IWPR Welfare Reform Network News
A Newsletter of the Institute for Women’s Policy Research

CHILD CARE AND WELFARE REFORM

More than 12 million U.S. children under age five, including the majority of all infants, spend at least some time on a regular basis in the care of someone other than their parents. In 1994, 60 percent of U.S. women with children under age six were in the paid labor force. Nearly 40 percent of families with incomes less than $1,200 per month pay out-of-pocket for child care. Problems are found throughout the U.S. childcare system, such as:

- scarcity of certain services (e.g., care during evenings and on weekends and care for children with disabilities or behavioral problems),
- lack of affordable care,
- mediocre quality care, and
- a poorly paid childcare workforce with a high rate of employee turnover.

Research shows that a lack of affordable, accessible, and stable child care serves to significantly decrease the likelihood that single mothers will find and keep employment. If parents are to succeed in moving from welfare to work, adequate child care must be available.

CHILD CARE RESEARCH

The Impact of Child Care on Single Mothers’ Employment

Ongoing research by the Institute for Women’s Policy Research (IWPR), using the Survey of Income and Program Participation (SIPP), shows that the presence of young children is the factor most likely to reduce the probability of a low-income single mother’s employment. Underlying this finding is a lack of affordable, quality child care. Low-income mothers commonly use paid childcare arrangements and spend a significant portion of their income on child care.

This report will focus on IWPR’s study of childcare usage among working mothers in low-income families (within 200 percent of the poverty line) with young children (under age six). The mothers were divided into three groups: (1) low-income, non-welfare, single mothers; (2) low-income, non-welfare, married mothers; and (3) welfare recipients. There are two kinds of settings outside the home in which parents may place their children: formal care arrangements in childcare centers or state-licensed family childcare homes and informal care arrangements provided by relatives or acquaintances in unlicensed home settings. IWPR’s study found that mothers on welfare are the group most likely to rely on relatives to care for...
their children (only 20 percent used formal care). However, relatives do not necessarily provide free child care. IWPR found that 34 percent of care provided by grandparents, 71 percent of care provided by other relatives, and 83 percent of care provided by non-relatives to children of mothers on welfare is paid care. Sixty-eight percent of mothers on welfare who were using center care paid for their children's care.

Comparing the three groups of mothers, IWPR found that the groups did not differ greatly in terms of access to free care or, among those who paid for care, the average monthly childcare fee. Mothers on welfare spent a significantly greater proportion of their family income (19 percent) on child care than the other two groups (nine percent for non-welfare married mothers and 13 percent for non-welfare single mothers). Using a modified poverty measure, IWPR found that 52 percent of the welfare mothers paying for child care lived in poverty. The modified poverty measure includes the cash value of food stamps and WIC in the total family income. Providing childcare subsidies up to the amount of their current childcare cost would reduce the proportion of welfare mothers paying for care who are in poverty from 52 percent to 35 percent. In addition, subsidies may help these women keep their jobs and improve their long-term earnings capacity.

It has been noted that the higher turnover of females versus males in the labor force results in lower wages due to reduced accumulation of work experience and the deterioration of job skills due to time spent not working. A study by Sandra Hofferth and Nancy Collins found that a lack of accessible, stable childcare arrangements leads to increased job exits for working mothers with young children. Their study, conducted at the Institute for Social Research and Population Studies Center at the University of Michigan, evaluated how the number and ages of children affect women's employment and how the availability, cost, quality, stability, and flexibility of child care influence whether or not a mother leaves the labor force. Hofferth and Collins, who are affiliated members of the IWPR Information Network, used the National Child Care Survey from 1990 to obtain nationally representative, monthly data on employment, fertility, and child care, and the Profile of Child Care Settings study to obtain data on the number and characteristics of center-based and regulated home-based care.

