

Making Child Care Choices

How Welfare and Work Policies Influence Parents' Decisions

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SUMMARY

REAUTHORIZATION of the 1996 federal welfare reform law has rekindled a policy debate about whether current child care assistance provisions meet the needs of working families and support children's intellectual and social development. For low-income parents who work — many of whom have jobs that pay low wages and entail working unpredictable, unconventional hours — the difficulties of securing affordable, accessible, and reliable child care can be substantial. Although federal and state spending on child care has increased considerably since 1996, most eligible children still do not receive assistance.

This policy brief summarizes new findings on the child care decisions of about 20,000 low-income parents who took part in nine random assignment evaluations conducted by MDRC. Some of the 21 welfare and employment programs investigated in the evaluations expanded the child care assistance available to parents, while the others provided standard assistance, that is, whatever help was generally available. By permitting comparisons between the effects of the two types of programs, these studies afford rare evidence on how different child care policies affect parents' use of subsidies, decisions about care arrangements, and problems with child care. The brief also presents highlights from in-depth interviews with 38 low-income families.

Key Findings

- Welfare reform and employment programs generally increased parents' employment and use of paid child care — both formal and home-based — but not their use of Head Start,

the federal program designed to boost children's school readiness.

- Relative to programs that provided standard child care assistance, those that offered expanded assistance increased child care subsidy use, lowered parents' out-of-pocket costs, and reduced the proportion of parents who reported having child care problems that interfered with their finding or keeping jobs.
- Programs that offered expanded child care assistance increased use of formal care — which some research suggests improves children's early learning — more than use of home-based care. Programs with standard assistance showed the opposite pattern.
- In interviews, parents reported difficulties remaining eligible for child care assistance because rules were unclear or were not flexible enough to accommodate the changing circumstances of their employment. Many thought that child care centers offer educational advantages over home-based care but also believed that home-based care is more likely to be consistent with their values.

The findings suggest that public resources for child care can broaden the variety of arrangements available to families and can resolve some of their child care-related problems. Nevertheless, accommodating low-income parents' work schedules and personal values will require continued efforts to improve the child care subsidy system and to develop child care options that meet their diverse and often changing needs.

INTRODUCTION

Child care has two goals: supporting parents' employment and fostering children's development. Because of child care's important role in the lives of working families, policies that affect decisions about child care are an essential component of efforts to promote employment and reduce welfare use among low-income families. Based on rigorous research by MDRC, this policy brief examines how various welfare and work programs, some of which offered an expanded package of policies to help low-income parents find or pay for child care, influenced child care decisions and experiences.

Decisions about child care depend on, among other factors, its accessibility, affordability, and reliability. Low-income parents who work are especially influenced by these factors because their jobs often pay low wages and entail unpredictable, unconventional work schedules. Child care arrangements that are difficult to reach, do not cover parents' work hours, are prohibitively expensive, or are unreliable can interfere with parents' employment.

Provisions of the landmark federal welfare reform law

of 1996 imposed new rules requiring states to engage a large fraction of welfare recipients in work or work activities. By doing away with the unlimited welfare entitlement under Aid to Families with Dependent Children (AFDC) in favor of Temporary Assistance for Needy Families (TANF) block grants, the law also limited the length of time that families could receive federal cash welfare payments.

Precursors of these policies have been rigorously studied by MDRC in several large-scale random assignment evaluations of welfare and employment programs, most of them piloted under AFDC waivers during the 1980s and 1990s (for a list of the programs and their key policy components, see Table 1). Although the programs were not designed specifically to test child care policies, some of them altered the amount and scope of the child care assistance provided to low-income families, permitting examination of their child care policies.

Congressional reauthorization of TANF has reopened a debate this year about whether current child care assistance programs meet the needs of low-income working parents and adequately support children's intellectual and

Table 1

The programs and their key policy components

Program	Mandatory Employment Services (16 programs) Required parents to work or participate in an activity designed to enhance their employability	Earnings Supplements (8 programs) Aimed to "make work pay" by providing extra income to parents who worked	Time Limits (2 programs) Made cash welfare receipt temporary by eventually ending payment of benefits
With expanded child care assistance^a			
Family Transition Program (Florida)	✓	✓	✓
New Chance (multiple sites)		✓	
New Hope (Milwaukee)		✓	
Minnesota Family Investment Program			
Full	✓	✓	
Incentives Only		✓	
Welfare Restructuring Project (Vermont)			
Full	✓	✓	
Incentives Only		✓	
With standard child care assistance^b			
Jobs First (Connecticut)	✓	✓	✓
Los Angeles Jobs-First Greater Avenues for Independence	✓		
National Evaluation of Welfare-to-Work Strategies (11 programs in 7 sites)	✓		
Self-Sufficiency Project (Canada)		✓	

^aPrograms with expanded child care assistance offered some combination of the following policies in addition to standard assistance (described below): programmatic promotion of formal care, direct reimbursement of care providers, access to child care resource and referral agents, and easier transitions to other care funding streams when people left assistance. Two programs gave parents subsidies that covered the market cost of formal care arrangements.

