

Child Care Usage Among Low-Income and AFDC Families

With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 in August, welfare has moved from an entitlement program which guaranteed assistance to all eligible families to a transitional employment program with time-limits, and responsibility for implementation has devolved to the state level. This policy emphasis on employment immediately raises the issue of child care, as increasing numbers of single mothers may be required to work at wages that are too low to pay for adequate child care.

Research shows that child care obligations are a major obstacle to mothers' labor force participation. On-going IWPR research using the Survey of Income and Program Participation shows that the presence of young children is the single most important factor reducing the likelihood of a low-income single mother's employment. Underlying this negative association is the lack of affordable, quality child care (Kimmel, 1994; Hofferth, 1995). Findings suggest that, because of the common use of paid child care arrangements and the percentage of total family income that is spent on child care, the use of child care subsidies for low-income working mothers is a necessary part of successfully easing the transition from welfare to work.

IWPR research analyzes child care usage among working mothers in low-income families (those within 200 percent of the poverty line) with children under age six. These working mothers are divided into three categories -- low-income, non-AFDC, married mothers; low-income, non-AFDC, single mothers; and AFDC recipients. The vast majority of

the working AFDC mothers are single parents, although about one-fifth are married with unemployed husbands participating in the AFDC-UP program.

TYPES OF CHILD CARE ARRANGEMENTS USED

Figure 1 and Table 1 present the primary child care arrangements for all children under age six of the employed mothers. As the figure shows, the working mothers in all the family types in the study use relative care most, followed by center-based care and non-relative family-based care. Within the category of relative care, the relative actually providing the child care differs by family type (see Table 1). About one-quarter of children in low-income married couple families are cared for by their fathers when their mothers are working. In contrast, working single mothers, whether or not they participate in the AFDC program, use grandparents or other relatives to care for their children more than

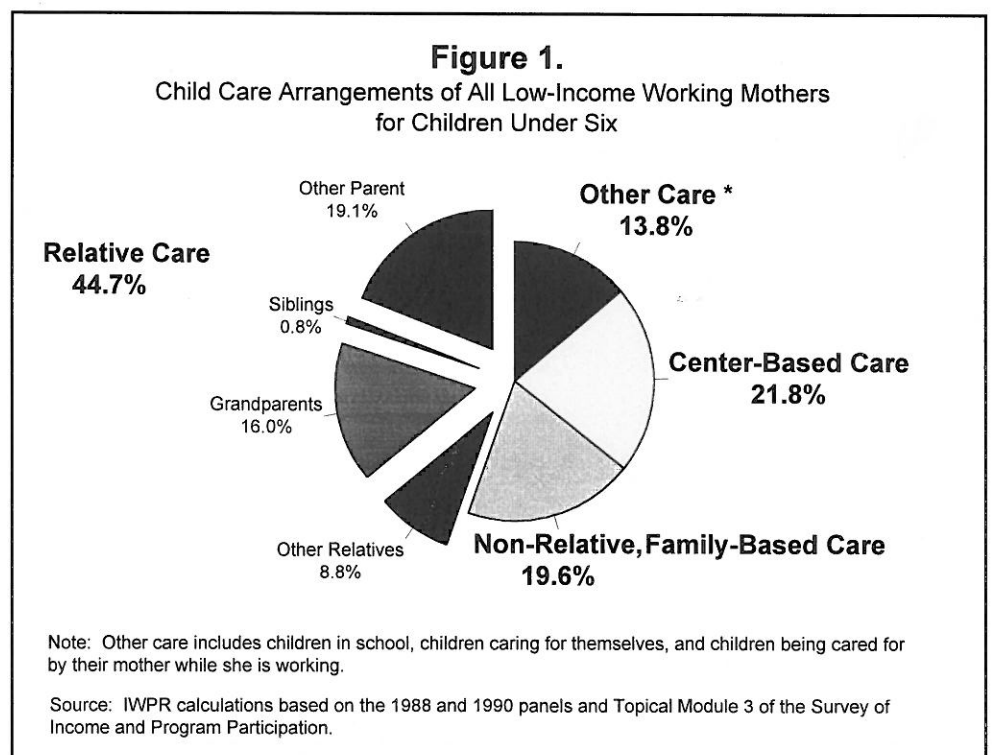


Table 1. Child Care Arrangements of Children Under Six for Working Mothers in Low-Income Families

