

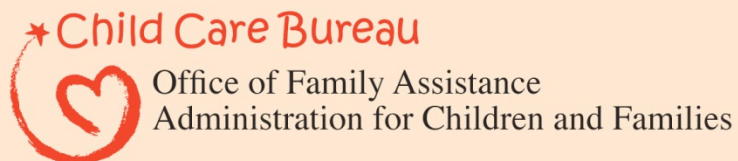


2009 Annual Meeting of the Child Care Policy Research Consortium

Washington, D.C. • October 28–30, 2009



U.S. Department of Health and Human Services



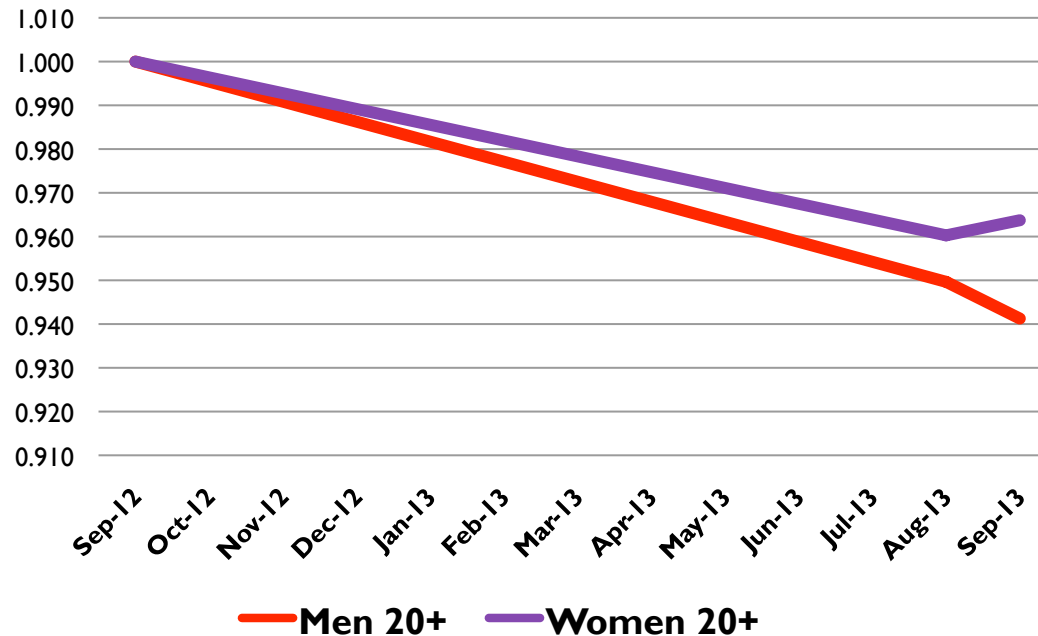
CCPRC Meeting, Recession Impact on ECE

Richard N. Brandon
October 30, 2009



Demand for ECE? Employment Trends

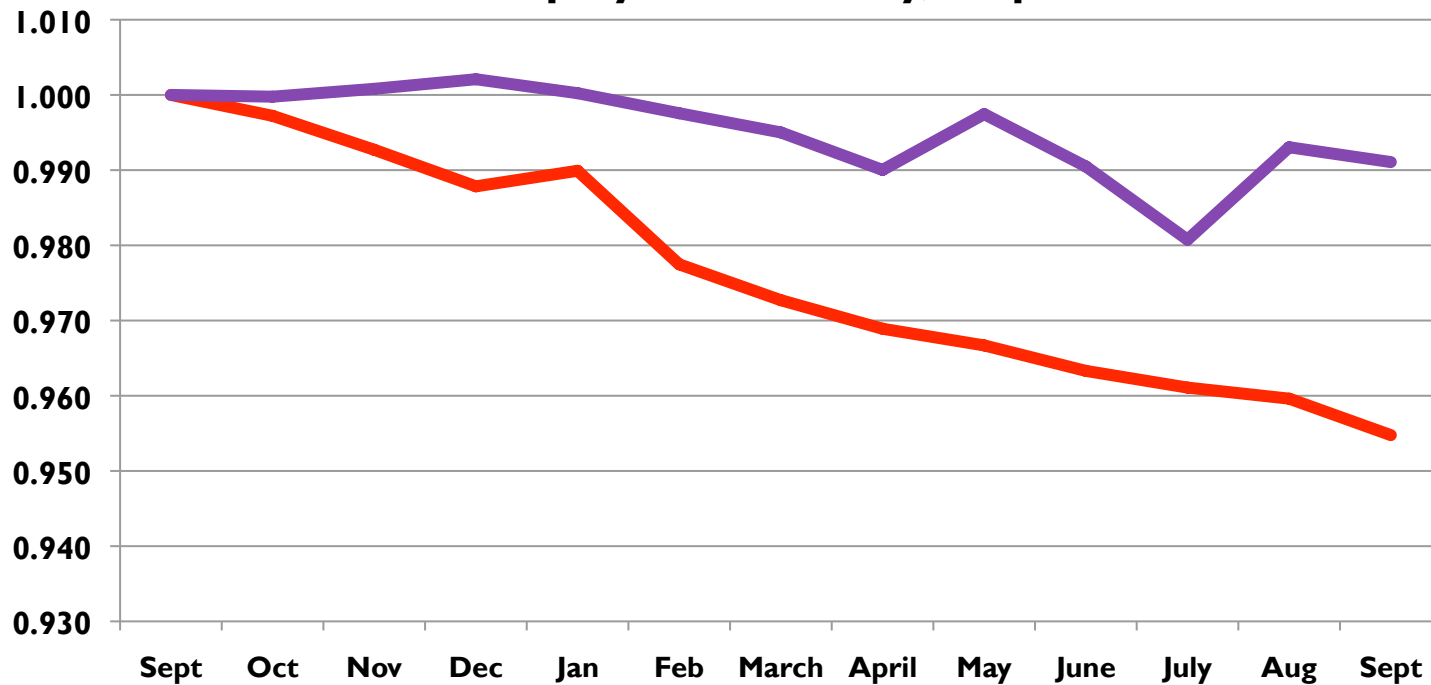
**Trends in Employment/Population
Male vs. Female; Sept 2008-2009**



