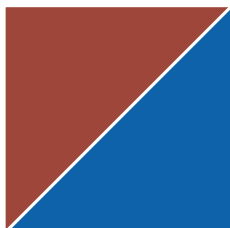


PACE



Policy Brief

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Are Child Care Options Expanding?

By Linda Jacobson

About this Series

This is the first in a series of policy briefs which offer a description of emerging issues, new evidence and new findings from the PACE Child Care Planning Project, funded by the California Department of Social Services (CDSS). For more information, please call Diane Hirshberg, Project Coordinator, at 510-642-7223 or visit our website at <http://pace.berkeley.edu>.

An Imperfect Set of Choices

An old idea in economics, boosting purchasing power has become the novel device to expand working parents' ability to buy child care. Rather than simply building more child-care facilities, policymakers have vastly expanded the availability of portable child-care vouchers.

There's no ambiguity over government's interest in expanding early education and child-care programs. Since President Bush approved the first federal child-care program in 1990, outside of Head Start, federal funding has grown at a rapid clip, totaling \$11 billion annually.

In California, preschool and child-care funding has more than tripled since 1996, rising from \$800 million to \$2.4 billion in 1999.¹ The fastest growing share is for child-care vouchers, designed to benefit families participating in the California Work Opportunities and Responsibility to Kids (CalWORKs) program, California's welfare-to-work initiative, and working families

earning less than 75% of the state median income.

The question remains whether this new faith in raising families' purchasing power is effectively widening their choices. When working parents do plug into the voucher system, what kind of care are they buying and how good is it? How does the old policy strategy of building new centers and subsidizing licensed child-care homes intersect with this newfound trust in vouchers?

Data show that parents in poor communities still have fewer choices and are limited by both the cost and the supply of care that meets their needs. In addition, changes to the nation's welfare system in recent years have increased demand for child care. Yet an examination of subsidy use by families enrolled in CalWORKs shows that even when child-care assistance is available, greater numbers of parents aren't necessarily using it.

Research conducted by PACE and CDSS reveals a wide range of



subsidy take-up rates in California. In Los Angeles County, for example, administrative data revealed that just 21 percent of families in a welfare-to-work activity in June 1999 were using a CalWORKs child-care subsidy.² Including other forms of assistance, such as state preschool and Head Start, might lift this utilization rate. Maternal interviews in San Francisco demonstrated that 50 percent of CalWORKs mothers were using some sort of subsidized care. Counties may also see increases in subsidy utilization as CalWORKs implementation unfolds and as welfare-to-work plans are refined.

Low subsidy use is not an issue only for California. New York State this year doubled the amount of money budgeted for child care subsidies, but the money is not getting into the hands of parents, according to a report last fall.³ The clog is largely due to a low supply of child-care providers and no systematic way to distribute the money. In Minnesota, where the state has taken steps to boost spending on child care and increase the number of child-care facilities, one study showed that 60 percent of families eligible for assistance were not using it.⁴

When parents don't receive subsidies, for whatever reason, they often end up paying for child care with their own money.

For example, a family of three, with a household income of \$15,000, spends between 24 percent and 45 percent of their income on child care, according to the report released last fall by HHS, "Access to Child Care for Low-Income Working Families." If that same family received a subsidy, their out-



of-pocket spending on child care would drop to between 1 and 7 percent of their income.⁵

This out-of-pocket spending on child care also varies significantly across the country, according to the PACE Growing Up in Poverty project—a three-state study of 948 mothers in welfare programs and their child-care choices. Relatively few mothers in the study are paying out-of-pocket for child care. But on average, mothers in California and Connecticut who are eligible for but not using subsidies are paying close to \$300 a month.⁶

A survey of 300 parents on child-care waiting lists in Santa Clara County, conducted in 1998 by researchers at PACE, illustrates the tough choices that low-income working mothers make while waiting for child-care assistance.⁷ Many of the mothers said they were working more hours in order to afford the type of care they had chosen, since they had no hope of receiving a subsidy any time soon. Many of these parents also relied on more than one provider, most of them informal, to cover the hours they needed care. This resulted in several transitions for children throughout the week and even during the day, which experts suggest is not good for young children.