	Total	Working Mothers		
		AFDC	Non-AFDC	
			Married	Single
Sample Size (Unweighted)	712	78	426	208
Sample Size (Weighted)	2,631,609	306,007	1,526,026	799,579
Percent (Weighted)	100.0%	11.6%	58.0%	30.4%
Average Number of Children Under Age 6	1.3	1.3	1.4	1.2
Primary Care Arrangements (percent of total children)				
Relative Care	44.7	53.4	46.7	36.7
Other Parent	19.1	10.4	25.3	8.9
Siblings	0.8	0.6	0.5	1.5
Grandparents	16.0	25.7	13.5	17.5
Other Relatives	8.8	16.7	7.4	8.8
Non-Relative Family-Based Care	19.6	16.5	19.6	20.9
Center-Based Care	21.8	19.8	18.5	30.0
Other Care *	13.8	10.2	15.2	12.4
Percent of Children in Paid Care	49.0	46.7	47.6	52.9
Percent of Children with More than One Arrangement	33.1	19.1	37.4	30.5

* Other care includes child in school, child caring for self, and child cared for by mother while mother is working.

Source: IWPR calculations based on the 1988 and 1990 panels and Topical Module 3 of the Survey of Income and Program Participation.

married couple families do. The high use of relative care by single mothers likely reflects the large number of single mothers who live in households with their own parents or other adults. Still, about one in ten children in low-income single mother households are in the care of their fathers when their mothers are working out of the home.

The low-income, non-AFDC, single mothers are the most likely to use organized child care facilities. Thirty percent of the children in these families are cared for by day/group care centers or nursery schools/preschools during most of the hours that their mothers work.

The working AFDC mothers use relative care more than any other family types in the study do. Since the majority of the AFDC mothers are single, their access to paternal care is similar to the low-income, non-AFDC, single mother group, but their usage of organized care is much lower (20 percent, as compared to 30 percent, respectively), but still slightly higher than that of the low-income married mothers.

In addition to the major types of child care arrangements mentioned above, mothers of about 11 percent of the young children (mainly five-year olds) work during the hours

when their children are in school or kindergarten. This pattern holds true for all three groups of working mothers.

IWPR's findings confirm those of other researchers that low-income employed single mothers are more likely to call on relatives for child care than married mothers, who can call on their husbands (Brayfield et al., 1993; U.S. House of Representatives, Committee on Ways and Means, 1994; Kisker and Silverberg, 1991). This is especially true among the AFDC single mothers. It is important to note, however, that more usage of relative care does not necessarily mean more access to free child care. IWPR research also shows that low-income, non-AFDC, single mothers are the most likely to use organized child care, which may or may not be subsidized.

USAGE OF PAID AND UNPAID CHILD CARE ARRANGEMENTS

As shown in Table 1, approximately half of the young children of employed mothers in all three family types are in paid care. The bulk of non-relative and organized care is paid for, as is a substantial proportion of the care provided by other relatives. Even care provided by grandparents is

often paid for. For example, as shown in Figure 2, one-third (34 percent) of the care provided to children of the working AFDC mothers by their grandparents is paid, compared to 21 percent for low-income, non-AFDC, single mothers, and 42 percent for married mothers. All three groups of mothers are about twice as likely to pay for child care if the care is being provided by relatives other than grandparents. As a result of paying relatives, combined with their greater propensity to use non-relative or center-based child care, low-income, non-AFDC, single mothers end up with the highest proportion of young children in paid care.

