

2009 CCPRC Annual Meeting
Plenary Session 5
October 30, 2009, 12:00 to 2:00 p.m.

Outside Forces Affecting Child Care Markets

Description

This session explored multiple perspectives on the economic recession including how the recession may be influencing child care markets, parent child care decisions and well-being, and State policies. There is the widespread perception that the recession is influencing the supply of care and decisions parents are making, and yet most of the information we have is anecdotal in nature. What is needed is a clear understanding of what we know and don't know, and what researchers and States should be paying attention to in order to understand this very complex issue.

The intent of this session was to identify research questions, data sources, and research methods that might be used by States and researchers interested in pursuing this topic. Presenters shared their insights about the economics of the current recession, trends in State child care funding and policies, influences on the child care market, and how providers make business decisions—and what these insights suggest about the possible effects of the recession on child care supply and demand.

Using an interactive format, the audience was asked to respond to the following questions: Are participants 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 researchers/policy-makers answer these questions?

Moderator

Richard Brandon, University of Washington

Presenters

Roberta Weber, Oregon State University
Gina Adams, Urban Institute
Shannon Rudisill, Child Care Bureau

Scribe

Shannon Christian, Consultant

1. Documents in Session Folder

- “Recession Impact on ECE,” Richard N. Brandon.
- “Outside Forces Affecting Child Care Markets: Insights into Market Dynamics,” Roberta Weber.
- “Providers and the Recession: Insights from Urban Institute Research,” Gina Adams and Monica Rohacek.

2. Summary of Presentations

- **Summary of Presentation #1:** Rick Brandon outlined the Session Objectives as follows:
 - What is happening to child care due to recession?
 - What is being done to collect information related to recession effects?
 - What can we learn from these shifts in the short-term that might be useful for long-term understanding of the child care labor market?

Brandon identified some broad trends, illustrated with graphs and anecdotal information:

- As compared with other recessions, this recession is deeper, the downturn happened more rapidly, and it started differently involving a spike in oil prices, collapse of big banks, and turmoil in the financial markets.
- The demand for early childhood education (ECE) traditionally relates to employment (at least somewhat). However, the trend in female employment may be mitigating this effect. Using the measure of employment-population ratio it is seen that male employment dropped off much more rapidly than female employment. It may be that women are more likely to be in occupations relatively protected from recession, and that health care (funded by private insurance and federal entitlements) and the ARRA dollars (federal stimulus) such as education and child care have more impact on female occupations. Occupations with concentration of males are more cyclically sensitive, such as housing and construction.
- National employment trends for overall workers (civilian, non-farm) are down by 5 percent, but child care worker jobs are down by only 1 percent. There has also not been a decline in average hours worked per week by child care workers in the formal sector.
- The data presented are national, and likely to vary considerably by State.

We don't know what will happen – whether this recession will be a long or short. The economy is still shedding jobs and consumers are still leery. There may be a lot of pent up consumer demand, maybe not. Tax revenue is down, unemployment is up, ARRA dollars will keep spinning through economy for a few years – and a case can be made either way.

- **Summary of Presentation #2: Bobbie Weber**
 - Defining the child care market as how some parents and providers connect through a transactional process, Bobbie reminded us that not all providers charge fees, and not all fees are market based: Recession effects will vary by where a provider falls on the continuum of care types.
 - The market is very complex. It is differentiated by age of child, type of care, schedule offered, and geographic location (huge). Market prices reflect differences in these sub-markets, and the effects are likely to vary across these submarkets.
 - County characteristics can make a difference, e.g., housing prices are strongly correlated with child care prices. The association is weaker in some places than others. Just as market prices vary widely across communities, so will recession effects.
 - Supply side forces on the market include (are correlated with), average wages (+), housing (+), regulation (mixed), average quality (+), public spending (+).

