Child Care Study

The Economic Effects on Hamilton County, Ohio

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EXECUTIVE SUMMARY

CHILD CARE SUBSIDIES AND WELFARE REFORM

The Impact of Child Care Subsidies on Employment

How Child Care Subsidies Affect Labor Force Participation

To begin the study, we looked at how child care subsidies affect labor force participation, in general. Research shows that subsidies boost labor force participation.

- The price of child care is an important factor in low-income parents' decision to work.
- Full child care subsidies boost labor force participation for poor mothers from 29 to 44 percent.
- Full child care subsidies boost participation for near poor mothers from 43 to 57 percent.

How Child Care Subsidies Will Affect Hamilton County

Using this research as our guide, we examined how child care subsidies will affect Hamilton County and came to the following conclusions:

- A loss of child care subsidies will reduce work force participation in Hamilton County

  If 1,468 working poor families in Hamilton County lose their child care subsidies, approximately 499 parents will drop out of the labor force.

- Child care subsidies have a positive effect on income in Hamilton County

  On a monthly basis, the purchasing power (income) of the near-poor population in Hamilton County will increase $747,000 with full child care subsidies. Transfer payments will decrease $183,000 a month, and sales tax revenue will increase $14,000 a month. The net gain to society per month is $579,017. Annually, the net gain is $7 million.

- A loss of child care subsidies will increase welfare costs in Hamilton County, but the net budgetary impact is still negative due to the higher cost of providing subsidies.

  From a purely budgetary view, providing child care subsidies to the 1,468 at risk families will cost $183,000 more per month than not providing the child care subsidies.

How Child Care Subsidies Impact Employment Duration

Research shows that child care subsidies improve the ability of low-income families to maintain stable employment; specifically, our literature review points to the following impacts:

- Use and accessibility to child care services increase the likelihood that a mother will stay in her current employment.

- Moderate-wage mothers (between 100 and 185 percent of poverty) are more likely to leave a job due to problems with child care price and stability than lower or higher income mothers.

- The adequacy of care that parents obtain while they are transitioning from welfare to work is of substantial relevance to the success of these initiatives.

- Those who return to welfare after employment are more likely to have experienced serious transportation difficulties while working and less likely to have received transitional child care services.

- In Illinois, the lack of dependable, flexible and quality child care for people receiving public assistance led to the following impact on parents:

  - Twenty percent quit school or training programs
  - Twenty percent returned to public assistance over a 12 month period
  - Forty-two percent were prevented from working full time
  - Thirty-nine percent were prevented from going to school
  - Forty-two percent of teen-age parents quit school

The Quality Of Child Care Available To Low Income Families

In the second part of the study, we look at the quality of child care available to low income families.

The Barriers To Child Care Faced by Low-Income Families

We examined the effects of certain barriers to child care that low-income families face and came to the following conclusions:

- Low-wage work structures force parents to find more flexible child care. Only 10 percent of child care centers and 6 percent of family day care homes provide care on weekends, yet one-third of poor parents work nights and weekends.

- The cost of child care poses problems for many families. A survey of welfare recipients found that parents viewed affordability of child care as either a problem (81 percent) or a major problem (55 percent).

- Transportation difficulties and the lack of child care providers within a reasonable distance of home cause low-income families to have limited access to some types of child care.

- Finding quality child care is a major barrier to low-income families. Surveys of working poor parents found that they are concerned about the quality of child care they receive, the lack of age-appropriate programming, the amount of attention paid to their child, and unsafe or unclean environments. One study found that over 32 percent of their survey participants said finding safe child care arrangements was a major problem.

The Effects of Types of Child Care Providers On Low-Income Families

Research shows that the type of child care provider a family uses differs with the family's income level. We examined this disparity and came to the following conclusions.

- A small portion of low-income families rely on center-based care, which provides these children with a similar range of quality as that provided to higher-income children in child care services.

- Most low-income families rely on home-based and informal child care arrangements, and these types of arrangements lend themselves to poorer-quality care .

- Research on low-income children's development suggests that quality, structure,

- and appropriate adult supervision may influence low-income children more than higher-income children.

Informal Care Poses Barriers to School and Work

- The source of care that may offer the most appropriate child development services may only provide services during part of the day or part of the year, limiting a low-income family's ability to use these services without interrupting work schedules.

- The GAO study found that 55 percent of poor mothers use informal care arrangements for their children, while 37 percent of near-poor mothers and 21 percent of nonpoor mothers use informal care.

- When using informal child care arrangements, families must often rely on multiple providers, mainly

for economic reasons. This leads to an unstructured environment for the child and makes it more difficult for the parent to get to work or school.

- Generally, those who rely on informal child care arrangements report more work and school-related problems due to these arrangements than those using center-based care.

- Families that rely on arrangements made informally with friends and relatives are disproportionately likely to indicate that they wish they could change their child care arrangements. The highest child care preferences for low income families are centers, nursery schools, and before or after-school programs. However, these same types of care are the least often used by low-income families.

The Impact Of Public Policy On Child Care For The Working Poor

In this section, we examined how certain aspects of public policy impact child care for low income people. We found the following:

- Welfare reform may decrease the supply of informal care and reduce work force participation due to the lack of affordable child care.

- Poor and near-poor mothers are significantly more responsive to changes in the price of child care than higher income mothers. Therefore, child care subsidies will be most successful if targeted to low income groups.

- The working poor are the least likely of all income groups to receive assistance with their child care costs. A greater portion of nonworking-poor and middle-income families receive assistance for child care costs than working poor families.

The Long Term Implications of Child Care

- Affordable child care for low income families brings long-term benefits to parents and children.

- High quality child care is important to child development, particularly for low-income children. Although the majority of low income families are most likely not enrolled in high quality child care programs, child care subsidies allow more families to enroll in these programs than would otherwise be the case.

Early Child Care Programs Affect the Future Success of Children

- Very young children are particularly vulnerable to the effects of poverty and adversity, which often causes them to enter school at a disadvantage.

- The best way to reverse the effects of poverty in children is early intervention and early childhood education. Through early education and child care programs, children develop emotional security, have a greater opportunity to address nutrition and health needs, and have a wide variety of sensory and cognitive experiences to stimulate their intellectual growth.

- Early child care experiences for low-income children have long term benefits. Quality child care exposes children to environments that help them develop skills that enhance their future successes. Children are exposed to social and learning situations that promote their school readiness, language, communication and cognitive capabilities. In addition, quality child care promotes self identity and independence.

- Children who participate in early childhood projects are less apt to be placed in special education,

have lower rates of grade retention, and higher rates of high school graduation.

- Attendance in early childhood programs and day cares by four year olds has been linked to higher emerging literacy scores.

- Evidence from the High/Scope Perry Preschool Project shows that high-quality child care increases program participants' educational achievement and income as adults. When compared to children who did not participate in high-quality child care programs, program participants have lower crime rates and are less likely to receive welfare assistance.

For additional information contact the Economics Center for Education & Research, email Econeduc@uc.edu.
Please reference report: 1997-HC-1002 ES Child Care Study