Hofferth and Collins found that among working mothers with young children, 25 percent left their job within a year; 15 percent of the working mothers left and did not return to work for at least two months. One out of five of these women changed childcare arrangements sometime during the year. The authors also found that mothers relying on parental care were 2.2 times more likely to leave a job than mothers using center-based care. A lack of accessible center-based care was also found to increase the likelihood of job exits. They also found that "moderate-wage" mothers (those earning between $6 and $8 per hour) were the ones most likely to leave their jobs as the price or instability of care increased. Hofferth and Collins concluded that efforts to employ mothers need to consider access to child care, and that the availability and stability of child care in the United States need to be improved.
The Lack of Affordable Child Care

Connecticut implemented the Jobs First welfare waiver program in December 1995. The waiver includes a work requirement, a 21-month lifetime limit on assistance, an earned income disregard, and transitional medical and childcare benefits. In November 1997, the first group of Jobs First participants will reach the 21-month time limit. The Welfare Research Group, which consists of students and faculty of the Community Organization Sequence at the University of Connecticut School of Social Work, the Legal Assistance Resource Center of Connecticut, and others, is conducting a study of the perceptions and experiences of Jobs First participants. They found that participants in the Jobs First program often lack access to affordable childcare providers, providers with weekend and evening hours, and providers to care for children with illnesses or behavioral problems; in addition, participants found that the childcare grant under Jobs First was inadequate to pay for many licensed providers.

The Welfare Research Group gathered quantitative data concerning Jobs First participants’ employment history, income level, and educational background through questionnaires, and conducted focus groups on individual participants’ perceptions and experiences. The study consisted of two phases: Phase One took place in July and August of 1996 and gathered information on recipients’ initial experiences; Phase Two took place from October 1996 through March 1997 and gathered information on job search and employment. Nearly 400 AFDC recipients participated in the study (249 in the focus groups and 150 through the questionnaire). The majority of focus groups were conducted with previously existing groups such as Mother’s Support or Job Search Skill Training classes; groups were led by a moderator who followed a structured question guide.

The questionnaires revealed that only 17 percent of interviewees had their children in licensed day care facilities. In focus groups, participants stated that the childcare grant was too low to enable them to afford many licensed providers and that there were not enough slots available among affordable providers to meet the demand. They also stated that childcare providers were rarely available evenings or weekends and that it was difficult to find providers for children with illnesses or behavioral problems. Study participants suggested:

- enforcing exemptions from job search for parents of a sick child,
- increasing childcare payments,
- increasing the number of subsidized day care slots,
- establishing before- and after-school programs, and
- expanding the days and hours that child care is available.
The Lack of Quality Child Care

Low-income parents often rely on informal care, which may offer lower costs and more flexible arrangements than formal care, for their children. The quality of informal care, most notably its reliability, however, tends to be lower than that of formal care. The breakdown of childcare arrangements can lead to the disruption of parents' work activities.

A study by Gary Siegel and Anthony Loman, of the Institute of Applied Research in St. Louis, found that many single-parent AFDC families in Illinois rely on informal care, defined for this study as unlicensed care by relatives and non-relatives or licensed care by family daycare providers (although the latter was rarely used by the parents studied). Informal care was used primarily because of its lower cost, and because of problems with the availability and accessibility of formal care (defined for this study as a center, preschool, or nursery). This study, conducted for the Illinois Department of Public Aid, examined the childcare needs and experiences of single-parent AFDC families in Illinois during November 1990. The study looked at single-parent families with children under age 14 that were either on AFDC or had recently left AFDC due to earnings. Data were collected through: (1) a statewide mail survey to 7,168 present and former AFDC recipients; (2) 15 focus group sessions involving 164 participants; (3) follow-up interviews with 121 survey respondents; and (4) a mail survey of 1,001 childcare providers and interviews with over 70 childcare advocates, providers, and state agency personnel in Illinois.

The data show that 13 percent of the single parents were working at the time of the survey, 15 percent were in school, and 2 percent were both working and in school. Nearly 19 percent of all the families surveyed were using child care while they worked or attended school (of these, 19 percent relied on formal care). Many families used informal childcare arrangements; the authors note that reliance on such arrangements led to recurring childcare problems. Only 25 percent of those parents who wanted their children to be cared for in formal facilities were using childcare centers.

