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## Guest Opinion

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### Child-care cuts will give business plenty to cry about

*By Theresa Feeley*

A proposal by the Gov. Davis to save \$108.8 million this fiscal year may cost businesses substantially more.

The administration has framed its proposal to cut the CalWORKs Stage 3 Child Care program as a cut to bloated human service programs. However, subsidized childcare is as important to businesses as it is to families. Cuts to this program will result in increased turnover and reduced productivity of workers. It's a classic "penny wise, pound foolish" idea.

The Stage 3 Program subsidizes childcare for families who have been off of welfare for at least 2 years and earn less than 75 percent of state median income.

In San Francisco, 627 families with 1,160 children are enrolled in Stage 3 Child Care. As former welfare recipients who are now employed, they represent the "success stories" of welfare-to-work. Nonetheless, almost 60 percent of them have incomes below 50 percent of state median income, or under \$31,500 for a family of four.

Should it pass, the governor's proposal to terminate the Stage 3 Child Care program on April 1, 2003, will result in 59,000 children in California losing their childcare. The loss of childcare will put the parents in these 31,000 working families at risk of losing their jobs and the companies they work for at risk of losing productive employees.

#### **Cost of turnover**

Job turnover is a significant cost for businesses. A recent survey by the American Management Association states that the average cost to replace an employee is 30 percent of their annual salary. Although these costs vary by industry and occupation, they are significant, even for the type of entry-level jobs in which most former welfare recipients are likely to be employed. Industry studies find the cost of replacing a supermarket cashier to be \$3,637 and front-line hotel staff to be \$4,100. Call centers estimate the direct costs of turnover to be 50 percent of an employee's annual salary.

Job loss could mean that California businesses will bear the cost of cuts to child care to a tune of over \$150 million almost immediately. As workers without dependable childcare churn through multiple jobs, the business costs of cutting the Stage Program will continue to increase over time. In addition, without Stage 3 Child Care, some families may have to return to welfare, costing the state more in terms of direct cash assistance. Other families will resort to less formal or lower quality childcare.

Even if the parents don't lose their jobs, their productivity at work is likely to suffer as a result of worrying about their children's well-being. Absenteeism will also increase. Childcare arrangements with non-center providers break down an average of 8 to 10 times per year. It's estimated that absenteeism caused by poor quality childcare costs American business more than \$3 billion a year.

### **Benefits worth keeping**

Subsidized childcare for low-income, working families is a "win-win." Without it, both families and businesses will suffer financial hardship. These two constituencies — and the policymakers that represent them in Sacramento — should rally together to oppose cuts in child care that will have a negative effect on families' and business' bottom line.

*Theresa Feeley is executive director of San Francisco Works. Jim Wunderman, a senior vice president at Providian Financial, co-wrote this opinion*

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