THE UNIVERSITY OF CHICAGO

CROWN FAMILY SCHOOL OF SOCIAL WORK, POLICY, AND PRACTICE

Advancing a More Just and Humane Society

Ensuring Access To High-Quality, Affordable Early Care And Education For Low-Income Families

The Early Care and Education Challenges Facing Low-Income Families

Julia Henly, University of Chicago

Overview of presentation

- The child care and early education dilemma
- Multi-dimensional definition of access
  - The affordability challenge
  - Meeting parent needs with reasonable effort
  - Meeting children’s developmental needs
- Child care through an equity lens

Early Care and Education as:

- Parental Work Support
- Child Development Investment
- Industry (see Oct 18. IRP webinar on ECE workforce)

Child care challenge

How to build a child care and early education system that:

- meets the needs of working parents,
- the developmental needs of their children
- high-quality employment for providers

Child care challenge

Child care expenses are unsustainably high for many parents, but market rates may be too low for providers to cover primary costs (staff, facilities, supplies) without substantial public investment.

Child care as market failure
(Davis & Sojourner, 2021)

Multi-dimensional definition of access

(Thomson et al., 2020; Paschall et al., 2021)

- Affordability
- Meets Parents' Needs
- Reasonable Effort
- Child Development
- Equity

The Affordability Challenge

Child care is expensive

Especially for families with low income

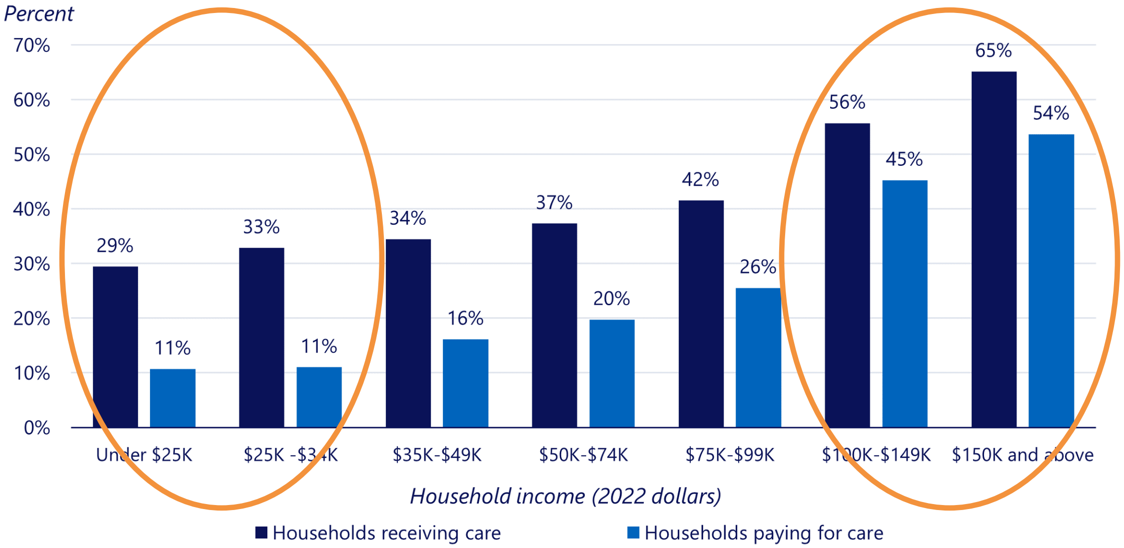
The Affordability Challenge

The income gradient

Most children use care, higher income families more likely to pay for care

~$920/mo
13% of income

Figure 1. Formal Childcare Consumption in 2019, by Income



Council of Economic Advisers
Sources: 2019 NSECE; CEA calculations.
Note: Childcare measures are limited to children under age 6 and to "formal" childcare, which includes paid individuals (with no prior relationship), center-based care, preschool, community-based care, and other organizational ECE on a regular and irregular basis.
As of July 13, 2023 at 3:00pm.