- Demand side market forces on the market include (are correlated with): population of children (+), family structure, income (+ but complex), employment level (+), and urbanization (+).
 - The market is driven by major demand-based public funding including subsidies, the Child Care and Development Fund (CCDF), and tax credits.
 - Parent fees are the major source of funding for child care and early education.
 - Recession effects on child care and early education will be shaped by how the recession impacts parental employment and income and other factors. These factors include: community level socio-economic factors and public expenditures. Increases in public funding can shelter the system from some recession impacts.
- **Summary of Presentation #3: Gina Adams**
 - Gina Adams shared her thoughts using data from two Urban Institute studies that provide some insights about how providers respond to economic challenges.
 - Key concerns: 1) What are providers (mostly centers) experiencing, 2) how are they responding, and 3) what does this mean for children and families?
 - Overarching theme: can't make a single prediction because the influencing factors are too complex; must think contextually about: 1) provider characteristics, 2) program characteristics, 3) market and community context, and 4) the policy context—at all levels.
 - Some providers report drops in enrollment—due to a decrease in private pay children and subsidy cuts. The strategies used by providers to deal with reductions in revenue are important to researchers if trying to measure impact, and represent the range of ways providers might be responding. This includes delaying payment of bills, reducing staff hours, combining classes or closing a class, forgoing salary increases, reducing benefits, not doing program improvements, reducing their own salaries, delaying fee increases, and accepting families they may not have chosen to serve.
 - Provider responses, and what this means for children, depends on where they started from, and where they were with respect to quality and extent of struggle. It also depends on whether the provider has financial authority and flexibility around responding and allocating resources, and degree of reliance on vouchers.
 - Understanding the research implications requires paying attention to the contextual complexities and how they play out. We need to realize that no single data set will capture recession impacts, and that it is impossible to collect data on all of the possible influences, so it's important to find out what is happening at the local level.
 - **Summary of Presentation #4: Shannon Rudisill**
 - Shannon commented that Gina's message about recession impacts is illustrated by what she saw recently in Pennsylvania. Providers there went 100 days without payment, and are now facing atypical issues such as the need for personal loans, interest repayment issues, or penalties for having taken funds out of retirement accounts. They are now working on rebuilding with financial advice and figuring out how to recoup from this.
 - Shannon then discussed some recent funding decisions at the National and State levels related to the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA includes:

- \$2 B for the Child Care and Development Fund (CCDF).
- \$2 B on Head Start.
- Funding through the Department of Education.
- Following the rules for CCDF Discretionary Fund, States have two years to obligate the CCDF funds, so will they will spend into 2011. To see what are States are planning to do with the money, the Child Care Bureau (CCB) reviewed the State plans for 2010-11, and found eight States that had amended their previous plans so they could spend right away.
- Based on published reports, informal conversations, and CCDF plans, Shannon reported that with the ARRA funds:
 - 11 States avoided cuts or reduced waiting lists.
 - 11 States or territories increased or planed to increase provider payment rates.
 - 10 States extended the eligibility time period for job search.
 - 4 States lowered their parent co-pay rates.
 - 41 States will spend quality dollars on QRIS, infants and toddlers, professional development, and to cooperate with Early Head Start and prepare providers to partner with them, upgrading as needed.
- To satisfy ARRA requirements, a reporting column for ARRA spending has been added to the ACF-696, but States are not required to separately track children served through ARRA. CCB created a new equivalency item, called a “child service month,” to estimate how many children are positively impacted through ARRA CCDF.
- A government wide reporting system has been put in place to track jobs created or retained due to the ARRA funding. This is challenging for CCDF, because ARRA reporting guidance defines “jobs created or retained” as direct jobs, funded directly by ARRA, without using statistical estimates. For CCDF, this means that a large portion of our potential employment effect - additional child care employment spurred by more families having access to a child care voucher- won’t be captured by ARRA reporting. However States may voluntarily track and report this data. Details are at RECOVERY.GOV.
- *Emerging Research Question:* What is a reasonable amount of time to provide child care during job search? State changes are varied.
- *Research Challenge:* CCB would like help in telling the ARRA jobs story for child care and requests help identifying the best ways to track State use and results of ARRA funds related to child care.