^bPrograms with standard child care assistance offered the same child care assistance to program groups as was available to the control groups: the subsidies and services provided under the AFDC system and other federally funded programs during the 1990s. Depending on the site and local policies, standard assistance was not necessarily less generous or less extensive than expanded assistance.

social development. MDRC's research on welfare and employment programs affords a unique opportunity to learn about child care outcomes among such parents and children (for a description of the studies and methods, see the box below).

The 21 programs examined here used various combinations of three key welfare and employment policies that are now part of most state welfare programs: mandatory employment services, earnings supplements, and time limits. In addition, each offered either expanded or standard child care assistance, the latter being whatever assistance was generally available in the site at the time. For details about all these policies, see Table 1.

All the programs began operating before 1996, when recipients of cash assistance were entitled to child care subsidies from a combination of state and federal sources while they received welfare and for a period after leaving welfare; limited amounts of assistance were also available for low-income parents outside the welfare system.¹ The subsidy programs did not, however, address many barriers to access, affordability, and reliability that low-income

parents face, and current child care assistance programs have some of the same limitations. For example, subsidies often do not cover the whole cost of care, and low reimbursement rates and payment delays make some providers reluctant to accept children whose care is subsidized. In addition, parents sometimes lack ready access to information about licensed care providers or have to pay providers themselves and then wait one to two months for reimbursement. Despite increases in child care funding and the number of families served, many of these problems persisted through the late 1990s.

HOW POLICIES SHAPE CHILD CARE DECISIONS

- **Nearly all the welfare and employment programs increased parents' employment and use of paid child care, but not their use of Head Start.**

The programs generally increased parents' use of both formal and home-based care arrangements, most of them

Behind the Research: Studies and Methods

This policy brief marshals evidence from MDRC's studies of 21 pilot programs that operated in a total of more than 20 states and in two Canadian provinces from the late 1980s to the late 1990s. Each program combined child care assistance with various welfare and employment policies (see Table 1). Together, the results reflect the child care decisions and experiences of about 20,000 low-income parents.

To explore the effects of child care assistance, the analysis takes advantage of the studies' experimental designs, in which each parent was randomly assigned either to a program group, which was eligible for the new program's services and subject to its requirements, or to a control group, which was eligible for standard services and supports. Because the two groups were selected by chance, any differences between them — whether with respect to earnings, child care decisions, or any other outcome — that later emerged can be attributed to the programs rather than to demographic or other factors. These differences are called effects, or impacts.

Although all program and control group members were eligible for federal and state child care assistance, the program group in some of the studies was offered expanded assistance in the form of more generous child care subsidies, various types of additional help in securing child care, or both. In the other studies, the program and control groups were both eligible for whatever standard assistance was generally available (see Table 1). Most of the findings

rest on comparisons of the impacts of the two types of programs.* A difference between their impacts — for instance, on the proportion of parents who used subsidies — serves to indicate how offering expanded as opposed to standard child care assistance influenced child care outcomes. Unlike the impacts themselves, which were calculated within each study, differences between the impacts across programs with different types of assistance may reflect factors (other than expansion of assistance) that differed across studies, such as geographic location, the population served, or the combination of welfare and employment policies bundled with each type of assistance. Nevertheless, these are the best data available bearing on the question of how welfare and work policies — as well as the expanded child care assistance that is sometimes combined with such policies — affect child care outcomes.

All information about child care use is based on survey data collected two to four years after parents entered the studies. Parents' perceptions of child care and experiences with child care assistance — illustrative examples of which are presented in this brief — are based on ethnographic interviews with 38 families in Milwaukee's New Hope program.