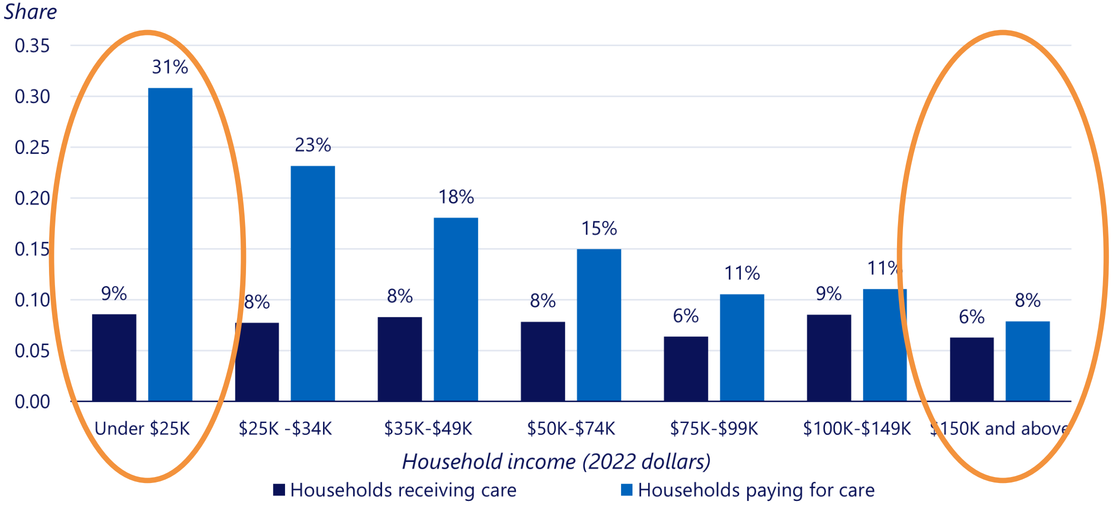
The Affordability Challenge

The income gradient

Of those who pay, low-income households pay higher percentage of their income on child care

31% vs 8%

Figure 2. Average Annual Expenses on Formal Childcare as a Share of Income in 2019, by Income



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As of July 13, 2023 at 3:00pm.

Meeting Parents Needs with Reasonable Effort

Convenience

- proximity
- family schedules
- accommodating children across ages

Meeting Parents Needs with Reasonable Effort

Nonstandard and Precarious Jobs

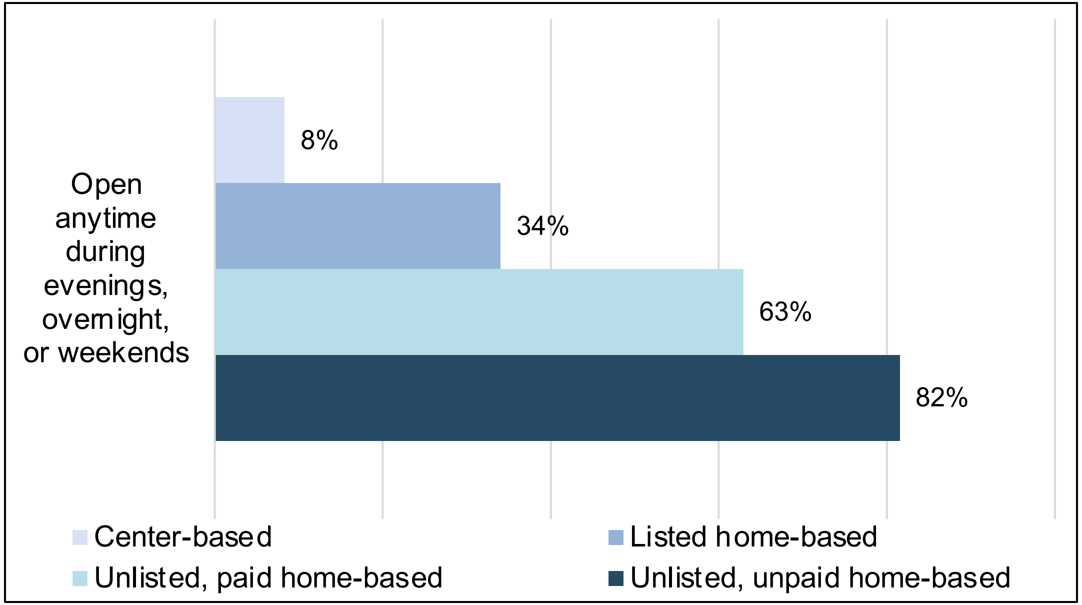
NTH work is common,
as is NTH care

- Over one-third of children under 6 have parent working NTHs (Adams et al, 2022):
  - 47% weekends — 43% early morning
  - 36% evenings — 18% overnight
- 60% of children are in NPC while parents work NTH, mostly FFN arrangements (Kwon et al, 2023)

