

Defining and Measuring Self-Sufficiency: The Role of Child Care Costs

Description

This session examined various definitions of self-sufficiency, considering short-term outcomes such as increased employment, earnings and income, as well as long-term outcomes such as meeting and sustaining a poverty threshold, dependence on public assistance, investments in education-related activities, and long-term earnings growth. The discussion recognized the strengths and limitations of surveys and administrative records as measurement sources. The costs and benefits of each source were explored, paying particular attention to recall bias and measurement error inherent in survey reports and the more limited but more complete information collected in administrative records data. Concrete examples from each discussant's research were presented. The discussion also featured the roles of child care costs and subsidies in definitions and measurement of self-sufficiency and touched upon child care expenditure and consumption.

Facilitator

Lisa Gennetian, MDRC

Discussants

- Christine Ross, Mathematica Policy Research
- Erdal Tekin, Georgia State University
- Lisa Gennetian, MDRC

Scribes

- Meredith Willa, Child Care & Early Education *Research Connections*
- Cheryl Vincent, Child Care Bureau

Documents in the Session Folder

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Notes from the Session

Presentation: Lisa Gennetian

A definition of self-sufficiency encompasses a package of four qualities, with job quality being the ultimate perspective.

- We are moving from a welfare dependency model where the individual is solely on welfare (zero earnings), towards looking at that individual as moving towards self-sufficiency along a continuum.

- Movement from welfare dependency to self-sufficiency will take time and involvement in job experience and training.
- Definitions of self-sufficiency focus on assets and how they fit into the definition (earnings replacing welfare, the costs of working that pose a barrier to work, housing costs, etc.).

It also means thinking about job quality: what are the benefits and the career advancement issues and their relation to future dependency and the cycle continuing?

Researchers are focusing on both short-term and long-term indicators.

- Short term: Transitions from welfare to work, participation in educational activities, earnings.
- Long term: Stability of employment, wage growth vs. accelerated hours, increases in income, completed education, long-term dependence on welfare or leaving the welfare system, how one relies on other forms of assistance that target the working poor (e.g., aid from private organizations).

Child care costs constitute an important human capital and work expense. Among low-income families, child care consumes from 7-9 percent up to 20 percent of family income.

- Subsidy use, though mixed, low, and unstable, helps reduce this burden and makes employment more feasible.
- Lack of skills inhibits employment even when subsidies are available.

How do total hours of employment influence the amount of care a client needs?

- Full-time jobs provide more benefits and greater opportunity. Unstable or part-time jobs don't provide for the same future outcomes.
- Employment schedules matter—there are more options for standard than irregular work hours.

Presentation graphic (included in session folder) illustrated that:

- Welfare recipients moving off welfare for employment are not using child care subsidies—the number using subsidies is substantially lower than the number starting to work.
- There is a large amount of variation across states. Through the 1990's families were moving into employment for a variety of reasons, yet their subsidy use was relatively low.

Presentation: Christine Ross

Measuring Self-Sufficiency – Outcomes:

- Employment – earnings, hours, wages, duration of employment;
- Welfare – receiving TANF, amount per month;
- Total income – measure all sources to examine whether total income is greater when employed than when on welfare (looking at all sources that come into play); also, consider resources contributed by other household members who share income;
- Education or training activities that will contribute to human capital and will raise earnings potential (hours of education or training, completion of degrees or certificates, etc.);
- Costs of employment – things like health care, transportation, and child care that affect net income in employment and therefore affect the decision to leave or stay on welfare;
- Job quality – job-related benefits (health insurance, paid vacation), standard vs. flexible hours, etc. (These are non-pecuniary or non-wage benefits of work. Having a job with such benefits may be an indicator of achieving self-sufficiency; it may also reflect having a job that the individual would not easily give up).

Child care subsidies are an important part of this picture and provide an important incentive to work.

Where can you get the data? The researcher should consider how important it is to the research questions to measure self-sufficiency more extensively, or whether a narrower set of measures will do. How much do you want to delve into self-sufficiency measures? Measures can be obtained from survey or administrative sources, or some combination of the two.

Survey data

- Can provide information on a broader range of outcomes;
- Can include background variables on the person beyond demographics (number of kids, mental health factors, other factors influencing employment);
- Expensive – affordable sample size is modest (smaller than samples using administrative data);
- Data quality and completeness – can ensure that the data are of high quality (accurate and complete) and a wide breadth of items is covered;

- Data accuracy can be an issue with either survey or administrative data – need to train data collectors and word questions carefully to improve accuracy.

Single survey

- * Provides cross-sectional data set;
- * Can provide a snapshot of how people are faring today;
- * Can build a history or time series by asking about events, such as employment start and end dates, child care start and end dates. (The length of this timeline is constrained by the ability of respondents to recall details).

Multiple surveys

- * Longitudinal surveys with the same population can measure development of human capital by measuring the duration of each employment spell, job characteristics, occupational advancement, and transition between activities;
- * Multiple surveys are more expensive but can shorten the recall periods to help improve accuracy of the timelines.