- Women usually leave labor force in recession
- Female-dominated professions more protection, stimulus: health care, education
- Demand for ECE based partially on employment

Employment Trends

**Number Employees, All Workers vs. ECE;
BLS Current Employment Survey, Sept 2008-2009**



- All jobs declined 4.5%; ECE jobs decline 1%
- Not include FFN employees; includes school-age
- Not show geographic differences, shifts among categories of employment
- No reduction in average hours worked in ECE

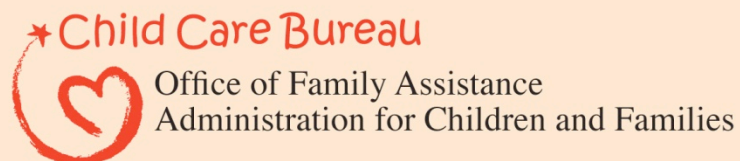


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Outside Forces Affecting Child Care Markets: Insights into Market Dynamics

Child Care Policy Research Consortium
Annual Meeting
October 29, 2009

Roberta Weber, Oregon State University

Child Care as a Market

A market is the collection of buyers and sellers that, through their potential interactions, determine the price of a product or set of products.

In child care and early education, market describes how some parents and child care providers connect with one another.

Not All Providers Charge Fees and Not All Fees are Market-Based

- Majority of relatives do not charge a fee
- Head Start and some other publicly funded programs do not charge a fee
- Among those that do charge parents, only some charge market prices
 - Market prices established through arm's length transactions
 - Prior relationships between parent and provider likely to affect price
- Access to free care and nonmarket prices constrains price

Child Care and Education Market is Complex

- Market operates as a set of submarkets differentiated by:
 - Age of child
 - Type of care
 - Schedule
 - Geographic location
- Market prices reflect differences between submarkets
- Recession effects likely to vary across submarkets

County Demographic Characteristics are Associated with Child Care Prices

- Housing prices were found to be strongly correlated with child care prices.
 - *Minnesota* – Fair market rent and average earnings were positively associated with child care prices (Davis & Li, 2005).
 - *Wisconsin* – Child care prices were found to be highly correlated with median gross rent across ages and type of provider (> 0.71). Also significantly correlated with percent urban and median family income (approximately 0.70 across ages and type of care).
 - *Oregon* – Child care prices were most highly correlated with median housing costs (0.85) and mean gross rent (0.83). These patterns continue but to a lesser extent for household income, urban/rural classification, population, and percent urban.
 - *Illinois* – Housing costs (median rent, median home value, median real estate taxes) were highly correlated (>0.80) with prices for both centers and family child care.
 - *California* – Factors highly correlated with child care prices were median home value (>0.52), mean gross rent (>0.48), median real estate taxes (>0.46), and median household income
- For all of these states, income was correlated but the association was weaker (>0.42)

Market Forces—Providers (Supply-Side)

- Average wages (+)
- Housing Prices (+)
- Regulation (mixed)
- Average quality (+)
- Public spending (+)

Market Forces—Parents (Demand-Side)

- ⊙ Population of children (+)
- ⊙ Family structure
 - Average number of children per family (-)
 - Single parent (-)
- ⊙ Income (+ but complex)
 - Household or
 - Female earnings
- ⊙ Employment level (+)
- ⊙ Urbanization (+)