Meeting Parents Needs with Reasonable Effort

Nonstandard and Precarious Jobs

Supply of child care is disproportionately unpaid and paid FFN



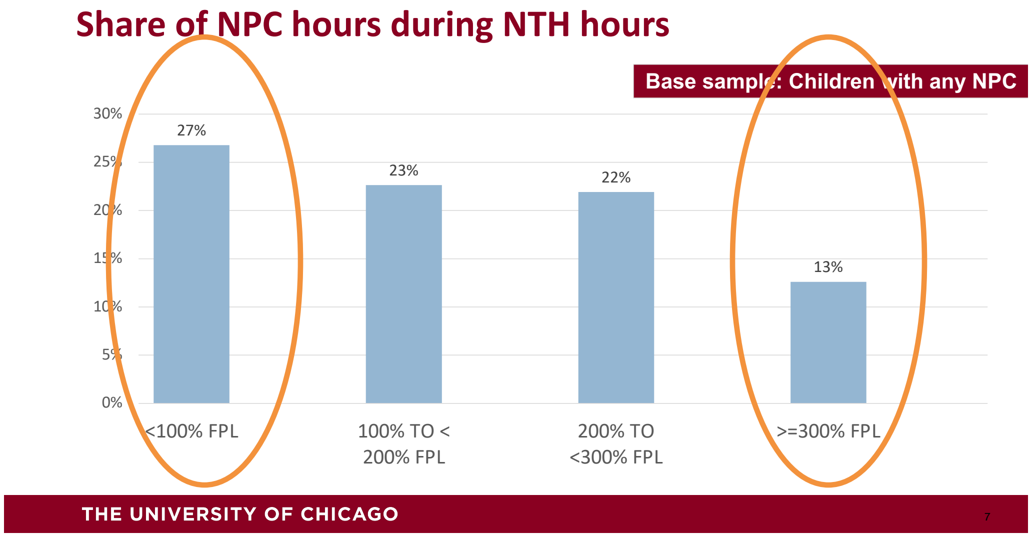
NSECE 2012 (Fact Sheet, 2015)

Meeting Parents Needs with Reasonable Effort

Nonstandard and Precarious Jobs

Low-income children spend greater share of NPC hours during NTH

27% (<=100% FPL)
vs
13% (>=300% FPL)



Meeting the Developmental Needs of Children

Quality investments across sectors are important

- Conventional definitions of quality show most programs are of low- to moderate-quality, across sector
- Investments in HS and PreK have increased availability of quality care

Investments in quality may not translate into work support for parents.

Appropriate quality definitions may vary depending on sector, purpose, and time of care

Access Through and Equity Lens

Many groups are underserved by Early Care and Education System

Together, these make up the majority of children under 6 with working parents

- Families needing care outside of daytime, weekday hours
- Infants and Toddlers
- Children with special needs
- Rural Families
- Families in disadvantaged areas
- Homeless families
- Immigrant families

Subsidizing costs of child care through government intervention

Child Care Development Block Grant (CCDBG) is primary means-tested child care subsidy program

CCDBG is critical safety net for low- income families

…If this program didn't exist, I wouldn't be able to work….I wouldn't be able to afford child care….there's a lot of things I wouldn't get accomplished...if I wasn't eligible for the program. ~ Carrie

Accessing High-Quality Child Care through Subsidies: Benefits and Challenges

Yoonsook Ha, Ph.D.

Boston University, School of Social Work

Institute for Research on Poverty Webinar on "Ensuring Access To High-Quality, Affordable Early Care And Education For Low-Income Families"

October 4, 2023

Outline

- Overview of the Child Care Subsidy Program
- Benefits and Challenges
  - Family engagement with subsidy system
  - Child care supply and provider perspective
  - Challenges related to subsidy administration
- Progress and Opportunities

Overview

- Jointly funded by federal and state governments, mainly from the Child Care and Development Fund (CCDF)
- Promote parental employment and positive child development by increasing access to high quality care
- $13.4 billion spent on providing subsidies to 1.5 million children each month from low-income working families or other marginalized groups in 2020 (Office of Child Care).
- Available through certificates (vouchers), grants, and contracts
- Detailed policies widely vary by state

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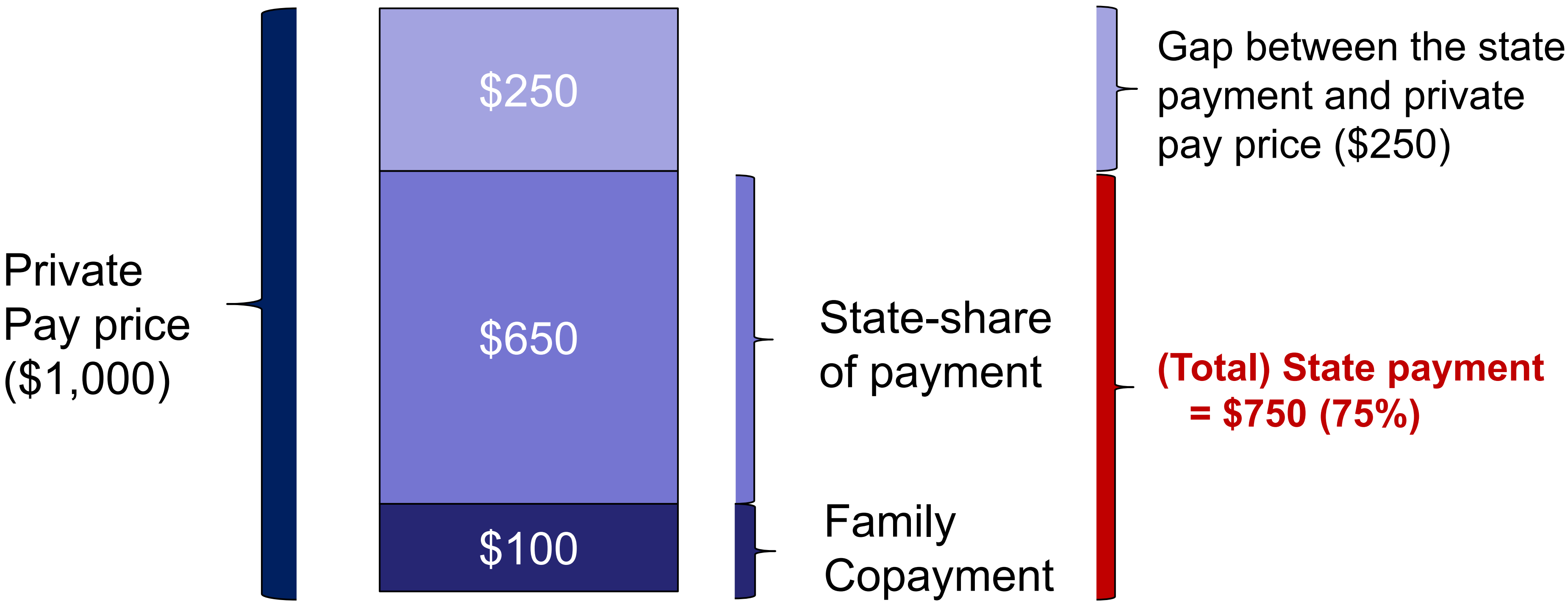
Example: State Payment (Reimbursement Rate) and Family Copayment



