

**Child Care Subsidy Policy  
Research: Where Are We and  
Where Do We Need to Go?**

Child Care Policy Research Consortium  
Annual Meeting  
October 21, 2010

Elizabeth E. Davis  
University of Minnesota

# Markets, Providers and CCDF Policy

## Three Basic Questions

- \* How (well) does the child care market function?
- \* How do subsidies impact the child care market?
- \* How do subsidies impact provider behavior?

# What is the child care market?

- \* There is no consensus on the types of nonparental care that should be included in a definition of the child care market.
- \* There is a continuum ranging from more informal care, such as that given by grandparents, to more formal, as in licensed family child care homes and centers.
- \* Although parents are more likely to pay for care in family child care homes and centers, some parents pay for less formal care and some pay nothing for more formal care, such as Head Start..
- \* In looking at subsidy policy, we want to be cognizant of the potential impacts on the whole continuum of child care and early education, not just the priced child care market, though many studies of the child care market focus on the formal market.
- \* Grobe, et al. 2008 *Study of market prices: Validating child care market rate surveys*. Oregon State University

# How (well) do child care markets function?

A number of studies have examined factors related to the overall supply of care in the market, particularly focused on the size of the workforce.

- \* Ficano (2006, *Soc. Ser. Review*), for example, finds that supply of child care workers responds to market forces. Increases in employment rate of mothers with young children is associated with an increase in the number of child care workers.

A growing literature focuses on the effects of state child care regulations on the supply of providers and quality of care.

National Survey of Early Care and Education (NSECE) will provide a comprehensive look at the ECE market.

# Variation in child care markets

- \* Rural areas:
  - \* Fewer providers, fewer slots per child (especially fewer centers); lower prices.
- \* Thin markets:
  - \* Cleveland & Krashinsky. 2009. Identified thin markets in Canada and examined nonprofit status and quality
  - \* Work-in-progress in Oregon and Minnesota to classify thin markets
- \* Size of the informal market
  - \* NSECE may be informative
- \* Subsidy density: Relationship between proportion of market paid for with subsidies and quality / availability / price (work-in-progress)

# Subsidy Policy and the CC Market

- \* 1) Market rate studies of the price of formal child care in a specific geographic area – identify similar priced markets (Oregon, California, Minnesota, Ohio, etc).
- \* 2) Supply changes related to subsidy policy
  - \* Ficano 2006. Higher subsidy expenditures were associated with increased number of child care workers.
  - \* Noally & Visser 2009. Netherlands-Decrease in supply-based funding led to a decrease in child care supply in less affluent rural area.
- \* 3) Relationship between subsidy spending and child care prices
  - \* Davis, et al. 2009. Higher subsidy expenditures were associated with increases in child care prices in California and Minnesota. (Breakout session on Thursday)

# How does child care subsidy policy impact child care providers?

- \* Urban Institute's *Child Care Providers and the Child Care Voucher System* project.
  - \* Studied the experiences of child care providers in the subsidy system (vouchers);
  - \* Analyzed providers' "cost-benefit calculation" with regard to accepting vouchers.
- \* Texas study on *The Role of Local Child Care Policies in Child Care Facility Turnover* (Schexnayder & Schroeder, 2009).
  - \* Increasing provider reimbursement rates and income eligibility rates were associated with less turnover in child care facilities.

# Directions for Future Research (1)

## Improved knowledge of child care markets

- \* How to define the child care market
- \* What characterizes a well-functioning child care market, and are these markets different in rural areas or in low-income communities?
- \* Do subsidy expenditures impact the price of child care in the private-pay markets? Does this impact vary with characteristics of the market?
- \* What are the effects of different subsidy policies in different types of child care markets, including those that are “thin”? How do subsidy policies interact with other early care and education policies?



# Directions for Future Research (2)

## Improved knowledge of provider behavior:

- \* Which providers and markets are heavily reliant on subsidies? Do subsidy policies or practices impact the financial stability and/or quality of these providers?
- \* How do provider policies to limit the number of subsidy families impact parent choice?
- \* How does the behavior differ between regulated and unregulated providers ? How do providers determine what price to charge?
- \* How does provider behavior differ in different markets, for example, markets with high subsidy density?