Administrative data

- Administrative data can provide a more focused set of outcomes – e.g., state unemployment wage records provide information on (1) earnings for a calendar quarter and (2) whether employed during the calendar quarter.
- Welfare or child care subsidy data may provide a narrower set of program and demographic variables than surveys and can have a lot of missing data if certain data items are not critical to program needs;
- Administrative data can contain a much larger sample of individuals, since the file can include everyone in the database;
- Completeness and accuracy of the data may vary by item:
 - * Some items (for example, education level) that are not critical for the program needs may not be reported at all or may be less accurate;
 - * Other items may be reported inaccurately if they are difficult to check and affect program benefits;

- TANF and welfare records are good source of administrative data, but background demographics can be incomplete;
- You need to develop a relationship with a state agency to obtain administrative data;
- Determine how to best link the data with your survey;
- Maintaining the confidentiality of personal data is also an important issue.

Use a survey to understand a broader set of related behaviors and outcomes in an adequately sized sample. Survey data can help researchers understand pathways toward self-sufficiency and correlates of progress. Administrative data can help to measure key outcomes of an intervention designed to affect self-sufficiency.

Think about developing measures of self-sufficiency in studies of child care subsidies. Many existing data sets have self-sufficiency data (and good questions that could be used in other studies) but few of these data sets also have child care subsidy information. The National Survey of America's Families (NSAF) is one of the few post-welfare reform sources of subsidy and self-sufficiency data on a national level.

Presentation: Erdal Tekin

What are some of the interrelationships among child care price, cost and subsidy use?

Findings from the literature:

- Child care costs have a negative effect on employment. Evidence on the size of this effect is not clear. Studies estimate that the range is from almost 0 to -1.26 percent. Looking at the elasticity measure (the percentage change in employment vs. the 1 percent change in use of child care), however, the data cluster around -.4 percent).
- Studies differ in many dimensions including data sets, sample compositions, model specifications, and identification strategies. Some studies consider married mothers only, while others focus on single mothers or samples of married and single mothers combined. Some studies look at children under age 13 while others focus on children under age 6.
- The price of child care derived from household expenditures is endogenous, i.e., it is a choice variable. In a way, the mothers choose the price that they pay by choosing the quality of care. It is important to account for this in the estimation in

order to avoid getting biased estimates of the effect of the price of child care on employment.

- Even when looking at studies using the same data sets and similar sample compositions, the variation in the estimated effect of the price on employment is still large. This suggests that specification and estimation issues are causing the variation.
- Most studies rely on data from prior to welfare reform, but welfare reform may have major impacts on women's choices of child care costs and child care subsidy use.
- Studies demonstrating the effect of actual subsidy receipt on employment are very limited.

Open Discussion

Question: Concept of self-sufficiency – what is the goal? Economic security? How is that different from self-sufficiency or is it not? What are the ways in which people can support their families? What other means of support exist (tax credits, support programs, etc.)?

Response: We all use supports. The conceptual issues are multi-layered. The concept that we measure depends on how we actually define self-sufficiency. It is very important to include both formal and informal assets in the definition. What is the mediating role of quality on child care subsidy and on employment? Can these things be tied together? As a family's income increases, their co-pay for child care increases. How does this affect their self-sufficiency and their income levels? If all subsidies provided access to higher quality care, then there might be more significant outcomes. Also, there are pre- vs. after-tax issues and the fact that the Earned Income Tax Credit (EITC) is not counted towards where a family lies in relation to the poverty threshold.

Question: The 'no-no' groups – people that are not receiving benefits and also have no earnings. What is happening with these families? When do you use administrative vs. survey methodology? How do you deal with differences in responses from different survey datasets? How do you reconcile differences when you link the survey and administrative data (e.g., Job Corps evaluation data)?

Response: Best to think about how families are reducing their reliance on publicly funded benefits and how that helps to reduce government costs.

Question: How do we measure self-sufficiency when some families have family members or friends available to provide free child care?

Response: Most of the studies used to measure self-sufficiency have taken this into account. Is it the lack of child care subsidies or the lack of skill that prevents families from becoming self-sufficient?

Question: What about differences between urban and rural communities? What does it actually cost to live with the essential needs within the state, what subsidies are available, what are the different costs of those, what part of the population accesses at least one, and are they moving towards a better employment or income situation?

Response: In measuring how child care supports that, look at continuous involvement with child care in relation to employment. I would not assume that a family has achieved economic stability only because child care is in place. As income rises, agencies must be careful not to pull the rug out from under people. Changing economic conditions (e.g., general employment increase or decrease) also affect child care immensely and how we interpret data. It's likewise important to consider the variation across the states when determining employment outcomes.

End of Session

Breakout session notes are brief summaries of issues, findings and ideas discussed by participants and do not necessarily reflect the views of the Child Care Bureau or other members of the Child Care Policy Research Consortium.