State Payment = State-share of the payment + Family copayment

Family Engagement with Subsidy System: Benefits

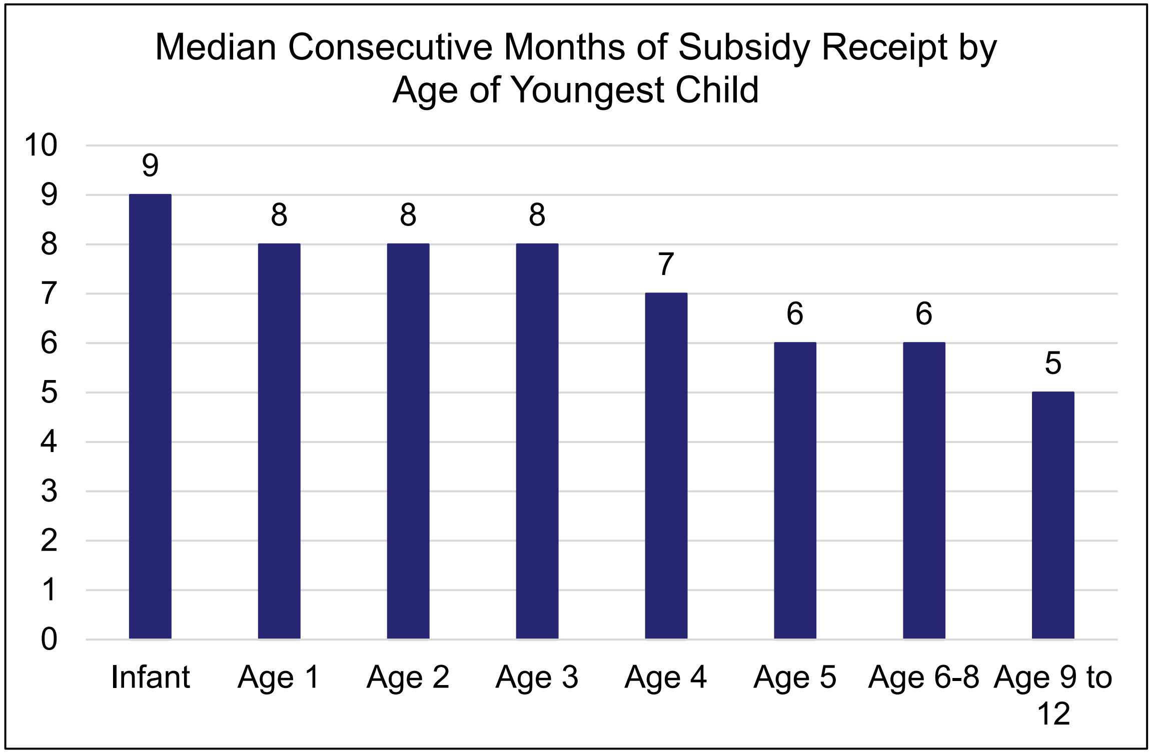
- Reduce financial burden of low-income families
- Support parental employment and education

Family Engagement with Subsidy System: Benefits

- Improve access to high quality care
- Improve social and emotional well-being and school readiness, but mixed findings on behavioral outcomes
- Reduce risks of child maltreatment and increase overall family functioning

