

2008 CCPRC Meeting  
Session 15 (Breakout C-2)  
Friday, August 1, 10:45-12:00 noon

## **Child Care Subsidies and Family Self-Sufficiency Outcomes**

### **Description**

This session included brief presentations about three studies that examined the relationship between child care subsidies and parental employment. One was a State-level study that looked at variations in subsidy policies across communities and at the ways these variations are associated with subsidy, employment, and market durations. The second study examined the relationship between subsidy receipt and employment outcomes in three States. The final study provided year 1 preliminary results from an experimental study that examined the effects of adjusting eligibility limits and copay policies. The panel discussed challenges and questions raised by these studies and engaged participants in a discussion about the implications for researchers and policymakers.

### **Moderator**

Karen Tvedt, Portland State University

### **Panel Members**

Ann Collins, Abt Associates, Inc.  
Robert Goerge, University of Chicago  
Deanna Schexnayder, University of Texas at Austin

### **Scribe**

Bridget McElroy, Research Connections, National Center for Children in Poverty, Columbia University

### **Documents in Session Folder**

Child Care Subsidies & Family Self-Sufficiency Outcomes (Schexnayder, Goerge, Collins & Tvedt)

### **Discussion Notes**

#### Deanna Schexnayder—Texas

- Role of child care policies in duration of subsidies and employment. The findings come from a study of devolution of child care policy in Texas. Temporary Assistance for Needy Families (TANF) program recipients have a priority for subsidies and are exempt from copayments. Texas operates with a wait list for child care subsidies; if you are not a TANF recipient, you are not guaranteed assistance, and are subject to the waiting list.
- Focus of the study was as follows:
  - Income eligibility limits
  - Copayment—9 percent of income for one child and 11 percent for two or more children
  - Reimbursement rates.

2008 CCPRC Meeting  
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- Questions focused on the duration of subsidy use and attachment to the labor market.
  - Data are statewide longitudinal data from 1997 to 2003.
  - Information on the funding of allocations, subsidy participation and demographics, and employment records.
  - Local subsidy policies.
  - Contextual economic and community variables.
- Used a cluster analysis and Cox Proportional-Hazards Regression Model to determine the duration.

### *Findings*

- Those who initiated subsidy use for employment reasons rather than TANF reasons demonstrated longer employment duration.
- Increased income eligibility limits and increased copayments (increased copayments in combination with an increased eligibility level) were associated with a longer employment duration (only if the subsidy began for employment purposes).
- Increased reimbursement rates (only if the subsidy began for employment purposes) were linked to shorter employment duration.
- There were also a range of nonpolicy factors related to longer employment duration (such as the age of the child, whether a family was white, and the type of care used).

### *Implications*

- Findings add to the growing body of literature linking subsidy use for employment purposes to longer subsidy use, the stability and continuity of subsidy use, and perhaps the continuity of care.
- We still have questions about why some families start to use subsidies in the first place versus others who may have been eligible and employed but did not use subsidies. These data and models are limited in not being able to address the reasons for entry into the system in the first place.
- We also still have questions about the relationship between the environment for making policy decisions and family/provider outcomes.
- There is still a need for random assignment studies.

### Robert Goerge—Illinois, Maryland, and Texas

- Used individual-level census data and administrative data records in three States.
- General questions addressed by the project (not specific to this study) included who is eligible for child care subsidies, who uses child care subsidies (CCS), and how does subsidy use aid different groups of low-income families in their quest for economic independence?
- This study examined the factors related to employment outcomes for families who were eligible for child care subsidy in 2000 as well as who participated in the subsidy program if eligible.

2008 CCPRC Meeting  
Session 15 (Breakout C-2)  
Friday, August 1, 10:45-12:00 noon

- Determining eligibility is difficult. Models are required based on such issues as who is working and the income at the time.

*Findings (the final results described below differ somewhat from the preliminary findings presented during this session)*

- Multivariate analysis found that TANF receipt in the 3 months before or after the ACS interview was associated with higher levels of CCS participation, and that parents residing in the urban areas of Illinois, Maryland and Texas had lower rates of CCS participation than those in non-urban areas. Young age of parents (24 years or younger versus 35 years or older) was associated with increased odds of CCS participation among unmarried parents at a point in time in all three states. Single parents who worked late hours had higher levels of CCS participation than those who worked early or standard hours in all three states.
- For employment outcomes, CCS receipt was associated with longer employment spells only in Illinois, although the direction of the effect was similar in Maryland and Texas. Respondents who had less than a high school education exhibited shorter employment spells and reduced odds of exceeding the income threshold for CCS eligibility. Having at least three children under age 13 was associated with reduced odds of exceeding the income threshold in Illinois and Maryland.
- This analysis found that single parent heads of families who took up the child care subsidy were less likely to end eligibility by exceeding income thresholds compared with respondents who did not take up the subsidy.

#### Ann Collins—Illinois and Washington

- Year 1 results are available from a Child Care Bureau-funded study in Illinois and Washington evaluating state subsidy administration strategies.
- Two of the project's four sites explored strategies using random assignment design—Illinois and Washington.
- Both policy approaches (experiments) were designed to decrease the cost of child care; in Illinois that approach allowed families that were over the State income eligibility guidelines to be eligible for subsidies for 2 years. The State of Washington implemented lower copays.
- These two tests concern different magnitudes. Illinois gave subsidies to families who otherwise might not have them. Washington reduced the cost of care by lowering the copay.
- Data sources included administrative data on child care subsidies, employment and earnings, and TANF and Food Stamps. This study focuses only on the administrative data, although surveys with parents are ongoing.

#### *Findings*

- Findings suggest that families in both States received more subsidies in the program than the control group.

2008 CCPRC Meeting  
Session 15 (Breakout C-2)  
Friday, August 1, 10:45-12:00 noon

- Administrative data suggest that there is no effect on earnings.
- An effect on child care has yet to be observed (do not have these data yet).
- Differences between program and control groups in subsidy receipt are statistically significant.

#### Discussion and Questions From the Audience

- What do we make of the finding that subsidy receipt is not associated with longer employment spells? It should be. However, this was a comparison between eligible people who take up CCS and those who do not, so among the eligible population this is an interesting finding.
- Other studies examining the impact of changing the copay rates have found anecdotally that many providers do not receive the copayment that they are supposed to receive and do not expect it. Thus, a design that changes a copay may not be most direct way to affect the cost to parents if some parents are not paying the amount in the first place.
- Deanna Schexnayder says that even though Texas has tinkered with the copay amount, there is always a stable relationship between copay and income over time, as it has always been a percentage of income.
- How do we interpret Deanna's finding that higher reimbursement rates were associated with shorter spells of employment? There is a limited funding environment, so higher reimbursement rates are associated with less subsidy use because you are putting more money toward the provider side. Be clear about what you are measuring and about what you are not, as money has begun to get tight. Texas tried to figure out who could actually use the CCS, so they put a limit on how many hours you had to be working to collect the subsidy. This policy could be an unmeasured variable that explains that odd finding; if you were working part time, it is possible that you would not be eligible for the subsidy. Perhaps as Texas put more money toward the reimbursement rates, families who were working part time and were no longer eligible dropped out of the labor force.
- Pay attention to constructing data sets that combine point-in-time surveys with longitudinal administrative data. Directionality, which has been a theme of several sessions at this meeting, cannot be determined with cross-sectional survey data. We do not know if the information that parents report shapes their choices, as reflected in the administrative data, or vice versa.