THE CHILD CARE CHALLENGE:
WHAT PARENTS NEED AND WHAT IS
AVAILABLE IN THREE METROPOLITAN AREAS

EXECUTIVE SUMMARY

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for the U.S. Department of Health and Human Services
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INTRODUCTION AND SUMMARY

Nearly half of the 22 million preschool-age children in the United States have mothers who are in the labor force and, hence, spend significant amounts of time in nonmaternal care. The supply of child care available to meet the needs of these children includes an estimated 2 million licensed openings in day care centers and a half million openings in licensed family day care homes. The remaining supply of child care includes unlicensed day care centers (primarily church-sponsored centers and part-day nursery school programs), unregulated family day care homes, and informal care arrangements with relatives. The result of parental needs and preferences for care and this configuration of available supply is a pattern of child care utilization with nearly half of the preschool-age children cared for by a relative and the remaining children being cared for primarily in family day care homes (22 percent), day care centers (23 percent), and unrelated caregivers in the child's home (6 percent) (U.S. Bureau of the Census, 1983). Hofferth (1988) estimates that on average, families spend 10 percent of total income on child care and nearly 25 percent of the mother's earnings on child care.

The common perception is that a child care crisis exists in this country, the dimensions of which include an inadequate supply of care, 

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1The number of child care slots in licensed child care centers is based on estimation procedures proposed by Prosser (1986). The estimated number of licensed family day care homes is based on data collected by the National Association for the Education of Young Children (NAEYC) that show an estimated 105,000 operative licensed family day care homes in 1986 and on estimates from the National Day Care Home Study (Divine-Hawkins, 1981) that show an average of 4 to 4.3 children per day care home.
significant levels of poor quality care, and high costs for care. Public concern about these issues stems from the fact that, if confronted with inadequate or exceedingly expensive child care, parents (especially mothers) who want to work will be forced to decide against labor force participation. These decisions can then have adverse effects on the ability of the United States to meet its national labor force requirements and will certainly contribute to the perpetuation of economic impoverishment for many families. There may also be adverse consequences for children if they are reared in poverty and/or if they are placed in inadequate care settings as a result of these decisions.

The public debate over child care policies has been hampered by the lack of a clear understanding of the characteristics of the child care market. Is there a shortage of child care? If so, what is the nature of the shortage? What kinds of care are needed, and where should the additional care be located geographically? What other problems of access to care exist? Are there quality of care problems? Are quality problems concentrated in particular segments of the child care market? What are the costs of care, and how do costs affect access to care and quality of care?

Such questions took on increased importance in the Demonstration of Innovative Approaches to Reduce Long-Term AFDC Dependency Among Teenage Parents (the Teenage Parent Demonstration), a project jointly sponsored by the Assistant Secretary for Planning and Evaluation and the Office of Family Assistance in the U.S. Department of Health and Human Services to promote economic self-sufficiency among adolescent parents who are dependent on welfare. Under this demonstration, adolescent parents are required to engage in employment, training, and education services as a condition for receiving
AFDC. **Thus,** an adequate supply of affordable and acceptable child care is essential to the success of the program intervention.

This report presents the findings from a survey conducted by Mathematica Policy Research, Inc. to meet the informational needs of the Teenage Parent Demonstration and to address the broader issues associated with the nature of child care markets. The survey of child care providers and users was conducted in the three urban areas served by the Teenage Parent Demonstrationr—Camden and Newark, New Jersey, and South Chicago, Illinois.

In the remainder of this executive summary, we outline the major policy issues underlying national and local concerns about child care. We then present a brief overview of the study design and summarize the most salient findings.

**POLICY ISSUES**

Child care is 'a major national policy concern for several reasons. The first pertains to the significant increase in the demand for child care and the economic forces that promise to perpetuate that trend. The two key factors that determine the size of the demand for child care are the number of preschool-age children and the labor force participation of their mothers. Around 1980 the number of preschool-age children in the United States began increasing as children born during the post-world War II baby boom began having children of their own. At the same time, the increases in the labor force participation rates of mothers of preschool-age children that had begun in the 1970s continued (see Figure 1.1).