System Fueled Predominantly by Demand-Based Funding

- Major demand-based public funding--\$13.4 billion
 - Subsidy—CCDF, TANF, & State estimated at \$10 billion (USDHHS, 2009;Schulman & Blank, 2008)
 - Child and Dependent Care Tax Credit and DCAP estimated at \$3.4 billion (U.S. DHHS, 2005)
- Major supply-based public funding--\$9.4 billion
 - Head Start/Early Head Start estimated at \$6.9 billion (USDHSS, 2008)
 - Universal pre-kindergarten estimated at \$2.5 billion (Barnett, Hustedt, Robin, & Schulman, 2004)
- Parent fees estimated \$43.9 billion (Johnson, 2005)

Factors Related to Recession Effects on Child Care and Early Education

- Community-level socio-economic factors :
 - Household income stable or declining
 - Employment level declining
- Public expenditures
 - Supply-based
 - Demand-based
- Recession effects likely to vary by:
 - Community
 - Within community by child care submarket

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Ficano, C.K.C. (2006). Child care market mechanisms: Does policy affect the quantity of care? *Social Science Review*, 80: 453-84.

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Weber, R.B., Grobe, D., Davis, E.E., Kreader, J.L., & Pratt, C.C. (2007, May). Practices and policies: Market rate surveys in states, territories, and tribes. Retrieved on July 20, 2009 from Oregon Child Care Research Partnership at http://www.hhs.oregonstate.edu/hdfs/sites/default/files/Survey-of-States-Report-FINAL-05_30.pdf

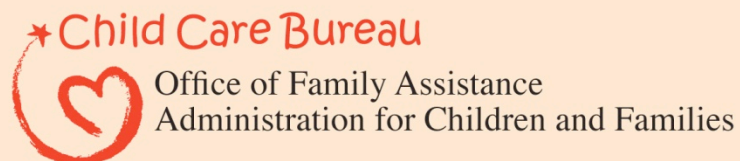


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**Providers and the
Recession:
Insights from Urban
Institute Research**

Gina Adams and Monica Rohacek

The Urban Institute

CCPRC Annual Conference

October 2009

Sources

Insights gleaned from UI work on providers – specifically:

- *Understanding Quality in Context: Child Care Centers, Communities, Markets, and Public Policy** (Rohacek, Adams, and Kisker, under review)
- Research on vouchers and child care providers from *Child Care Providers and the Subsidy System** (various publications available and forthcoming)

** More information on these studies at end of handout*

Possible Research Concerns

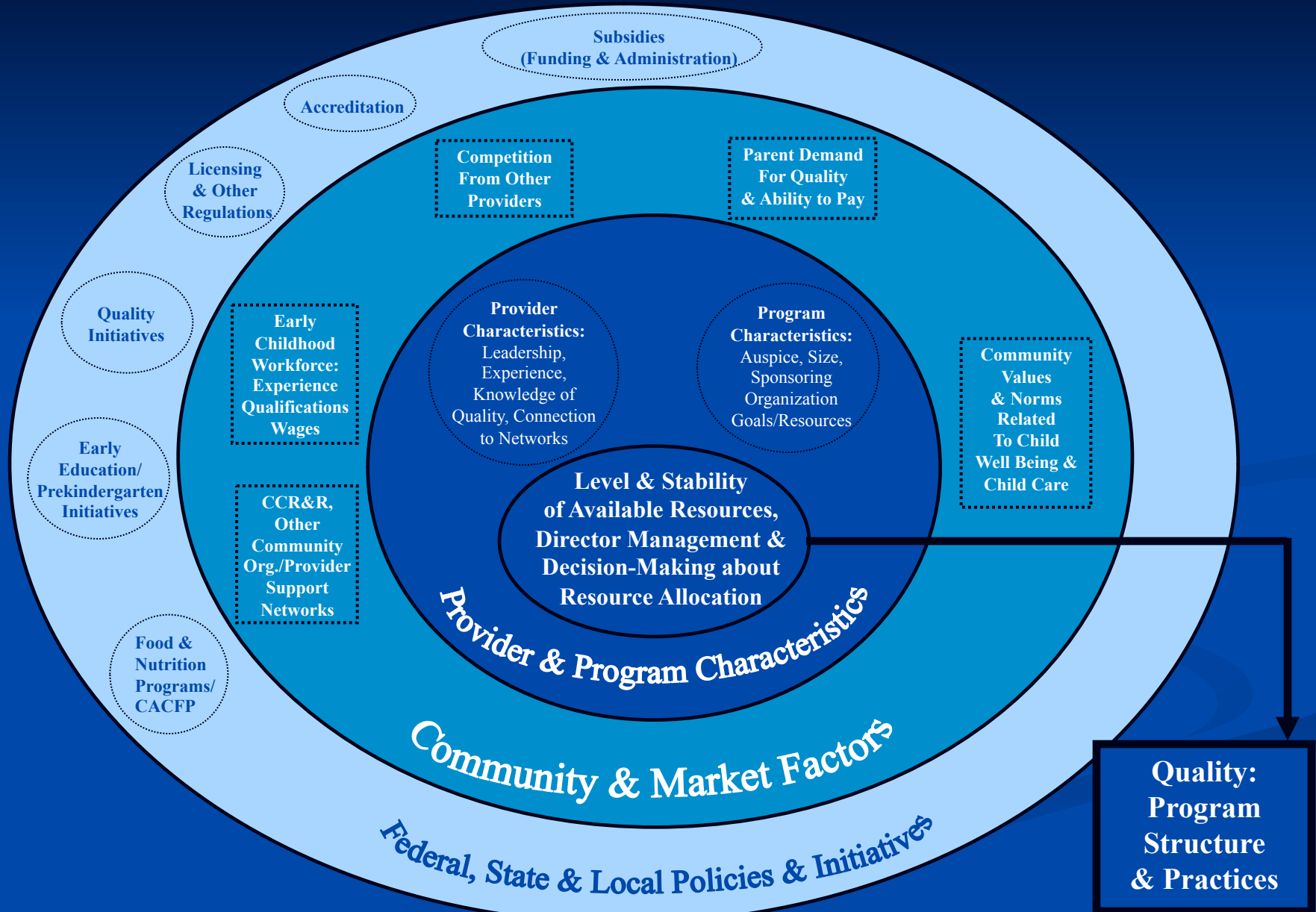
- What are providers experiencing in relation to economic downturn?
- How are providers (specifically center-based providers) responding?
- What does this mean for children and families?

