

Employer Child Care Growth Slows With the Economy

by Roger Neugebauer

Not surprisingly, 2002 has been a challenging year for providers of employer child care. With the economy and the stock market in the doldrums, major employers were reluctant to move forward aggressively with new work/life initiatives.

In fact, for the past two years, growth has slowed considerably for employer child care. Employer child care capacity increased by 6% in 2001 and 4% in 2002, compared with an annual rate of increase of more than 10% for the previous five years (See Table 1).

The growth rate for this year was quite uneven with two-thirds of the companies surveyed actually losing capacity in the employer centers. Bright Horizons Family Solutions was the major exception to the trend, adding nearly 19% to its capacity in 2002.

Impact of the Recession

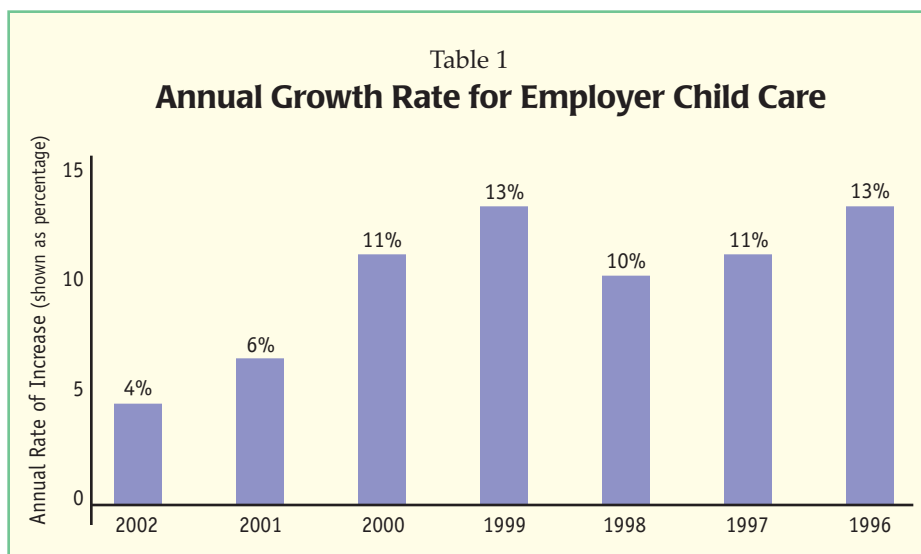
Far and away the most significant trend observed by survey respondents was

the impact of the struggling economy on the demand for employer child care. Here are some typical comments:

Dr. Elanna Yalow, Knowledge Learning Corporation: "Given the economic downturn, we have found that employers are responding to the need to become more creative in pursuing their commitment to support employees' child care needs. We are committed to partnering creatively with clients in order to help them reach their organization's work/life goals while also recognizing the economic reality."

Bob Siegel, Easter Seals Child Development Center Network: "The most significant trend in employer child care is that many companies and industries are not currently faced with a staffing crisis; thus the impetus for providing on-site care is more a matter of principle or corporate ethics than simply financial self interest."

Sheri Senter, National Pediatric Support Services: "I see employers cutting back on their desire to increase expenses relating to work/family benefits. Employers in Southern California



are not undertaking new programs and a few major corporations have cut child care benefits because they have merged with another corporation and eliminated duplicated services.”

Organizational Changes

In the past 12 months there have been a number of organizational changes. The most unusual involved the acquisition dance between Childtime Learning Centers and Tutor Time. In November of 2001, Childtime hired as their new CEO, Alfred Novas, former CEO of Tutor Time. In January Novas announced that Childtime was acquiring Tutor Time. By March, Childtime had backed away from the acquisition and fired Novas. Then Tutor Time filed for bankruptcy and Childtime acquired Tutor Time from the bankruptcy court.

In other developments:

- In January Bright Horizons Family Solutions announced that David Lissy had been named as CEO.
- In June ARAMARK Educational Resources named Jeff Wheatley as its CEO.
- In July Children’s Courtyard named Karen King, former CEO of Children’s World, as its COO.

Globalization

Several years ago, Bright Horizons was the first United States child care organization to expand in a significant way overseas. This year, the Boston-based company sped up the pace of its globalization with the acquisition of 55 centers outside the United States.

Most recently, Bright Horizons acquired the 48 nurseries of Kinderquest, the largest provider of employer-sponsored child care in the United Kingdom. Earlier in the year, it acquired four Red Apple nurseries in Scotland, two centers

in Dublin, and one in Canada.