Family Engagement with Subsidy System: Challenges

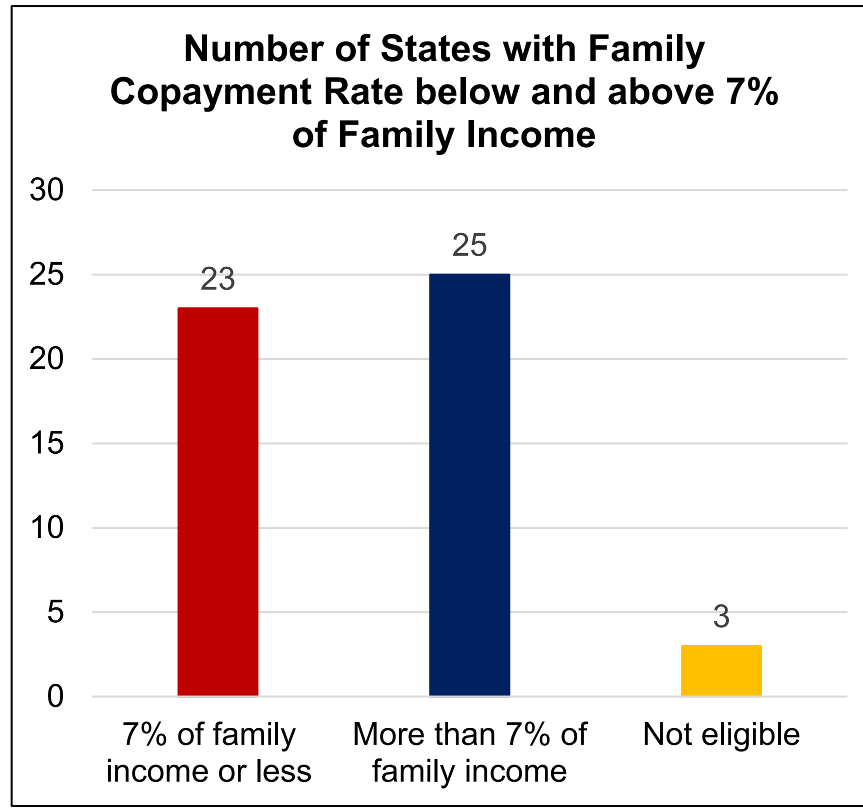
- Only **16%** of eligible children used subsidies in 2019 (Chien, 2022)
- High level of instability in subsidy receipt (Swenson & Burgess, 2018)
- 47% of families cycling on and off subsidies (Swenson & Burgess, 2018)



Source: Swenson, K. & Burgess, K (2018). Child Care Subsidy Duration and Caseload Dynamics: A Multi-State Examination from 2004-2014

Family Engagement with Subsidy System: Challenges

- Still unaffordable in many states, with high copayments and paying for gaps between state payments and private prices



* For family of three with income at 150% of the poverty with one child in care. Data Source: National Women's Law Center, 2022

Family Engagement with Subsidy System: Challenges

- Strict income and work requirements
- Administrative burden related to applications, renewal and reporting changes

  "Yeah, so I was calling and calling and then I couldn't get in touch … so I just had to like blow up the phone until someone called me back … I think I called more than 12 times. I was like, I need them to answer."

- Customer service

  "We are low-income, but we deserve respect"

  "Just because I work full time does not mean I don't need more help"

Child Care Supply and Provider Perspectives: Benefits

- Satisfaction / fulfillment in serving underprivileged children

  "I like serving those vouchers because I feel like I am giving back to my community."

- Stable funding and other supports

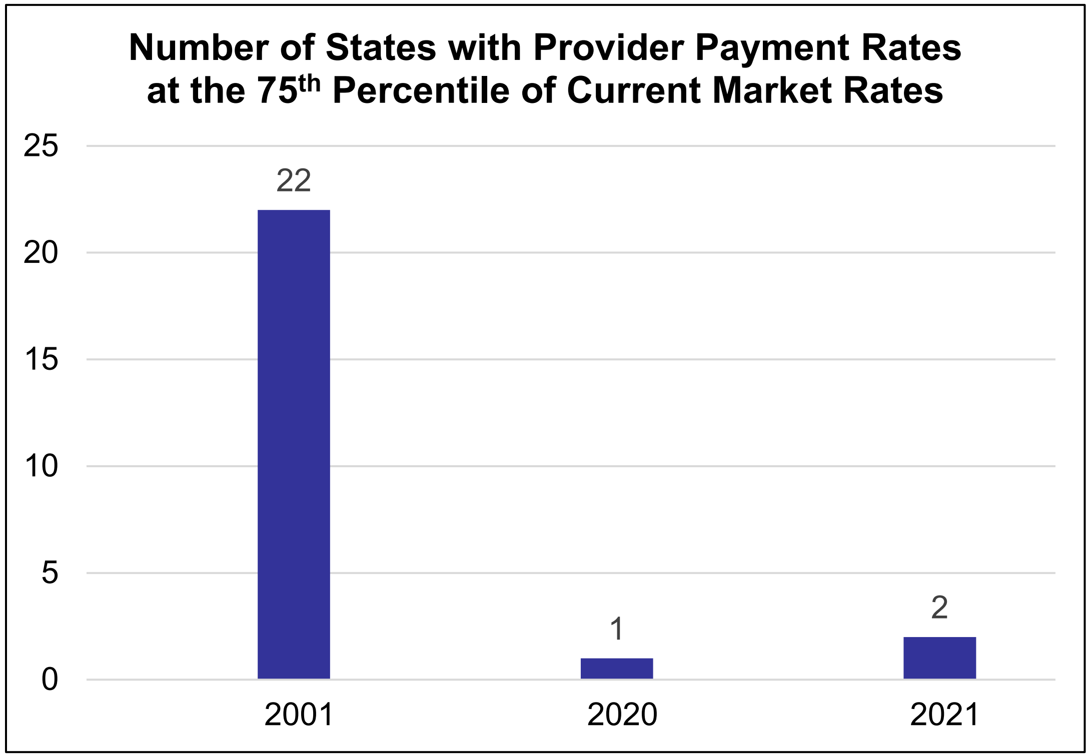
- Value / stability of child care subsidies during COVID-19