Why Are Parents Not Using Child-Care Aid?

Anecdotal evidence in California, and elsewhere around the country, suggests that the process of signing up for child-care assistance can simply be too much trouble for a mother who might not have transportation. Also, entry-level workers in low-wage jobs usually don't have the option of taking a day—or more—away from work to handle personal matters.

At what was called a "Parent's Convention on Child Care," sponsored by the Human Services Network of Los Angeles in November 1999, 270 low-income

Many said they were working more hours in order to afford the type of care they had chosen.

parents expressed their views on how to improve child care. Parents complained of being treated with disrespect by staff members at the welfare offices, receiving incorrect information and needing child care while they are looking for a job. Some also said their providers were withdrawing their services because they weren't receiving payments on time.

While some parents might feel that navigating the subsidized child-care system is not worth the effort, others are managing quite well. One CalWORKs mother in Alameda County, who shared her thoughts at a focus group, said her caseworkers had been responsive and informative: "Actually, they made it so that a 5-year-old could do it. So it's pretty self-explanatory, real simple," she said about the process of getting her child-care provider paid. She went on to say: "I can always call them and say, 'Well, I didn't understand this. Can you explain it to me? Or the payment's running late. Is there a problem?' And I get a response."

A comparison between subsidy users and non-users in Kern County shows that there are some differences between the two populations. The group using subsidies is 43 percent white, 34 percent Hispanic, and 22 percent African-American. Those not using

subsidies are 47 percent Hispanic, 37 percent white and 14 percent African American. Ninety-nine percent of those using subsidies speak English and 1 percent speak Spanish. But among non-users, 18 percent are Spanish-speaking. These figures indicate that cultural and language differences might contribute to low subsidy use. While both groups are poor, another difference was found in the earnings of the two groups. Non-users are actually poorer, making just \$593 a month. The median income of those using subsidies is about \$200 higher.

Child-care vouchers allow mothers not only to begin working, but also to become stable, dependable employees over time. Research conducted by the National Center for Children in Poverty (NCCP) on subsidy use in Maryland and Illinois shows that access to subsidies is especially critical once mothers are established in the workforce. In both states, the researchers found that the largest increase in voucher use over the period of a year was among families who had already left Temporary Assistance to Needy Families (TANF), the federal government's cash assistance program. There was little growth among families who were currently on welfare.⁸

"The experience of these states suggests that, to the degree welfare reform is successful, significant numbers of families will continue to use child care subsidies, if allowed, after leaving TANF and their numbers will build up considerably over time. Policymakers will want to consider the needs of this growing group," the NCCP report said.

High Use of Kith and Kin for Child Care

When parents on CalWORKs do use child-care subsidies, there are wide variations in the type of care they are using for their children. Whether their children are cared for in licensed centers or family child-care homes, or in license-exempt facilities, can depend largely on where they live.

For example, at the end of June 1999, about 30 percent of children in CalWORKs families using child care in Sacramento or Los Angeles Counties were in licensed child-care programs. However, in Alameda and Fresno Counties, the percentage was almost 50 percent, while in Santa Clara County, it was over 50 percent.

A study released last year by PACE showed that families living in Los



Angeles County were half as likely as those living in San Francisco County to find a preschool or a child-care center slot, and would have about the same luck finding a family child-care home. A closer look at Los Angeles County reveals a severe shortage of licensed child-care slots in neighborhoods with high percentages of children, age 0-5, in TANF families.⁹

Comfort and Cultural Norms

Parents also make choices about child care based on their cultural beliefs and the age of their children. Research from the Growing Up in Poverty project shows that African-American mothers were more likely than white mothers to choose formal care, whether it was in a center or a family child-care home. Asian American mothers were less likely than whites to choose such arrangements. Past research has also found that what Latino mothers prefer for their children is often at odds with the values they believe are taught at child-care centers and preschools.¹⁰ Studies also have shown that mothers prefer that their infants be cared for in home-like environments. But when their children become preschoolers they want the structure and the opportunities to socialize that center-based programs provide.