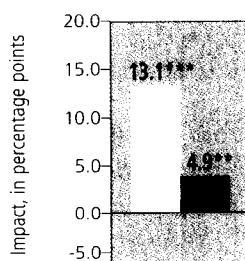
*Impacts for programs with each type of assistance were combined by averaging the individual program impacts weighted by sample size.

requiring payment. These findings are unsurprising in view of the fact that the programs were designed to raise parents' employment — and succeeded in doing so. Surprisingly, however, program group parents were no more likely than control group parents to use one type of arrangement, Head Start — the federally funded early

Figure 1

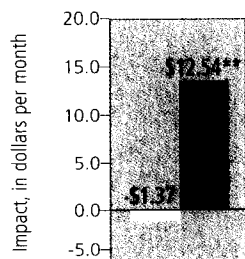
Impacts on subsidy use, child care costs, and child care problems

Subsidy use



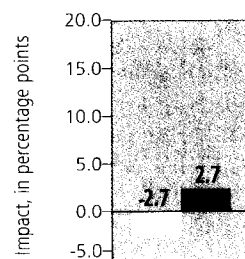
Programs with expanded child care assistance increased the proportion of parents who used child care subsidies more than did programs with standard assistance.

Out-of-pocket cost



All the programs increased use of paid child care, but only those with standard assistance increased parents' out-of-pocket child care costs.

Child care problems



Programs with expanded assistance had a more favorable impact on the proportion of parents who reported having child care problems than did programs with standard assistance.

□ Programs with expanded assistance

■ Programs with standard assistance

NOTES: Statistical significance levels of the impacts are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed).

Unlike impacts, which were computed within each study, differences between impacts across program types may be attributable to factors that varied across studies, such as geographic location.

The differences between the impacts of the two types of programs are statistically significant at the 1 percent level for subsidy use and at the 10 percent level for out-of-pocket costs and the incidence of child care problems (two-tailed).

childhood education program — although it is specifically designed to facilitate children's school readiness and virtually all the parents in these studies were eligible to use it at no cost.²

Why would reliance on Head Start not rise in direct proportion to program-induced increases in parents' employment? Some possible reasons are that, during the period when the programs under study operated, Head Start rarely offered summer programs or "wraparound" services to close the gap between program hours and parents' hours of employment and was generally not promoted by caseworkers as a form of child care; in addition, because Head Start serves only children of preschool age, it cannot meet the child care needs of parents who have children of other ages as well. The Head Start finding points to a need for more coordination between strategies for raising employment among low-income parents on the one hand and efforts to pave the way to school success for their children on the other.

- **Relative to the 14 programs with standard child care assistance, the seven programs with expanded assistance increased subsidy use, lowered parents' out-of-pocket costs, and reduced the proportion of parents who reported having child care problems that interfered with employment.**

For low-income parents, child care represents one of the largest costs of being employed, and nearly all the programs examined here increased parents' use of paid child care. As shown in Figure 1, the programs that combined welfare and work policies with expanded child care assistance — two of which fully covered the cost of formal care — increased by 13 percentage points the proportion of parents who used child care subsidies and left their monthly out-of-pocket cost of care unchanged. The welfare and work programs that offered standard assistance also increased use of child care subsidies (presumably because they increased employment), but by only 5 percentage points. More important, the programs with standard assistance, which offered the same help to program enrollees as was available to the control groups, increased the out-of-pocket cost of care by an average of \$12.54 per month. What do these impacts mean for parents who relied on paid child care arrangements? Among those who used paid care, parents in the programs with expanded assistance were more than twice as likely to use subsidies and

paid 36 percent — or \$59 — less in out-of-pocket child care costs per month than did parents in the programs with standard assistance.

On average, about 10 percent to 40 percent of parents in the control groups (not shown in Figure 1) — including those who worked and those who did not work during the follow-up period — reported that they had experienced problems with their child care arrangement that interfered with their finding or keeping a job (for instance, a last-minute cancellation that caused them to be late for or to miss work). The programs with expanded child care assistance had a more favorable impact on the proportion of parents who reported such problems than did the programs with standard assistance.

Parents in the programs that offered expanded assistance may have experienced fewer problems with child care than their control group counterparts because they had more of the resources needed to choose a reliable arrangement. In contrast, parents in the programs that provided standard assistance — though more likely than their control group counterparts to work and to use a paid child care arrangement — had no more resources than their control group counterparts with which to

secure reliable care. Still, the effects on reported problems with child care are small, suggesting that a sizable proportion of low-income families experience problems with child care that are not addressed by the policies implemented in these programs.

