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Employment-Related Child Care Issues

What We Know and What We Do Not

Child care policy proposals are floated across the national and state policy landscape with growing frequency, and with good reason. An ever-growing percentage of parents are in the workforce, with the most recent gains attributable in part to the decline during the 1990s in welfare receipt for single mothers. But even for married mothers with young children, labor force participation rates are high, although many do not work full time or year round. Whatever the demographic group, every family with an employed mother faces a myriad of child care choices.

What is the state of knowledge concerning employment-related child care issues? What will likely be the important research and policy issues in the near future? To provide a broad overview in response to these questions, the relevant child care issues can be grouped into four broad areas: 1) factors affecting child care costs and the choice regarding type and place of child care provider; 2) quality; 3) the direct relationship between child care prices and employment behavior; and 4) federal and state child care spending.

Several factors are important to parents' choices concerning the child care provider, where modes of nonparental care include relative care, family day care (care in unrelated individuals' homes), or center-based care. Parents respond to some unknown subset of quality factors, including child:adult ratios, caregiver training and turnover, consistency of morals between parents and caregivers, reliability and convenience of care, and price. However, the existing literature does not explain sufficiently just how parents are weighing these different quality factors. There is some evidence that parents respond to prices when making modal choices, and an increased probability of using center-based care is seen with full-time employment (Connelly and Kimmel 2000).

Factors affecting child care prices also have a direct effect on child care quality, implying that issues 1 and 2 are linked. The most significant factor in child care cost is the wages of child care workers, which by almost any reasonable standard are notoriously low. As a result, there is frequent turnover of child care workers, which negatively affects quality and also raises costs. And, although many states impose minimum training and education requirements of its child care workers in center-based care, most child care workers are still untrained in child development and first aid.

Child care quality concerns include the measurement of quality, observable linkages between quality and child outcomes, and the relationships between quality, mode, and government regulation. Regarding the availability and importance of child care quality, evidence suggests that in the United States, much of available child care is of insufficient quality; see, for example, the report titled *Cost, Quality and Child Outcomes in Child Care Centers* (Helburn et al. 1995).

However, the evidence linking child care quality and child outcomes is less clear. Blau (1999) finds little association between child care quality and child development on average, and finds inconsistent effects when focusing on lower-income children. But recent findings from the Carolina Abecedarian Project show long-term positive development effects, persisting to the age of 21, of providing particularly high-quality child care beginning in infancy to at-risk children.

The link between state regulations and child care quality is complex. While stricter regulations do seem to increase the quality of care provided by licensed providers, this increased quality comes with a higher price tag, resulting in a decline in the demand for such licensed care (Hofferth and Chaplin 1998).

The empirical evidence of the importance of child care costs in the employment decisions of both married and single mothers is growing. The bulk of this evidence suggests differences across marital status in the responsiveness of employment to child care prices. Low-income white single mothers, who devote up to 30 percent of their incomes to child care, exhibit relatively greater employment responsiveness to child care prices (Kimmel 1995). Although there is disagreement in the child care literature about the magnitude of this employment response, the evidence is clear that providing subsidies has a meaningful impact on work behavior (see, for example, Kimmel 1998). Child care prices have differential impacts for full-time versus part-time workers as well, with Connelly and Kimmel (2000) finding that both married and single mothers are less responsive to child care prices in their part-time employment choices than in their full-time employment choices. Finally, the evidence concerning the relationship between child care prices and the choice of actual hours worked is weak.

What about federal and state spending on child care? The availability of child care subsidies, provided via the income tax system or more directly to providers or consumers, can alter the relative supply and demand for different modes of care and, as a result, can affect child outcomes as well as employment of parents. In fact, tension often arises between the goals concerning child development and employment (Blau, forthcoming). Child care subsidies are also politically palatable work-tied transfers, raising the overall standard living of the recipient families. The effectiveness of means-tested child care subsidies could be improved and in fact assessed more concretely if policy goals were clarified or if key response parameters were known, including the responses to subsidies in parents' modal choices and the responses by suppliers to the availability of subsidies. Other policy issues include the appropriate regulation of providers, the modes of care that should be subsidized, and the availability of subsidies to encourage providers to locate in underserved areas.

Across these four broad areas, other gaps exist in our current state of knowledge. A significant portion of the gap in the child care literature reflects insufficient knowledge of choices and behavioral responses for specific subgroups, particularly the welfare-to-work population (Council of Economic Advisors 1997). We do not know how this subgroup will care for their children when faced with inconsistent work schedules, shift work, and frequent job changes. We also know very little about the issues and concerns related to care for school-aged children, the

parental motivation underlying observed child care quality choices, and details concerning differences in child care preferences across ethnic groups. Also, there is insufficient research documenting presumed shortages in specific types of care (such as infant care and off-hours care), although some surveys do document an overall excess demand for nonparental care of specific types.

We also have insufficient information regarding quality in the various modes of care, regardless of how one measures quality, and the evidence of long-term effects of poor quality care for the average child is scant, as is evidence of the link between child care cost and availability and school completion (for the latter, see Kaukman et al. 2000). Finally, what is the appropriate expenditure on child care subsidies? A recent study of welfare leavers reports that few are receiving subsidies (Center for Law and Social Policy 1999), and only 1.24 million of the approximately 10 million children eligible for federally funded support received assistance in 1997 (U.S. Dept. of Health and Human Services 1999).

Because of the importance of child care costs in the low-income working family's budget and the importance of child care in welfare reform, policy could be better informed by data gathered in a purely experimental context. That implies some sort of random assignment experiment in which individuals (probably recent welfare leavers) are offered different versions of child care subsidies, without variation in a broad package of other benefits, to observe individuals' willingness to utilize different versions of subsidies and the impact of the subsidies on employment outcomes (Blau, forthcoming). Unfortunately, one result of welfare reform is that states are no longer required to conduct such expensive experiments.

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