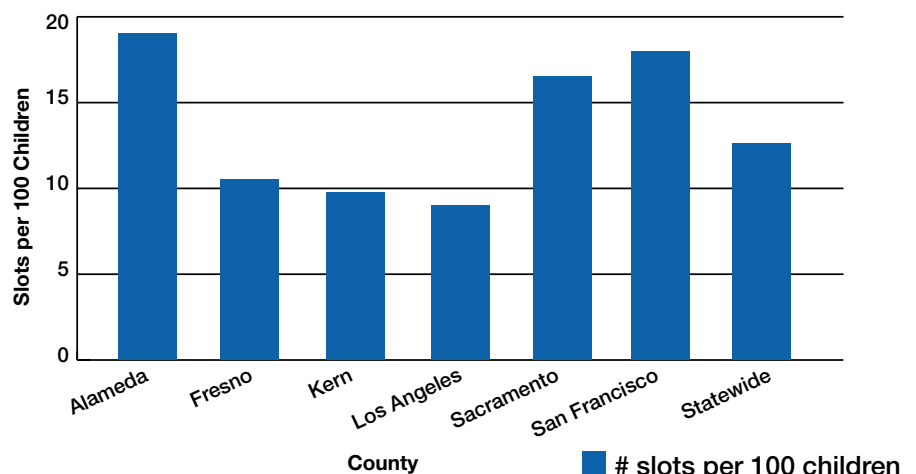
Mothers choose providers based on a number of rational reasons,

including convenience and flexibility. Several mothers who participated in PACE focus groups expressed that they preferred informal or relative caregivers because the arrangements were better able to accommodate non-traditional work schedules. “It would be very difficult finding daycare because I work until 9 p.m.,” one mother said. “Not everyone is able to be with your child that late.” Others said that their decision was based almost entirely on whether that person could provide transportation, such as picking up a child from school. And others said they wanted providers who would take all of their children, instead of just certain ages.

Research on informal child-care arrangements is scarce. But a study released in 1994 by the Families and

Work Institute, “*The Study of Children in Family Child Care and Relative Care*,” indicated that many relatives who care for young children are doing it to help out the working mothers, not because they want to be child-care providers.¹¹ The Growing Up in Poverty project is finding generally low quality among family child-care homes and other in-home arrangements, such as relative care and babysitters. The education levels of the home providers are lower than those of the center providers. On a seven-point scale, the quality of the family child-care settings ranges between a two and a three, as compared to four for the centers. At the same time, in terms of children-to-adult ratios and interaction levels between children and providers, the family child-care homes scored higher than the centers in the study.

Child Care by County: Total Supply of Licensed Care



Source: California Child Care Resource & Referral Network, 1998 and State of California, Department of Finance, *Race/Ethnic Population with Age and Sex Detail*, Sacramento, CA December 1998

Raising the Quality of Child Care

A 1996 report from the San Francisco-based Child Care Law Center stressed that even when parents using subsidies choose informal arrangements, steps can be taken to make that setting more beneficial to children. First of all, the report said, parents can be given more information on the various forms of child care—including those that fall under a state’s regulatory system and those that do not. “Without steering parents, objective information about these differences may result in some changed decision-making,” the report said. Likewise, efforts can be directed toward providers. The report said, “Many regulation-exempt family child care providers will not be interested in becoming regulated, but they may be very interested in learning how to improve their skills and provide safer, developmentally appropriate care.”¹²

There is a much larger body of research on quality in center-based programs. Most recently, data from the *Study of Early Child Care*, a longitudinal project being conducted by the National Institute of Child Health and Human Development, showed that children who attend centers that meet professional standards of quality score higher on school readiness

High-quality child care not only prepares children for school, it can also help them succeed once they get there.

and language tests. Those children also have fewer behavior problems.¹³

Another major study, a follow-up to the 1995 “*Cost, Quality and Child Outcomes in Child Care Centers*,” found that high-quality child care not only prepares children for school, it can also help them succeed once they get there. Researchers from four universities, who followed a sample of children from the centers through second grade, found that the children who attended centers with higher-quality classroom practices had better language and math skills in their preschool years than those who attended centers that provided lower-quality care. Furthermore, the effects of high-quality care on cognitive and emotional development appeared to be stronger for children whose mothers had only a high school education or less.¹⁴

What Works? Increasing Subsidy Take-up

The effective use of child-care subsidies is high among low-income women in Tampa, Florida, in sharp contrast to many cities in California. Data from the Growing Up in Poverty project show that 50 percent of those who are eligible

for child-care benefits in Tampa are taking advantage of the subsidies.