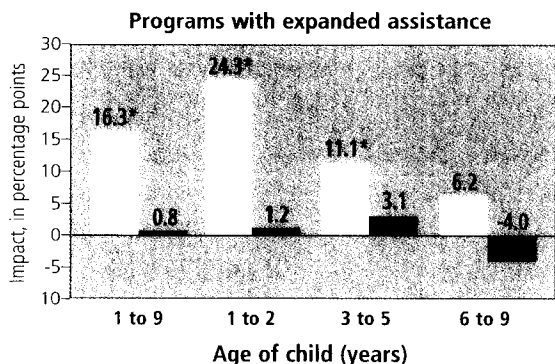
- **The programs that offered expanded child care assistance increased use of formal care more than use of home-based care, while those that provided standard assistance showed the opposite pattern.**

As shown in Figure 2, the programs that expanded child care assistance increased the proportion of parents who used formal care — usually provided by child care centers — more than the proportion who used home-based care (for instance, care provided by a relative or by a group care provider situated in a home). This result held for toddlers, preschool-aged children, and young school-aged children (aged 1 to 2, 3 to 5, and 6 to 9 at study entry, respectively) but was larger for the two younger subgroups. The programs that offered standard child care assistance, in contrast, led to larger increases in use of home-based arrangements than use of formal care. Analyses of the few studies with appropriate data suggest

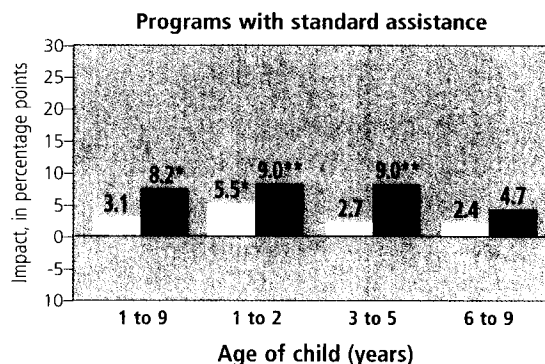
Figure 2

Impacts on type of child care used

Programs with expanded child care assistance increased use of formal care more than use of home-based care . . .



. . . whereas programs with standard assistance increased use of home-based care.



□ Use of formal care ■ Use of home-based care

NOTES: Statistical significance levels of the impacts are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed).

Unlike impacts, which were computed within each study, differences between impacts across program types may be attributable to factors that varied across studies, such as geographic location.

The differences between the impacts of the two types of programs on use of formal care are statistically significant at the 10 percent level (two-tailed) for the full sample (aged 1 to 9) and the infant subgroup (aged 1 to 2). None of the other differences between the impacts of the two types of programs on type of care are statistically significant.

Age subgroups are defined by age at study entry.

that the programs with expanded assistance also increased, by two to four months, the number of consecutive months that children spent in formal care arrangements once they were enrolled.

Among parents who used child care, most of the arrangements were home-based. It is common, however, for low-income families to combine home-based and formal arrangements to meet their child care needs. For example, in the control groups, about two-thirds of parents with preschool-aged children used home-based care, and about the same proportion used formal care — indicating that many parents relied on more than one type of arrangement.

Is the increase in use of formal care good for children? The studies discussed here do not address this question, but other research suggests that, relative to home-based care, center-based arrangements provide educationally more enriching environments and improve children's language and cognitive development — results that hold across family income levels.³ At the same time, center-based care has not been found to have similarly positive effects on children's behavior.

WHAT LOW-INCOME PARENTS SAY

Interviews conducted with 38 families in Milwaukee's New Hope program — which offered a generous child care subsidy to low-income parents who worked full time — shed light on how child care and access to child care subsidies interact with low-income families' day-to-day routines, needs, and preferences. In the interviews, parents identified four factors (in addition to work and access to subsidies) that influenced their use of child care: (1) the family's material and social resources; (2) the safety, security, and moral climate of child care for very young children; (3) conflict or disagreement among parents, children, and extended family members regarding what constitutes a desirable care arrangement; and (4) the predictability and stability of child care from the perspectives of children and parents.

- **Parents saw pros and cons to using center-based as opposed to home-based care.**

In the interviews, parents expressed the view that child care centers provide educational advantages over home-based care. At the same time, they believed that home-based care is more likely to meet their children's emotional needs, to provide an environment consistent with their

own values, and to accommodate their often unconventional, unpredictable work schedules. As would be expected, parents' views depended on the age of the child in need of care. Parents of children aged 3 to 5 — many of whom reported having difficulties with home-based child care providers because they changed their hours or monthly fees without warning or did not provide sufficiently high-quality care — saw center-based care as preferable. Parents of infants, in contrast, were uncomfortable with center-based care.

Evelia, a Puerto Rican single mother of four, worked an eight-hour shift that began at three in the afternoon. She believed that her 3-year-old daughter, Lisa, would not be safe in a daycare center and also doubted that a center would cover her late work hours. While at work, Evelia left Lisa with her three older children (the oldest of whom was 13) or her nearby relatives. Eventually Evelia started working the early shift, which began at seven in the morning. Partly because her relatives were unable to provide reliable care at that time, she applied for child care subsidies and — despite her misgivings — chose a center for Lisa. After a few months, Evelia was thrilled with the center. She thought Lisa had learned a lot in a short amount of time, including lessons that Evelia believed she could not have taught at home. Having access to the child care subsidy enabled Evelia to use formal care — which she came to believe was better for her daughter than home-based care — and to remain employed full time.

