators

Association could sit on the PIC to articulate the special needs of this sector. A coop representative could bring to the PIC the special problems of parent-initiated day care operations.

The city could offer, through its libraries and its staff, additional services to providers. Tool-lending libraries and a city-paid or contract carpenter and plumber, available for a reasonable fee to providers, could help providers with space consultation and minor repairs and conversions.

The City of Berkeley might also consider requiring the Fire Department, which currently inspects for safety, to help providers meet standards instead of merely certifying them. Some providers currently experience difficulty in meeting standards which could be overcome with some expertise and a little labor time.

Space Provision

The City might also consider ways in which existing and new space could be made available to providers for child care centers. No new centers have started up in Berkeley for five years, primarily because of unavailability of space. One of the main constraints on space is the city prohibition on the conversion of housing to other uses. Recognizing the importance of housing in Berkeley, here are some ways the City could provide space for child care centers without converting housing stock into purely business premises.

(1) The City could take a more active role in negotiating leases with the School District at modest rates to providers and parent co-ops wishing to supply child care. A Child Care Housing Task Force exists in Berkeley and has successfully helped a number of child care centers negotiate

such leases--The Caring Center, the Berkeley After School Program, and the now-forming employer sponsored center of Lawrence Berkeley Labs (using University of California space) are examples of centers which are using existing educational space. Child care is especially scarce in the Berkeley Hills area, where several of the closing schools are located and where opposition to family day care has been traditionally strong. (Note that employment opportunities in the better-off neighborhoods may be filled by target area--West Berkeley--residents; bus connections, while not great, do exist.)

(2) Another source of child care space is in new buildings. The city could require that new construction of significant footage (office buildings, commercial space, apartment complexes, low and moderate income housing, e.g. Ocean View, Savo Island) provide child care space leasable to potential providers. It now requires, for example, parking space to be provided, especially if public funds are involved. Senior centers could incorporate child care space, thus permitting older Berkeley residents an opportunity to care for children.

(3) The Business Incentive Program services, already helping some small businesses and large firms who wish to locate in Berkeley to find space, could be extended to the child care sector. As an example of such assistance, when three of the child care centers involved in the Child Care Housing Task Force leased temporary buildings from the school district, it took them six months to find land on which to put the buildings, which they eventually found with the help of the staff of the city Board of Adjustments.

Employer Based Child Care

Employer-based child care is being looked to by those concerned with provision of subsidized child care as the most fertile ground for development in the current political climate. The City could encourage the provision of employer-based child care in a number of ways.

The City could help employers find space and deal with zoning problems. The City of Sunnyvale has passed a resolution offering special attention to employers willing to offer child care. The University of California, Berkeley's single largest employer, has announced plans to close its child care facilities. This would leave present child care workers unemployed and result in a loss to parents of one of the best infant care programs available in Berkeley. University child care is offered only to students. The City should urge the University to retain its current facilities and to expand child care options for its faculty and staff.

The City might also consider the need for child care among its own employees and pioneer a joint parent/employer-supported cooperatively-run child care center at or near the work place of its employees. Thus, by providing a model in this field, the City could indirectly further provision of subsidized care, in addition to providing child care services and employment for Berkeley residents.

Parent Initiated Child Care

Child care is an area of activity in which parent-initiated care has been quite successful. According to Bananas, there appears to be substantial across-the-board demand for this form of alternative child

care. Under this model, several sets of parents join together to either share care among themselves or hire one or more child care workers to serve their children. It is, in essence, a consumer coop. Care may take place in one or more of the parent's homes, or in another space sought by a parent cooperative. Management is assumed by the parents, who meet to discuss the business aspects as well as the quality of the experience received by their children. This form of child care could be expanded if clearing house facilities for parents to get together, locate employees, find space, and begin operation were expanded via the existing referral services. The encouragement of parent-initiated care would enhance employment opportunities for child care workers in Berkeley, in the same way that family day care and centers do.

The issue of licensing presents an additional problem for parent-initiated child care, besides the common space and financing problems. Meeting licensing requirements is frequently difficult for parents' coops. While licensing is a State of California function, the City of Berkeley could help concerned parents to qualify for licensing as well as contribute to efforts to improve State licensing flexibility.

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