Statewide in Florida, there are efforts to serve as many low-income families as possible and to make the system client-friendly. The State’s Department of Children & Families even shifts child-care funds between counties to cover the needs. The State encourages employers to share some of the cost of child-care for low-income workers since it is in their interest to have employees that have dependable child-care arrangements. A fund called the child-care purchasing pool is used to match what employers spend to subsidize child care.

“One-stop” centers in Hillsborough County, Florida which combine various social service offices under one roof, reduce some of the trips, and possibly some of the frustration, for those who apply for benefits. In California, counties such as Ventura, Placer, El Dorado, and Sacramento also have pursued this strategy.

In addition, Florida no longer requires welfare recipients to return to the office after their first six months in the system. Two months prior to their recertification date, the clients receive



paperwork in the mail, which they can fill out and return by post or bring back in person.

Examples from some agencies in California show that efforts can be made to accommodate more parents and to improve the level of care that is provided. Crystal Stairs, a non-profit agency in Los Angeles, handles a lot of paper work over the phone with parents and tries to make the process as smooth as possible, says Mary Hruby, the agency's information services manager. The agency has also received a grant to begin offering training to exempt providers. "Co-locating" child-care resource and referral workers inside the welfare offices is also meant to improve the

level of service parents receive, so they don't have to visit two different offices.

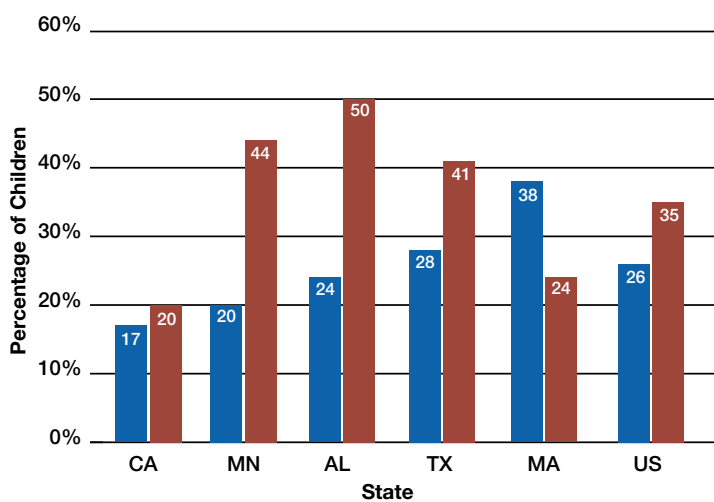
Lessons on child-care outreach could be learned from the Children's Health Insurance Program—or CHIP—a \$24 billion program approved by Congress in 1997. All 50 states have now signed up for the program, which provides insurance to children whose families earn too much to qualify for Medicaid, but not enough to afford private health insurance. As of March 2000, California's CHIP program—called Healthy Families—had enrolled more than 250,000 children, and expansion of the income eligibility for the program could add another 129,000

statewide. The state's enrollment soared from 56,000 in January 1999 to current levels after Governor Davis streamlined the application form from twenty-eight pages to four and allowed families to apply by mail.¹⁵ President Clinton also has directed officials to spread information about the program through the schools in an effort to enroll more children. When parents sign their children up for subsidized lunch programs, they now receive information about CHIP as well.

A similar strategy, geared toward increasing the use of child-care subsidies, was used in Alameda County in November 1999. A card giving step-by-step information on how to apply for child-care assistance was mailed along with benefit checks to all CalWORKS recipients in the county—more than 17,000 people. Angie Garling, a child-care resource and development specialist for the county's social services department, said it's too soon to know whether the cards will increase the use of subsidies, but she's hoping they will have a positive effect.