Overarching Theme

Likely to see different responses for different providers, because provider behavior shaped by complexity of interacting factors:

- Individual provider characteristics
- Program characteristics
- Market/community context
- Policy context (combined federal, state, and local)

Conceptual Framework



What Providers Experienced

- Some providers reported drops in enrollment – due to decreases in private pay parents or decreases in vouchers due to subsidy cuts
- Others holding steady but indicated concerns that this would occur

Strategies to Deal With Reductions in Revenue...

- Delaying payment of bills
- Reducing staff hours (difficult tradeoff with laying off staff)
- Combining partially-enrolled classrooms/ closing one class
- Forgoing teacher salary increases
- Reducing benefits

continued...

...Strategies to Deal With Reductions in Revenue

- Putting plans for program improvement on hold (including capital improvements, sending teachers to school)
- Reducing own salary or putting own funds into program operation
- Delaying fee increases
- Making adjustments to keep families (reducing or waiving fees, accepting families with less optimal schedules, accepting families otherwise might reject)

Insights into Possible Program Types

Programs of different types seem likely to have different reactions to recession:

- Programs already struggling to keep doors open
- Programs able to keep doors open but not striving for quality improvement
- Programs with mixed or higher quality striving to improve

Insights into Key Dimensions Related to Program Types

- Resource levels, and how used
- Provider leadership, motivation, vision*
- Provider financial management authority and ability*
- Flexibility in allocating resources*

* *Highlights importance of provider and program level information – do not have good measures*

Insights on Voucher Patterns

- Willingness to accept vouchers (and how many) shaped by:
 - Provider characteristics (motivation, financial and business management abilities and goals)
 - Whether have alternatives to vouchers * (private pay parents, other income sources, or other funding streams)
 - Perception of, and experience with, voucher policies/practices, and with families receiving vouchers
- Whether actually serve families with vouchers, and how many, also depends upon # of families with vouchers applying to the program. Related to parent demand, voucher funding*, and provider outreach.

**Likely to be affected by recession*

Implications for Research

- Assessments of the impact of the recession must allow for a diversity of reactions or effects
- While preliminary, may be able to use provider types and key dimensions to simplify – challenge is that several dimensions are ones for which we do not currently have good measures
- Consider (or explore) contextual complexities while designing research, as different factors likely to be in play for different providers in different communities
- Consider collecting/using complementary data to inform analysis if needed, given limitations of datasets to capture multiple levels of information
- Be aware of contextual factors in interpreting data

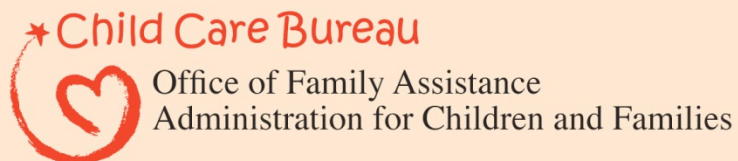


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3 QUESTIONS – Table Discussion

- Are you aware of state-level efforts to assess the effects of the recession?
- What research questions would help us learn from the recession?
- What data sources could be used to help answer these questions?

We will be collecting these...



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