COSTS OF CHILD CARE IN PROPORTION TO EARNINGS AND INCOME

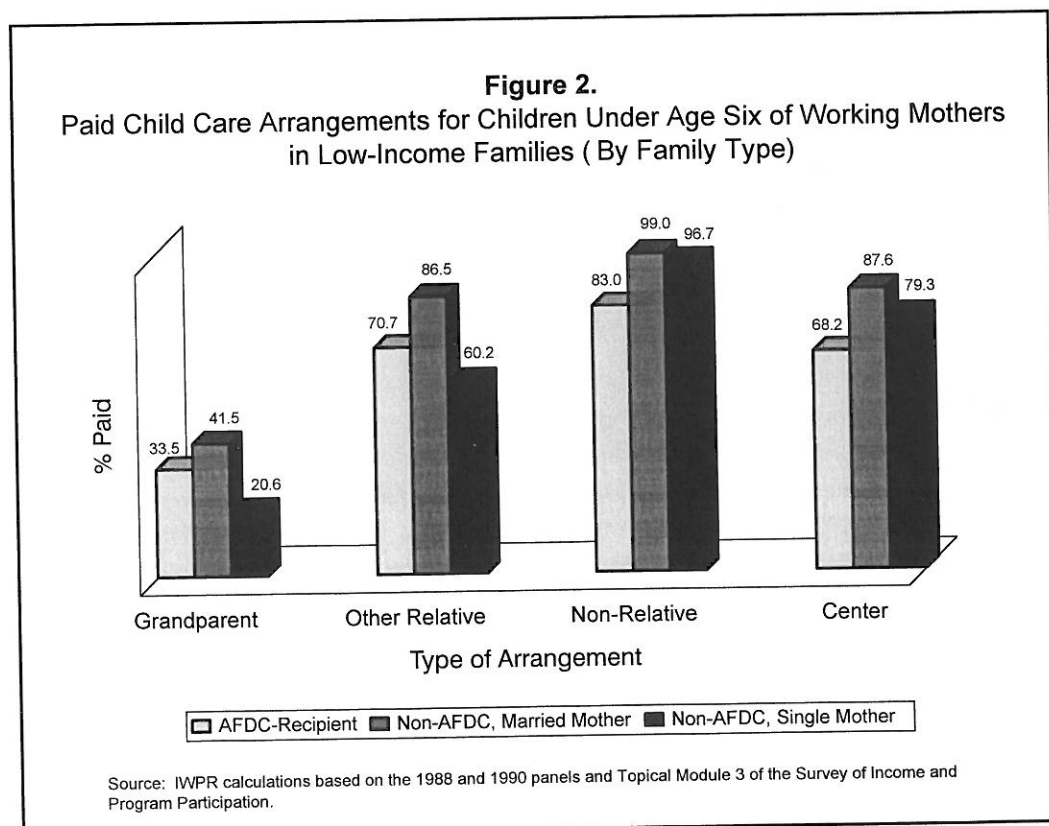
When calculating the costs of child care, IWPR researchers included all families with children under age 13 in order to take into account all costs of child care arrangements made by the employed mothers. In order to determine the burden of child care cost to these families, the cost is analyzed in relation to mothers' earnings, to total family incomes, and to the families' poverty status. These findings are reported in Table 2.

The results show that single and AFDC mothers do not have better access to free child care. Mothers in all three family types are about equally likely to pay for child care (ranging from 38.6 to 40.9 percent). Furthermore, among those who use paid child care, there are only slight differences in the average monthly amount paid for care (ranging from \$204 to \$222 per month), regardless of the marital or the welfare status of the child care user.

In order to analyze the burden of child care costs in relation to mothers' earnings, a ratio cost-per-hour-worked was created. IWPR found that low-income, non-AFDC, single mothers paid the lowest price (\$1.36) for each hour worked, whereas the married and AFDC mothers paid substantially higher prices for child care (\$1.60 and \$1.72 per hour, re-

spectively). These differences can be explained by the fact that the low-income, non-AFDC, single mothers, on average, have fewer children under age six, as well as fewer children under age 13, than the low-income married mothers and the AFDC mothers. In addition, the wage rate of non-AFDC mothers (both single and married) is higher than that of AFDC mothers. The paying low-income, non-AFDC, single mothers have the highest average wage rate, \$7.92 per hour, which makes their payment for child care more cost-effective than for the other groups. This may be one of the explanations for their greater work effort during the month (164 hours, compared with 150 and 141 hours for the paying married and AFDC mothers, respectively). In exchange for freeing mothers to work, child care costs take more than one-third of AFDC mothers' earnings, about 30 percent of married mothers' earnings, and 20 percent of low-income, non-AFDC, single mothers' earnings.