The cost of care was most frequently given as a reason for reliance on informal care; the availability and accessibility of care and parental concerns about the quality of care also limited parents' childcare options. Sixty percent of the childcare centers surveyed maintained waiting lists. Half of those parents who worked had positions that necessitated at least some evening and weekend work, and many parents had intermittent or changing work hours. Fifteen percent of the families had children with serious health problems or disabilities. Only a few childcare facilities offer care on evenings (eight percent of those surveyed) or weekends (three percent), and many centers are reluctant to accommodate an intermittent or changing schedule; whereas 60 percent of informal providers reported offering evening and weekend care. In addition, parents of children with health problems or disabilities may have a difficult time finding affordable child care with which they feel comfortable. Of the individuals surveyed, childcare problems prevented 42 percent from working full time and 39 percent from attending school, and 20 percent said they returned to AFDC within the last year due to childcare problems.
The Lack of Access to Child Care

A study conducted by Marcia Meyers, of Columbia University, and Theresa Heintze of Syracuse University, found that highly targeted childcare services may be more effective at excluding ineligible clients than providing benefits to those in need. The study, using data from 1995 interviews with a random sample of single and married AFDC recipients in California with children under 14, examined families' use of child care, their receipt of public child care subsidies, and the financial impact of childcare costs. The structured telephone interviews included questions about family characteristics, labor market and education activities, and childcare arrangements for the youngest child in the family. Respondents were also asked about their knowledge and use of childcare subsidies that target three groups: welfare recipients in education and training programs (the California GAIN and NET programs), welfare recipients and other low-income parents in paid employment (the Transitional Child Care (TCC)/At-Risk programs, the AFDC Child Care Disregard, and the federal Dependent Care Tax Credit); and educational programs for low-income children (Head Start and other early childhood education programs and subsidized after-school care).

At the time of the interview, one-quarter of respondents had left the welfare system. Among all respondents (those on welfare and those not), approximately one-quarter were in education or training activities and 29 percent were employed. Most of these mothers reported regular childcare arrangements for their youngest child: 76 percent of those who were employed and 59 percent of those in job preparation activities were using formal care or babysitting on a regular basis. Despite the existence of several targeted childcare programs, most of these mothers were paying the full cost of child care themselves. The proportion receiving subsidies was highest among those in education and training programs (approximately one-third received subsidies) while women who were employed fared the worst (only 12 percent of those with infants, 22 percent of those with preschoolers, and 14 percent of those with school-aged children received any form of subsidy). For the nearly two-thirds of employed mothers who used child care and paid the full cost themselves, childcare costs reduced per capita income by 22 percent. And, child care costs pushed 20 percent of these families below the poverty line (i.e., if child care costs are subtracted from income).

Lack of knowledge was the primary reason for nonreceipt of childcare benefits, particularly through the employment programs: fewer than 20 percent of the current and former welfare recipients interviewed knew about subsidies or tax credits for low income working parents. A second source of nonparticipation was nonapplication for benefits among those who knew about the programs. Among those who appeared to meet categorical eligibility requirements, two-thirds of those applying for GAIN child care and only one-third of those seeking TCC/At-Risk assistance were successful. The authors conclude that as childcare systems are reorganized under new child care block grants, funding should be increased, funding streams should be combined, and eligibility criteria should be broadened and simplified to provide continuous coverage based on children's needs and family income.
Child Poverty and Child Care

Barbara Bergmann,12 professor of economics at American University and affiliated member of the IWPR Information Network, has recently written a book, Saving Our Children From Poverty, which compares the childcare system in the United States to that of France. Bergmann notes that policies that work to decrease child poverty and increase the employment of single mothers in France could, with modifications, work in the United States. Despite similar demographics, the child poverty rate is 22 percent in the United States compared with six percent in France. Bergmann argues that while welfare reform may employ more single mothers, if these mothers are not provided with adequate child care and health care, child poverty will not decrease and may even increase.

France spends more to help families with childcare expenses, including both single-parent and two-parent families from all income levels. French families receive free high-quality public nursery school for children ages two-and-a-half through six and before- and after-school care at a nominal fee. France also maintains public childcare centers for infants and toddlers, has paid maternity leave, and provides subsidies for out-of-pocket childcare expenses. Bergmann proposes providing childcare vouchers which would give full support of childcare costs for the poorest 20 percent of families and partial support for better-off families, and medical coverage to all families with children who are not insured through a parent’s employer.