In an effort to extend more child-care funds for families that need it, Alameda County is trying to determine whether some children are already being served by other state

Patterns in Child-Care Use Differ by Family Income and by State



■ 200% of the FPL and below
■ Above 200% of the FPL

Source: Urban Institute calculations from its 1997 National Survey of America's Families.

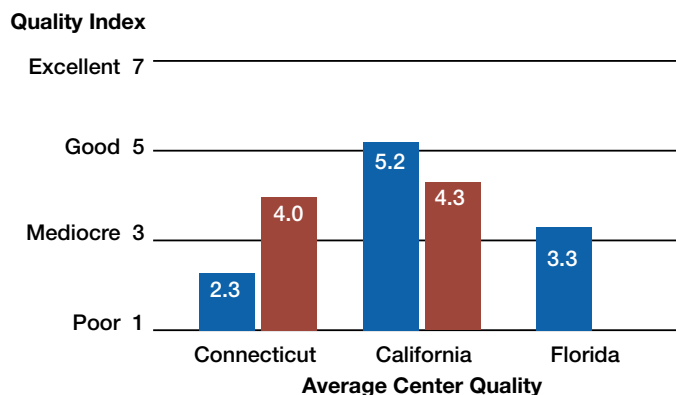
or federally funded programs (such as Head Start or state preschool programs) and direct subsidies to families not currently using them. In short, the political will aimed at broadening families' access to child care has risen steadily over the past decade. Policymakers—at state and federal levels—have been moved by a blossoming interest in young children's school readiness, climbing maternal employment rates, and a push on low-income women to move from welfare to work.

But more money alone is not widening child-care options nor equalizing access. The actual use of vouchers remains low and uneven across counties and states. The number of new centers and preschools is creeping upward slowly. Many parents then choose informal care arrangements, rather than go on waiting lists for center-based care. And with modest reimbursement rates and high staff turnover, it's difficult for centers and preschools to expand and remain viable economically.

Policymakers might attend to the growing voucher system *and* build center-based infrastructure simultaneously. With expansion of subsidies for working poor and welfare-poor families, state and local policymakers should intensify their attention to effective implementation of child care projects.

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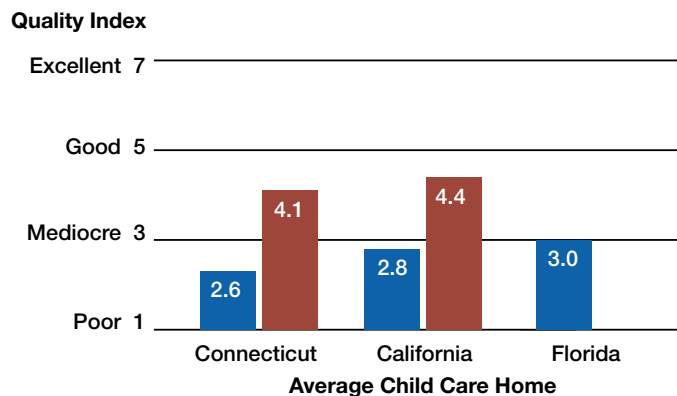
Welfare children in Connecticut and Florida are entering low-quality child care centers, but quality is relatively high in California...



■ Centers serving welfare children
 ■ Centers serving wider range of families (based on prior national studies)

Source: Fuller, Bruce, Sharon Lynn Kagan, et al. (2000). *Remember the Children: Mothers Balance Jobs and Child Care Under Welfare Reform*. Berkeley and New Haven: UC Berkeley and Yale University, PACE Growing Up in Poverty Project.

...But welfare children in all three states are entering low-quality child care homes



■ Homes serving welfare children
 ■ Homes serving wider range of families (based on prior national studies)

Source: Fuller, Bruce, Sharon Lynn Kagan, et al. (2000). *Remember the Children: Mothers Balance Jobs and Child Care Under Welfare Reform*. Berkeley and New Haven: UC Berkeley and Yale University, PACE Growing Up in Poverty Project.

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