When the cost of child care is seen as a proportion of the total family income, the picture is somewhat different. Because married mothers are most likely to have higher total family incomes due to their husbands' earnings, they have the lowest percent of child care expenditures of total family income (nine percent), whereas the low-income, non-AFDC, single mothers pay about 13 percent and the AFDC families pay about 19 percent of family income for child care.



THE POLICY IMPLICATIONS OF CHILD CARE SUBSIDIES

How do child care burdens affect families' economic well-being? The IWPR study finds that about 14 percent of all families that pay for child care live in poverty, according to a modified poverty measure (which includes the cash value of food stamps and WIC in the total family income). These poor families are concentrated among the AFDC recipients and the low-income single mother households. Although low-income, non-AFDC, single mothers earn the highest wage rates among all groups of mothers, 15 percent of these mothers who pay for child care are poor, compared with 52 percent of the paying AFDC mothers, and five percent of the paying low-income married couples (see Table 2).

To what degree will child care subsidies help poor employed mothers escape poverty? As a preliminary policy test effort, Figure 3 projects the likely impact of providing low-income working mothers with child care subsidies up to the amount of their current child care cost (\$214 monthly, on average). In order to receive the full subsidy amount, the family's income deficit (that is, the official poverty threshold minus current income) must be greater than the amount of the subsidy. Research findings suggest that about one third of the below-poverty AFDC families would benefit from the subsidy and escape poverty; that is, their poverty rate will decrease by one-third (from 52 to 34 percent). The

Table 2. Child Care Costs for Working Mothers with Children Under Age 13 in Low-Income Families, 1994 Dollars

	Working Mothers (1)					
	AFDC (2)		Non-AFDC			
	Not-Paying	Paying	Married		Single	
Not-Paying			Paying	Not-Paying	Paying	
Sample Size (Unweighted)	70	49	389	241	234	160
Sample Size (Weighted)	272,000	180,000	1,382,000	868,000	868,000	601,000
Average Number of Children	1.7	1.9	1.8	2.0	1.5	1.6
Average Size of Household	4.5	4.1	4.7	4.4	3.6	3.4
Distribution of Families by Paying and Not-Paying	60.2%	39.8%	61.4%	38.6%	59.1%	40.9%
Monthly Child Care Cost		\$222		\$220		\$204
Mother's Hourly Wage Rate (3)	\$5.81	\$5.92	\$6.42	\$7.15	\$6.81	\$7.92
Mother's Hours Worked	132	141	139	150	161	164
Cost per Mother's Employment Hour		\$1.72		\$1.60		\$1.36
Mother's Monthly Earnings	\$735	\$813	\$854	\$1,048	\$1,088	\$1,281
Cost as Percent of Mother's Earnings		34.3%		29.9%		19.2%
Monthly Family Income	\$1,491	\$1,586	\$2,541	\$2,839	\$1,089	\$1,881
Cost as Percent of Family Income		19.1%		8.9%		12.8%
Percent in Poverty (4)	48.7%	51.5%	17.5%	5.4%	28.4%	15.1%
Percent in Poverty if Child Care Costs are Subsidized		34.5%		3.3%		8.1%

(1) Mothers who were working as well as enrolled in school are not included in this table to avoid over-estimating child care costs when measured in relation to mother's earnings and family income. All data are for Month 12 in the 24-month study period.