CHILD CARE UNDER THE PRWORA

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 established the Child Care and Development Fund (CCDF) as the primary government childcare subsidy program for low-income families. Under PRWORA, childcare funds are available to parents receiving Temporary Assistance for Needy Families (TANF) who work or are involved in educational activities, parents who recently left welfare, and working poor parents who would be at risk of needing welfare were their childcare expenses not subsidized. The new law, however, ends the guarantee of childcare funding for these families.

Under the new CCDF program, four federal childcare programs are combined. AFDC/JOBS Child Care, Transitional Child Care, and At-Risk of Welfare Dependency Child Care have been repealed, and all childcare funding is now combined under the former Child Care and Development Block Grant (CCDBG) program. Through CCDF, $2.9 billion has been made available to states. States will receive General Entitlement funds for child care, set at the highest amount of funding the state received in fiscal year (FY) 1994, FY 1995, or the FY 1992-1994 average for the IV-A Child Care Programs. However, these funds do not provide an entitlement to individual recipients. Despite the lack of entitlement to child care, if a state wants access to Remainder funds for child care (funds available above the General Entitlement level), a state must maintain its prior level of state spending for the IV-A Child Care programs and produce matching funds. States must ensure that at least 70 percent of their General Entitlement and Remainder funds are used to provide child care to families on TANF, families transitioning off welfare to work, and families at risk of going on welfare.
Under the CCDF block grant system, funding for child care is capped. Under AFDC, states could receive as much funding as needed for AFDC/JOBS Child Care and Transitional Child Care. If the PRWORA’s work requirements were put in place and childcare programs remained uncapped, the amount that states would spend would probably be higher than funding levels allowed under the PRWORA. In other words, the PRWORA introduces an increased need for child care (because it requires more parents to work) and a capped amount of funds available for child care. This combination will most likely create a shortage of childcare funding for the states.\textsuperscript{13} The Congressional Budget Office (CBO) estimates that, if states respond to the PRWORA’s work requirements by placing parents in work programs rather than by reducing caseloads, childcare funding, by 2002, would fall $1.8 billion short of what would be needed to meet the work requirements while maintaining the same level of childcare services to the working poor as under AFDC. However, if caseloads continue to decrease, or if states do not fulfill the work requirements or escape the requirements through waivers, there might not be a shortage in childcare funding.\textsuperscript{14}

Under the PRWORA, states must certify that there are, under state and local law, requirements designed to protect the health and safety of children in childcare facilities, including the prevention and control of infectious diseases, building and physical premises safety, and minimum health and safety training. Childcare providers caring for children funded by CCDF must adhere to these requirements. States must use at least four percent of their CCDF funds to improve the quality of child care and offer additional services to parents (e.g., counseling regarding the selection of childcare providers). States must submit their childcare plans to the U.S. Department of Health and Human Services by July 1, 1997.

Policy Question

- In the absence of national standards for states’ childcare payment rates, will states adopt low payment rates which will reduce the wages of childcare providers, threaten the quality of care, and make it harder for subsidy recipients to compete for access to child care? A majority of childcare centers in Siegel and Loman’s study reported that, because payment rates did not cover their full costs, they could only care for a limited number of children whose fees were subsidized.

Parents of Children Under Age Six

The PRWORA prohibits states from reducing or terminating aid to a single parent with a child under age six who has refused to comply with work requirements due to a lack of child care; nevertheless, these parents are still subject to the 60-month limit on the receipt of aid. States face a penalty of up to a five percent reduction in their block grant for violating this prohibition. However, the recipient must prove that he/she has a demonstrated inability (as determined by the state) to obtain needed child care. States can also limit the required hours per week of work for every fiscal year to 20 hours for single parents of a child under age six (whereas, starting in the fiscal year 1999, other nonexempt recipients will be required to work more than 20 hours per week in order to count towards the work participation rate).
Policy Questions

- Will adequate training, transportation, and child care be available for working recipients of TANF?
- How will states define a parent’s "inability" to find child care? Will a parent’s "inability" to find child care be fairly assessed by state officials?
- Will parents be forced to place their children in what they consider to be an undesirable childcare setting in order to avoid having their benefits cut?