- **Subsidy requirements can cause sudden changes in families' eligibility and, in turn, child care instability.**

The interviews revealed that low-income families struggle to adapt their child care decisions and subsidy use to their changing family and work routines. Because eligibility for child care assistance is tied to work requirements or income thresholds, changes in employment status or in family income can lead to sudden loss or reduction of benefits. This can force parents to change their child care arrangements, leading to unstable care experiences that could be detrimental to children and their parents.

Michol, who worked during the day, enrolled her daughter in an after-school program where she could be supervised until her mother picked her up. Michol paid for this care with help from the state child care assistance program. Learning unexpectedly that she would no longer receive a child care subsidy because her

income had risen slightly above the inflexible eligibility limit, Michol had to make new child care arrangements on short notice. She enrolled her daughter in a daycare center operated by her sister for a time and later switched to a more affordable center run by her daughter's godmother. It would have been nearly impossible for Michol to anticipate the end of her eligibility for subsidies — and thereby to avoid instability in her daughter's care arrangements — because her income fluctuated considerably from month to month.

POLICY IMPLICATIONS

- Offered as part of a welfare or work program, expanded child care assistance can achieve both goals of child care policy, namely, supporting parents' employment and fostering children's development. Given that center-based care can be incompatible with low-income parents' work schedules and values, the range of care options available to them should include home-based arrangements. Nevertheless, when programs offered greater access to child care or made it more affordable, parents were more likely to use formal care and reported fewer problems with their care arrangements. This result is of particular interest because some research indicates that center-based care provides more educational benefits than home-based care.

- From parents' perspective, flexibility is a crucial component of the child care subsidy system. Stability of care might be enhanced by longer eligibility periods and simpler eligibility requirements. Differences among parents' needs call for a system that allows parents to take account of their own priorities in choosing care for their children.
- Welfare and work programs, which have been generally effective in boosting employment and child care use, have missed an opportunity to increase parents' use of Head Start. One strategy for helping families secure high-quality care that is already being applied in Head Start is to make early education programs more accommodating of low-income parents' work schedules. More coordination between welfare and work programs and early childhood service providers might enable them to make their activities more complementary.

The findings in this brief contribute to an emerging knowledge base regarding how child care policies affect the accessibility, affordability, and reliability of child care for low-income families. The analysis draws on numerous random assignment studies of welfare and employment programs, some of which included tests of child care policies. More direct tests of child care policies — in particular, their effects on quality of care, children's well-being, and parents' employment — are under way.⁴

Notes

¹ Many of the findings reflect child care use both before and after 1996; thus, in some studies, the child care system for the control group was evolving toward the end of the follow-up period. Specifically, in 1996, federal child care resources were collapsed into one fund, and states were granted flexibility in allocating

child care funds as long as they ensured parental choice in care. At the same time, resources devoted to child care subsidies grew at both the federal and the state levels.

² Use of Head Start was measured using a survey question asking parents about the types of child care they regularly relied on. This question might not have captured some Head Start use — because, for

example, parents may not have considered Head Start a child care arrangement (especially if they enrolled their child in a Head Start program but did not work) or may not have been able to distinguish their use of Head Start from their use of other services (because some Head Start programs are located in child care centers).

³ National Institute for Child Health and

Development (NICHD) Early Child Care Research Network. 2000. "The Relation of Child Care to Cognitive and Language Development." *Child Development* 71: 960-980.
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T. I. Arcel (eds.), *Research in the Sociology of Work*. Volume 7: *Work and Family*. Stamford, CT: JAI Press.

⁴ Funded by the U.S. Department of Health and Human Services, this study — the Evaluation of Child Care Subsidy Strategies — is led by Abt Associates Inc., with MDRC, the National Center for Children in Poverty, and Moore and Associates as partners.

Source papers

This brief is based on Next Generation Working Paper Nos. 1-3, 7, and 9-11, all of which are available at www.mdrc.org/NextGeneration.



www.mdrc.org/NextGeneration

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ABOUT THE NEXT GENERATION PROJECT

This policy brief is part of the Next Generation, a project that examines the effects of welfare, antipoverty, and employment policies on children and families. Drawing on rich data from recent welfare reform evaluations, the project aims to inform the work of policymakers, practitioners, and researchers by identifying policy-relevant lessons that cut across evaluations.

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POLICY BRIEF

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and Work Policies
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Decisions