3. Summary of Discussion with Presenters and Participants

- Brandon indicated that he has ideas on using macroeconomic data, including basic labor economic data, to track ARRA spending. Jobs of interest include licensing jobs and contract sites that might be counted, however, provider jobs are the category most likely to be undercounted.
- Need to look at men’s willingness stay home with kids when wives are still working, and whether the kinds of jobs lost or gained are held by people with young children needing care. *Men tend not to stay home as much as women, and even in swing-shift situations, provide fewer hours of care.*

- NACCRRRA found that child care prices increased with the recession. In Oregon, there was a price increase in the first year of the recession and the 2008 supply of care was larger than 2007.
- It's important to watch the contextual influences. For instance, Rhode Island reports losses of family child care providers. Do these losses coincide with increased regulations? Is there a decrease in supply in licensed settings? Need to think through what else is going on, and what your study would and wouldn't capture. How far are providers willing to go before it isn't worth it anymore? Which providers, in terms of quality, are willing to compromise?
- Need to discover if providers are closing completely, reducing hours, and/or reducing slots. The answer will have an impact on how easy it is to build supply back up after the recession. Impact of recession will vary by provider type. Might see slower openings and closings of centers because they are more expensive and more difficult to open and close.
- What is the effect on support programs for providers? Will resources be allocated differently?
- Has the quality of providers gone up because there more skilled people are available to provide child care in slow times? *Census data captures occupation and education (the formal portion of the ECE workforce)*. Might more people choose family child care as a career, or go back to community colleges and choose child care as a career path?
- What are the effects of foreclosures on home based providers (Rhode Island examined)?
- Timing is extremely important. The recession started in 4th quarter of 2007, so you wouldn't expect to see impacts until 2008. Also, prices and wages tend to be sticky, meaning employers tend to keep charging the same prices to maintain revenue, and to keep their most essential people.

Table Talk – Reporting Out from Two Small Groups

- No State-level efforts to look at the impact of the economic downturn on the child care industry were identified, though some broad measures are being tracked, e.g., decrease in tax revenue.
- Suggested research questions and data sources include: Changes in demand and supply of child care, by type of care. Number of licensed/registered providers and slots each year. It is important to start getting workforce data at least annually, rather than by periodic surveys, so that trends and dynamics can be tracked.
- Subsidy related data:
 - Look at change in the composition and income of subsidized families. Does a 2-parent family now qualify?
 - Look at changes in the reason for child care, has there been a shift from employment to vocational training?
 - Look for changes in the types of jobs reported for parents.
 - Look at changes in type of child care being used, is more licensed or Family, Friend and Neighbor (FFN) care being used?
- Information on change in the labor force--the users of child care:
 - Current Population Survey.
 - American Community Survey.
 - Combine with Unemployment Insurance wage records.
 - Who is losing jobs where, and are these the parents of young children?

- Local data tracking high school graduates every year – what is happening to employment and quarterly earnings for this group?
- Look at changes in food stamp demand.
- Look at workforce training and education data.

4. Key Themes and Issues:

- Looking at the impact of the economy on child care is enormously complex, and considering contextual pieces is essential. There won't be just one answer, but many impacts that vary by community, provider type, changes in employment, income, child care subsidy policy, supports for providers, and public spending on child care and early childhood education, etc.
- The Child Care Bureau requests guidance from researchers on how best to track the jobs saved or created due to ARRA spending. They intend to share this guidance with States, which are required to track and report on the impact of the ARRA spending.
- It is possible to examine past data on child care markets to explain some of what we are observing in response to the recession including positive correlations between: *supply side market* forces and average wages, housing, average quality, and public spending; and *demand side market* forces and population of children, family structure, income, employment level, and urbanization.
- Male employment has dropped off more rapidly than female employment, and child care employment has dropped off less rapidly than employment overall. It may be that occupations typically held by women are relatively protected, and that health care and education expenditures and the ARRA stimulus funds are having a disproportionate impact on female occupations. (NOTE: there was speculation that this recession may differ from prior economic recessions in having a differential effect on female versus male employment; however, subsequent analysis suggests that female employment tends to be more stable during times of economic recession and that the current recession is consistent with prior recessions.)