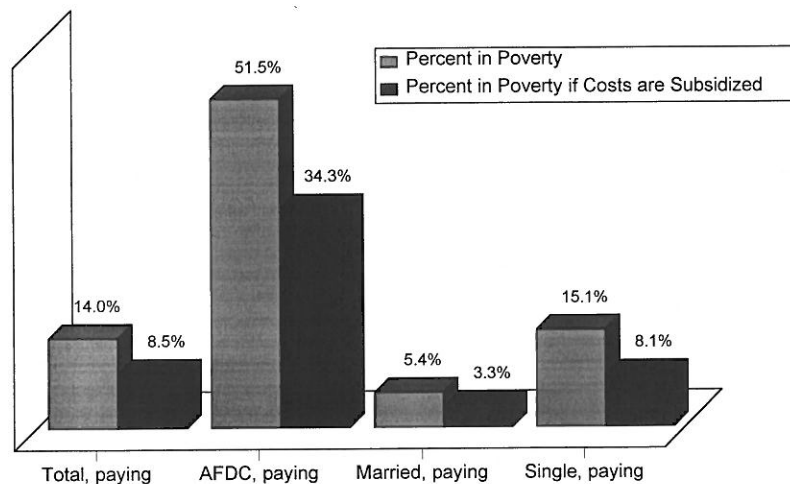
(2) Women in the AFDC-group may or may not be on AFDC in Month 12, but receive AFDC for at least two months of the 24-month study period.

(3) Mother's hourly wage rate is for her primary job (the job at which she worked the most hours) during Month 12.

(4) A modified poverty measure, which includes the cash value of food stamps and WIC in family income, for Month 12 is used.

Source: IWPR calculations based on the 1988 and 1990 panels and Topical Module 3 of the Survey of Income and Program Participation.

Figure 3.
Child Care Cost Subsidies for Low-Income Mothers and
Their Relation to Percent in Poverty



Source: IWPR calculations based on the 1988 and 1990 panels of the Survey of Income and Program Participation.

poverty rate for the families of low-income, non-AFDC, single mothers would decrease by nearly half (from 15.1 to 8.1 percent). Finally, low-income married mothers, who are the least likely to be poor, would see their families' poverty rate decline by more than one-third (from 5.4 to 3.3 percent). Along with this simple effect on family well-being, child care subsidies may have further positive effects that help mothers stabilize their employment and improve their earning capacity in the long run.

These results suggest that an adequate child care support policy will likely be crucial for a successful transition to paid work by the currently non-working AFDC-recipients. In the effort to move more AFDC recipients off the welfare rolls and into paid work, policymakers cannot assume that these mothers can rely on other family members to provide free child care. As reported, the employed AFDC-mothers and low-income, non-AFDC, single mothers do not have better access to free child care than the married mothers. Among those AFDC recipients who are not currently employed, the resource of free child care is even less available and it is reasonable to assume that this is one of the reasons why they are not working.

In addition, the non-working AFDC mothers' earning potential is expected to be similar to, or even lower than, the wages of the working AFDC recipients, due to low education, limited experience, and disabilities, assuming jobs

are available to them. Therefore, child care costs will be a significant financial burden for this new group of workers. More importantly, with a high proportion of these mothers' earnings allocated to child care costs, the majority of these formerly AFDC-reliant families will not be able to escape poverty through employment. By providing child care subsidies to low-income mothers and mothers who formerly relied on AFDC, policymakers could improve the likelihood that low-income families could work their way out of poverty.

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- This fact sheet is based on "An IWPR Report on Low-Income Families: Survival Strategies and Well-Being," by Heidi Hartmann, Roberta Spalter-Roth, Hsiao-Ye Yi, and Lois Shaw, forthcoming. The study upon which this fact sheet is based was made possible through the support of the Ford Foundation. This Research-In-Brief was prepared by Jodi Burns with Meredith Ballew, Hsiao-Ye Yi, and Meaghan Mountford in October 1996. The Institute for Women's Policy Research (IWPR) is an independent, nonprofit research institute dedicated to conducting and disseminating research that informs public policy debates affecting women. Members of the Institute receive regular mailings including fact sheets such as this. Please see the reverse or contact the Institute for further information about individual and organizational memberships.*

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