  "I am grateful for my voucher families because that is definitely saving us. My families that are private pay have not returned to the workforce or are working from home, so our majority of our loss was those families."

Child Care Supply and Provider Perspectives: Challenges

- Low state reimbursement rate

“ So, the vouchers ... you know, when we first opened we were told by EEC, ‘Don't expect the money…” It's not [they don’t pay]. You know, they pay, they pay much more slowly and at a much lower rate than private pay families.”



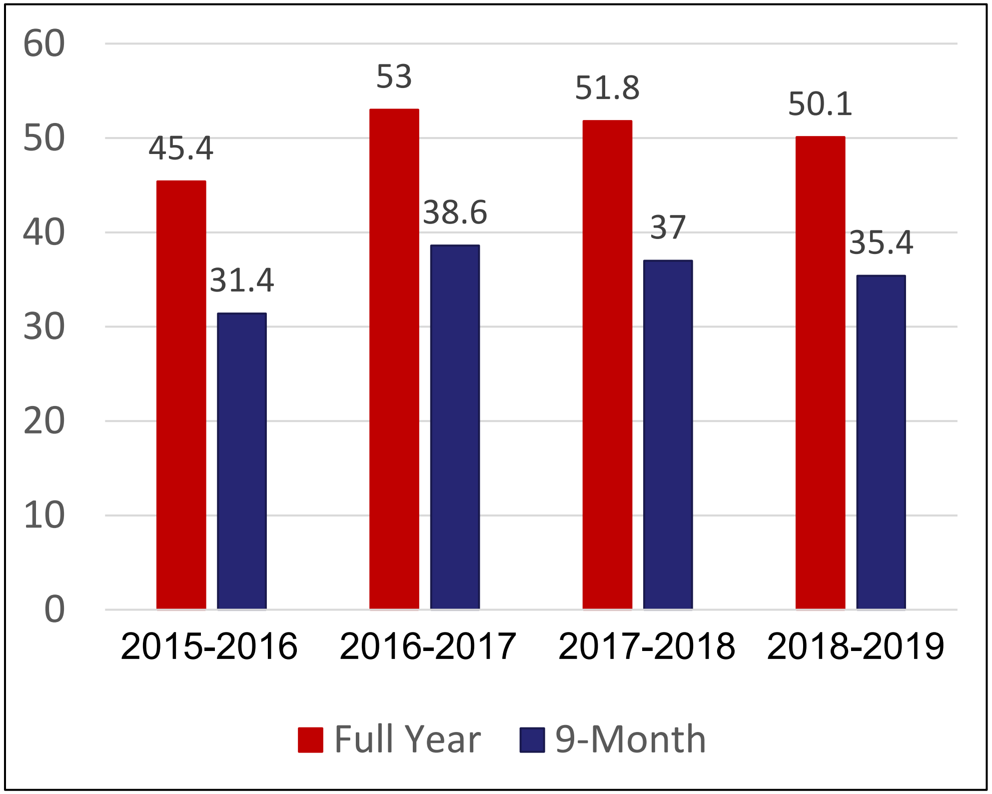
Source: Schulman, K. (2022). At the Crossroads: State Child Care Assistance Policies 2021

Child Care Supply and Provider Perspectives: Challenges

- High instability in subsidy enrollment

"the problem we are having is that many parents have had their hours cut off, but then if they don't have enough hours, they don't qualify for the voucher, they don't have that subsidy ...my pay will stop. So it is very difficult to be able to help these parents."

Subsidy Enrollment Turnover Rate (%)



Data source: Author's Calculation from MA administrative data, for four school years from 2015-2019 school years.

Child Care Supply and Provider Perspectives: Challenges

- Administrative burden
  - Cumbersome paperwork
  - Lack of funding and training for administrative work
- Need more resources to meet children’s and families’ needs (addressing challenging behaviors, trainings, etc.)