In explaining their international expansion, **Dave Lissy** notes:

“We are finding demographic trends and client demands that are supporting a growing need for employer-sponsored child care in Europe. . . . For example, women are currently entering the British workforce in record numbers. Within the next ten years, 80% of the two million new jobs created in the UK will be taken by women. . . . These trends will require growing numbers of employers to turn to benefits like workplace child care. . . . In addition, we are seeing increasing numbers of multinational clients who currently offer child care at their United States locations now looking to provide this kind of work/life solution to their employees worldwide.”

Flexible Options

Now that employer child care has been accepted by America’s business community as a valuable work/life benefit, employers are starting to request variations on the theme. Employers are seeking help in setting up a range of services such as family child care networks, resource and referral programs, charter schools, and summer camps. As **ARAMARK Educational Resources CEO Jeff Wheatley** observes:

“Employers are now looking for a complete global solution to their employees’ child care needs. This includes back-up care and guaranteed slots purchased by the company, as well as preferred customer agreements, where their employees receive a discount at particular child care centers. This global solution especially helps employers with multiple sites in multiple cities, where one on-site facility would benefit only a small portion of their workforce.”

Judith Rogala from **La Petite Academy** echoes this view:

“An overall child care benefit program is in demand at mid to large corporations in addition to offering employees back-up child care. Companies are looking for a way to offer child care benefits to their employees whether it is developing an on-site facility or partnering with a major child care provider to provide full-time and/or back-up care.”

Back-up care appears to be the fastest growing of the new forms of care. Not too many years ago there was only one significant provider of back-up services for employers, ChildrenFirst. Today many of the players in the employer arena are offering this service. (*Note:* The cover director for this issue, Sheila Ford, directs a back-up center for Deutsche Bank in Nashville, Tennessee.)

The Federal Government as Sponsor

One of the most active players in the employer-sponsored child care arena is the federal government. In total there are 112 child care centers serving nearly 8,000 children operating in federal buildings. The services offered by these centers are diverse: 92% of the centers offer infant care; 59% offer back-up services; and 30% provide summer programs for school-age children.

Title 40 of the United States Code gives federal agencies the authority to establish child care centers for federal families without charge for rent or services to the child care provider. The Code requires that at least 50% of the children enrolled in a center be children or dependents of federal employees.

The Exchange Top 16 Largest Employer Child Care Management Organizations in 2002

Organization	CEO	Contracted Centers	Office Park Centers	Licensed Capacity
Bright Horizons Family Solutions	David Lissy	365	100	53,500
Knowledge Beginnings	Elanna S. Yalow	75	83	17,536
KinderCare Learning Centers	David J. Johnson	47	22	9,594
<i>Childtime Learning Centers</i>		30	19	6,930
ARAMARK Educational Resources	Jeff Wheatley	28	0	3,400
La Petite Academy	Judith Rogala	28	0	3,323
New Horizon Child Care	Susan Dunkley	3	16	2,695
The Children's Courtyard	Ed Follen	0	13	2,220
Easter Seals Child Development Center Network	Bob Siegel	20	0	1,943
<i>The Sunshine House</i>	<i>Dennis Drew</i>	1	7	1,540
<i>ChildrenFirst</i>	<i>Rosemary Jordano</i>	27	5	1,501
<i>Nobel Education Dynamics</i>	<i>A. J. Clegg</i>	7	0	1,000
Chappell Schools	Lynné Harris	6	1	722
Children's Creative Learning Centers	Fran Durekas	2	4	669
National Pediatric Support Services	Sheri Senter	6	2	566
IMAGINE Early Learning Centers	Holly Saltzman	10	0	550

NOTE: Organizations listed by total licensed capacity of all contracted and office park centers as of September 1, 2002. The "Contracted Centers" column displays centers operated under contract to a single employer. The "Office Park Centers" column displays centers operated in office parks or other commercial settings serving more than one employer. Based solely on information provided by the organizations.

* For companies listed in italics, data is from our September 2001 Status Report.

The federal centers are overseen by the Office of Child Care of the General Services Administration. GSA coordinates a network of private, market-based child care providers. Half of the centers are operated on a for profit and half on a non profit basis. All operators are required to achieve NAEYC accreditation for GSA centers.

Tuition rates in GSA centers vary according to geographic location, services offered, operating hours, and other factors. Parent fees are assessed to cover the cost of daily operations. Beginning two years ago, federal agencies were authorized to help defray the tuition

costs of child care for their lower income employees.

What Lies Ahead

Like so many aspects of life in America, the child care profession, and the employer child care field in particular, will be impacted by whether the United States' economy continues to slide or makes a turnaround in coming months. On our web site, www.ChildCareExchange.com, and in our free daily news alert, *ExchangeEveryDay*, we will be carrying reports on economic trends in the child care world.

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