Work Requirements

TANF recipients can count toward the state’s work participation rate if they spend at least 20 hours per week providing childcare services to an individual in a community service program. This provision may encourage the state to allow untrained individuals to provide child care. "Flooding the market" in this way could undercut the value of trained childcare workers, who are already in a low-paying profession. Permitting untrained welfare recipients to provide child care could increase problems such as high job turnover (which leads to an unstable childcare environment) that already plague the childcare market. Alternatively, encouraging mothers who provide child care to acquire specific skills and training in child development and child care management could improve the quality and stability of care.

Policy Question

- How will the safety and stability of the childcare environments provided by TANF recipients be examined or regulated? Will states use their CCDF funds to improve the training of TANF recipients who provide child care?

Low-Wage Workers

Nearly two-thirds of the 1.5 million children in federally subsidized care in the United States come from working poor families; the remaining children are from families on welfare. Despite the increased federal funds available to state governments for child care under the PRWORA, and the decreasing caseloads, many states say it will be difficult to meet the increased demand for child care that will occur as parents on welfare are required to work in order to receive benefits. To help provide enough childcare slots for welfare recipients, Wisconsin has rewritten its childcare rules to eliminate subsidies for working families living over 200 percent of the poverty line. In addition, Wisconsin is creating a new category of providers, provisional providers, who would not meet all of the state’s childcare worker training requirements and would receive lower subsidy payments from the state. In New Jersey, 15,000 working poor families are on waiting lists for one of the state’s 30,000 childcare slots. New Jersey is planning to increase childcare spending for welfare families, but not for the working poor.15
Policy Questions

- What steps will be taken to ensure that child care for working poor families is available, accessible, affordable, and of good quality?
- Will poor families need to turn to not only provisional providers, but to untrained providers?

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Child Care Resources

The Children’s Defense Fund (CDF) is encouraging community-level monitoring of the impacts of the welfare law on the well-being of families and children. To facilitate this information gathering, CDF is distributing a Client Survey packet developed in partnership with the Coalition on Human Needs (CHN). CHN has already begun to disseminate the survey through Catholic Charities USA, the Child Welfare League of America, and other national groups. This survey includes a two-page check-off form and optional open-ended questions designed to obtain welfare families’ detailed stories. CDF has developed an accompanying survey covering domestic violence issues.

The Board on Children, Youth, and Families (Institute of Medicine, National Research Council) convened a second annual research briefing, held in collaboration with the Family and Child Well-Being Research Network of the National Institute of Child Health and Human Development (U.S. DHHS), on welfare and children’s development. A report from this briefing, entitled New Findings on Welfare and Children’s Development, was published in January 1997. For more information, call (202) 334-2998.

IWPR’s Welfare Reform Listserv

As part of the project to coordinate welfare research, IWPR has set up a listserv (electronic bulletin board) which is devoted to the discussion of welfare reform. You can subscribe to the list by sending the following command to the listserv address, at listserv@american.edu:

SUBSCRIBE WELFAREML Full Name

(Use your full name, not your e-mail address. The listserv software can read your e-mail address automatically.) When you sign up you will receive a message which provides further instructions for the listserv. IWPR’s welfare reform newsletters are disseminated through the listserv as well as by mail. Messages posted to the listserv are stored in the archive files of the WELFAREML listserv. The listserv offers the opportunity to share with other interested, like-minded scholars your research and questions on welfare and welfare reform in individual states and at the national level. Discussion can also be related to other issues, such as domestic violence or health. Other information such as calls for papers, conference information, fact sheets, and legislative updates are also welcome. For more information on the listserv, please contact Jackie Chu at chu@www.iwpr.org.
ENDNOTES


6. The National Child Care Survey was conducted by the Urban Institute. The Profile of Child Care Settings study was conducted by Mathematica Policy Research.


11. GAIN is the California JOBS program authorized by the Family Support Act. The NET (Non-Gain Education and Training) program provides subsidies for some welfare recipients in approved training programs who cannot get assistance through GAIN.