*“I have a child that **tips over furniture**, takes **fits**, and **throws things** around the room, and he just can't control himself… They're loving children, but they have these behaviors that just sometimes **we just can’t [manage]**.”*

*“[T]hose courses that [providers are] taking, their course load is specifically early childhood education courses. They are not taking courses in **special needs**. They are not taking courses in **mental health** … And the kids that are coming are the **most vulnerable** of our population.”*

Subsidy Administration: Challenges and Improvements

Address shortages of supply of subsidized care

Need for better understanding of supply and demand

Build ECE capacity for underserved groups and communities

Explore alternative methodologies to support program finance and operating costs

Progress and Opportunities

- Continuous policy efforts to increase subsidy stability and the supply of subsidized care
- $52 billion COVID-related fund to make both family- and provider-side investments
- Need to address more fundamental structural issues

Ensuring Access to High-Quality, Affordable Early Care and Education for Low-income Families: What Can Be Done?

URBAN INSTITUTE · ELEVATE · THE · DEBATE

Presentation by Gina Adams

October 4, 2023

Overview

- Market challenges -- core issue is inadequate funding
- Where could we get funding from?
- Looking more deeply at CCDF -- what it can and can't accomplish
- Where we can go from here?

Funding sources

- Parents
- Government
- Business
- Philanthropy

What can CCDF accomplish?

- Most of the funds go to pay for subsidies
  - 12 percent devoted to supporting quality and supply –- aka “the quality set-aside”
- FY2020, the subsidy funds helped pay for child care for
  - Almost 1.5 million children,
  - In over 900,000 families
  - At 230,000 providers
- Only funded sufficiently to serve 15 percent of those eligible under federal rules

Source: *https://www.acf.hhs.gov/occ/data/fy-2020-ccdf-data-tables-preliminary*

What if CCDF served more families?

- Urban team used our microsimulation modeling to see what would happen if funds were available to serve everyone who was working who had incomes up to 150% of poverty who would want a subsidy
  - Would serve another 800,000 families who were already working
  - Plus 270,000 mothers who would join the workforce
  - Resulting in over 2 million more children being supported
  - And reducing the number of children in poverty by 3 percent

Giannarelli, Adams, Minton, and Dwyer, 2019. What if We Expanded Child Care Subsidies? A National and State Perspective. Urban Institute, [*https://www.urban.org/research/publication/what-if-we-expanded-child-care-subsidies*](https://www.urban.org/research/publication/what-if-we-expanded-child-care-subsidies)

What are CCDF's limits?

- Challenges already discussed in terms of
  - barriers and inequities in access
  - funding
- It cannot address the larger systemic challenges around quality or supply

Adams and Pratt, 2021. [Assessing Child Care Subsidies through an Equity Lens: A Review of Policies and Practices in the Child Care and Development Fund]()

Example: Raising subsidy payment rates…

- Subsidy payment rates are how states pay providers – this is where all subsidy funds go so it is core to the system
- Raising the amount that states will pay for child care is critically important to support the ability of parents to access providers in their communities
  - Current maximum payment rates in most states are at levels that are far below the prices set by many providers
  - Meaning that providers refuse to accept subsidies, charge the parents the difference (in the states that allow it), or restrict the number they will serve to avoid losses
  - So raising rates increases the number of providers in the market that will have their prices covered, more likely to accept subsidies, improves access

…Raising subsidy payment rates…

- Raising payment rates is also the most common policy strategy states employ to *improve the quality and supply of care* through paying targeted higher rates
- Does it work?
  - Likely allows parents to access providers who are providing the desired level of quality and/or the types of targeted care, if they exist in their communities
  - No evidence that it can change the overall quality or supply in the market in a sustained or significant way

