

Asymmetric Information and the Child Care Market

Assessing Voluntary Disclosure in a Child Care Quality Rating System

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Solution to the problem?

- 'Mediocre' Quality of Child Care (Whitebook 1990)
- Market Failure due to Asymmetric Information?
 - Developed 'Child Care Programs of Excellence (CCPOE)' to address the problems of asymmetric information
 - CCPOE provides information to parents about the quality of child care in their local area (Albany, Syracuse, Ontarios, and Yates County)
 - CCPOE asks providers to voluntarily be evaluated and to have the outcome of the evaluation communicated to parents

Measures of Quality in CCPOE

- Three Components of Quality
 - Teachers' Education, Experience, and Tenure
 - Health and Safety Compliance
 - Program Standards (On-site Evaluation)
- On-site Evaluation
 - Using well-established Measurement Tools (ECERS, ITERS, FDCRS)
 - Reliability of Measurements across Observers
- Overall Quality: One Star (Minimum Licensing Requirement) to Five Stars

Provider Participation in CCPOE

- Eligibility for Participation
 - Licensed Center or Registered Family Day Care Providers
- Voluntary Participation
- No Financial Cost for Participants
- Opt-Out
 - Providers can choose not to publicize the outcome of its evaluation after they learn about it
- Information about providers who opted out or deferred is not available to parents, but is available to researchers

Participation in CCPOE

County	# of Participants		Participation rate (%)	
	Center	FDC	Center	FDC
Albany	24	6	32	4
Onondaga	12	13	17	4
Ontario/Yates	3	7	13	7
Total	39	26	23	4

Quality Rating Outcomes

Quality Ratings	# of Providers		% of Providers		# of Non-Announcements	
	Center	FDC	Center	FDC	Center	FDC
5 Stars	9	7	24	29	0	1
4 Stars	9	9	24	38	2	1
3 Stars	10	5	27	21	2	0
2 Stars	1	0	3	0	0	0
Deferred	8	3	22	13	-	-
Total	37	24	100	100	4	2

Collecting Data

- Child Care Referral & Resources(CCR&R) Data Set
 - Characteristics as a Business Organization
 - Referral Purposes
 - Annual Update by Mail Survey
- Telephone Survey to Center Directors
 - Develop Questionnaire/Administer Survey (Summer 2003 - January 2004)
 - Characteristics associated with the Quality Care
 - Targeted All the Licensed Center Directors in Counties of Albany, Syracuse, and Ontario/Yates

Provider Telephone Survey

County	Response Rate(%)	# of Refusals	Total Centers
Albany	89	8	75
Onondaga	97	2	69
Ontario/Yates	96	1	24
Total	93	11	168

Descriptive Summary of Data(1)

	Non-CCPOE(<i>N</i> = 118)		CCPOE(<i>N</i> = 36)	
	Mean	St.Dev	Mean	St.Dev
Dir's Education				
HS	0.02 ***		0.14 ***	
AA	0.21*		0.08*	
BA	0.53		0.47	
MA	0.25		0.31	
Dir's Exp.(yr)	16.01	8.3	16.59	9.1
Dir's Tenure(yr)	7.02	6.8	6.36	7.2
Teacher's Wage(/hr)	8.62	2.2	8.32	1.4

Descriptive Summary of Data(2)

	Non-CCPOE(<i>N</i> = 118)		CCPOE(<i>N</i> = 36)	
	Mean	St.Dev	Mean	St.Dev
Better Ratios	0.35		0.42	
Accreditation	0.08*		0.17*	
Full-Year	0.80		0.83	
Have Infant Class	0.64		0.61	
For-Profit	0.32		0.25	
Franchise	0.30		0.22	
Head Start	0.14		0.25	
Independent	0.57		0.53	

Conclusion

- Mixed Empirical Outcomes
 - Some of Low Quality Providers May Choose to Participate
 - High Quality Providers Choose to Participate, While Some of High Quality Ones May Choose Not to Participate
- Factors Need to be Considered
 - Accuracy of Evaluation
 - Consumer's Skepticism
- Extension and Limitation