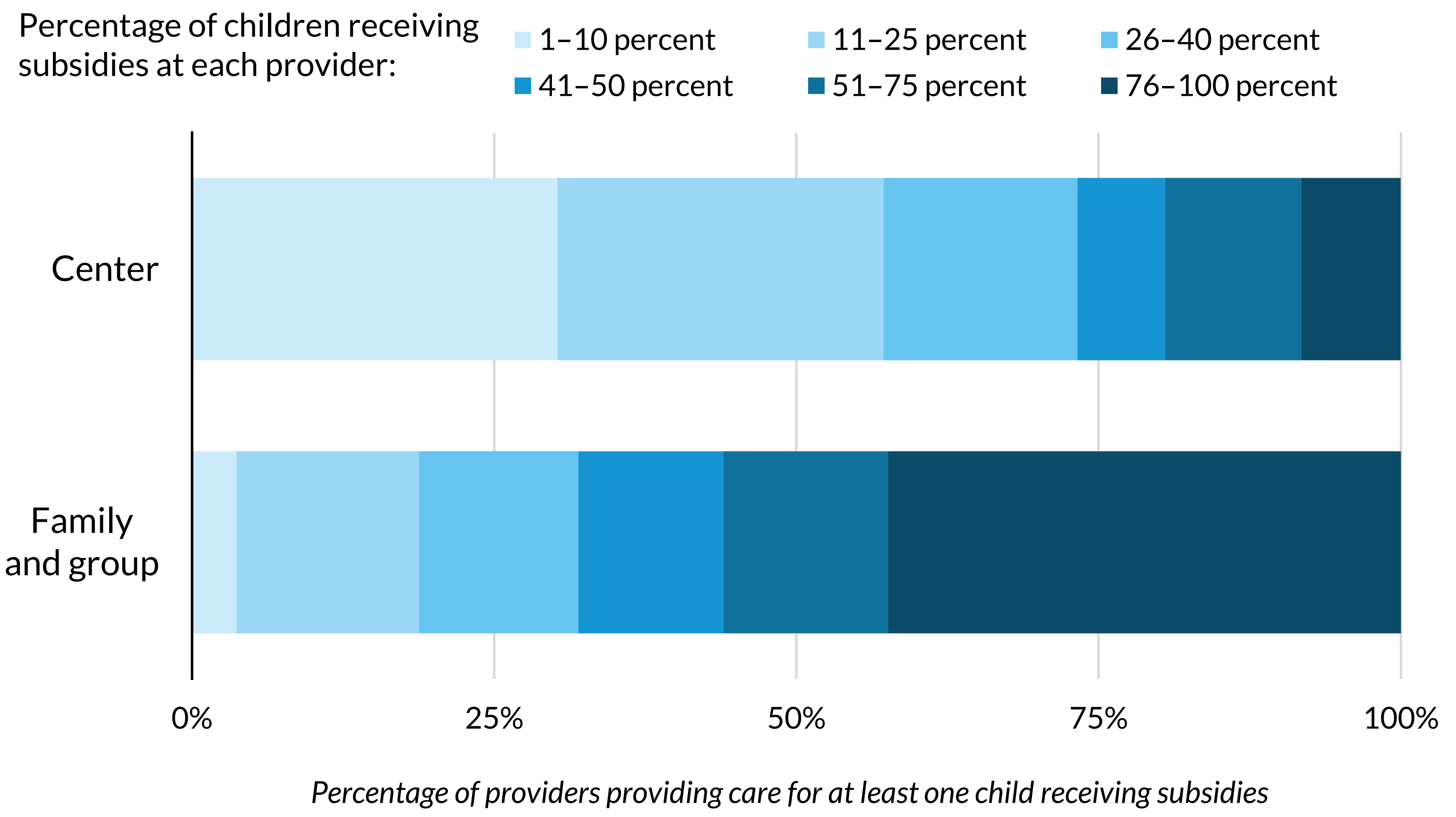
...Raising subsidy payment rates...

- Why doesn't it work?
  - Providers often can only get the higher rate if they charge that to private paying parents
  - The number of children on subsidies that providers serve varies widely
  - Vouchers are not reliable – contracts are more reliable but not necessarily for a whole program
- These realities make it hard for providers to make long-term systemic and costly changes to improve quality, pay staff more, expand services, etc.

Adams, Luetmer, and Todd, 2022. Using Child Care Subsidy Payment Rates and Practices to Incentivize Expansions in Supply: Challenges and Policy Implications. Urban Institute, *https://www.urban.org/research/publication/using-child-care-subsidy-payment-rates-and-practices-incentivize-expansions-supply*

Percentage of Enrolled Children Receiving Subsidies among Providers Serving Children in the Subsidy System in Pennsylvania

Among providers with at least one child receiving subsidies, July 2022



Source: Based on data available in Pennsylvania's Enterprise to Link Information for Children Across Networks (PELICAN), provided by the Office of Child Development and Early Learning.
Note: This represents licensed providers who provided care for not only school-age children and had at least one child receiving subsidies**.**

Funding constraints force challenging tradeoffs

- States have three subsidy policy levers they can use
  - How many children they serve
  - How much they pay providers
  - How much they offset those payments by parent copayments
- With constrained funding, constantly face difficult tradeoffs between improving access, affordability, quality, and supply

What about the quality set-aside funds?

- The quality set-aside funds are 12% of CCDF – can they address problems of quality and supply?
  - Evidence that they can help address compensation, support specific types of supply, stabilize funds going to providers, and so forth
- The problem?
  - Impacts are localized, and only affect the individuals getting the service, usually small numbers
  - If the funds go away, which they often do, the private market forces are likely to come back in play
  - Effectively a bandage that doesn't cure the wound
  - Ending of COVID-relief funds last weekend provides an example

What can we do?

- Funding is core – won't solve everything, but can't be fixed without it
- Understand limits and constraints we face
- Recognize and celebrate how much we have done
- Continue to innovate to learn best investments
  - Make our existing subsidy system work better for parents and providers
  - Find ways to meet the full range of child care needs, ages, settings, with an equity focus
  - Continue to innovate, explore new ideas, test, evaluate, learn how to do it right – so much to learn