In part, the growth in labor force participation rates is attributable to increases in the number of dual earner couples working to maintain or
FIGURE 1.1
PRESCHOOL CHILDREN WITH MOTHERS.
IN THE LABOR FORCE, 1970-1995

LEGEND
TOTAL CHILDREN

MOTHERS IN LABOR FORCE

SOURCE: ROFFERM, S. "THE CURRENT CHILD CARE DEBATE
IN CONTEXT", BETHESDA, MD: NICHD, MAY, 1988
improve their standards of living. However, a major component of the trend is also the increase in the number of single parents who are working. These labor force trends have been facilitated by economic changes that significantly reduced the size the male-dominated manufacturing sector of the labor force and increased the size of the service sector.

While the size of the preschool-age population is not expected to increase significantly during the next decade, a continued increase in the employment rates of mothers of young children is likely, resulting in an estimated 40 percent increase in the number of children requiring nonmaternal child care. There is a strong policy focus on meeting this need in order to meet future labor force requirements, as well as to enable parents (especially single parents) to maintain economic self-sufficiency.

A second and major source of concern pertains to the national and state initiatives to reform welfare and promote employment among welfare-dependent mothers. Although the employment rates of low-income mothers of young children are increasing, they continue to be less than half the rates for the overall population of mothers of preschool-age children (O'Connell and Bachu, 1987). Three factors contribute to this employment differential. First, low-income mothers tend to have skill levels and employment opportunities that are limited primarily to low-wage jobs. Second, on average, child care expenses consume nearly one-third of the incomes of mothers in low-income families (see Figure X.2). Finally, low-income mothers have access to fewer and/or less adequate child care options (Sonnenstein, 1984: United States Bureau of the Census, 1983).

As states implement the Family Support Act of 1988, the availability and cost of child care may become important to the successful operation of the
FIGURE 1.2
AVERAGE WEEKLY EXPENDITURES ON CHILD CARE
'AS A PERCENT OF INCOME

LEGEND
☑️ ALL FAMILIES
☑️ NON-POOR FAMILIES
☑️ POOR FAMILIES

SOURCE: HOFFERTH, L.
THE CURRENT CHILD CARE DEBATE IN CONTEXT. BETHESDA, MD: NICHD, NAY, 1988
work programs. One provision of the act requires that recipients of Aid to Families with Dependent Children (AFDC) whose youngest child is older than three years participate in employment, school, or training if child care is available. This could increase the number of children in nonmaternal care by as much as 10 percent.

A second provision of the legislation requires that adolescent mothers continue their education, further increasing the demand for nonmaternal care, particularly care for infants. Many states are now trying to determine whether the supply of care will be adequate to enable low-income mothers to participate in self-sufficiency-oriented activities.

Finally, a third source of the growing concern about child care is a renewed interest in the long-term outcomes of child care for the health, safety, and development of children. Now that a large number of children are in nonmaternal care for substantial proportions of their preschool years, the quality of nonmaternal child care has become a major focus of concern. Although research on what constitutes adequate care for children of different ages and with special needs is limited, we do have evidence that the quality of child care matters (Phillips, 1987). Evidence that a significant number of children are cared for in settings that do not meet minimal standards (Waite et al., 1988) and the fact that the vast majority of family day care is unregulated have raised concerns about the quality of the current supply of child care.

Some research suggests that children from disadvantaged backgrounds are at especially high risk of poor social development and academic

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See, for example, the debates on whether nonparental care is harmful to children (Belsky, 1986 and Phillips et al., 1988).
achievement, but also that early interventions may reduce these risks. Most notably, well-run Head Start programs have consistently been found to have positive effects on the cognitive and socio-emotional development of children from disadvantaged backgrounds (McKay et al., 1985). However, other intensive early interventions sponsored by schools, health departments, and community based organizations have also demonstrated significant effects on child outcomes (Berruett-Clement et al., 1984; Olds et al., 1983; and Ramsey, 1988).

With an increased number of children being cared for in child care centers and family day care homes, it is especially important that policymakers address questions about the adequacy of the care settings available to families, especially low-income families, to meet the child care needs of parents and the developmental needs of their children.

THE FOCUS AND DESIGN OF THIS THREE-SITE STUDY

Despite the growing recognition that the lack of available, affordable child care is an important barrier to employment, very little is known about the child care needs and available supply of care for low-income and welfare mothers. In particular, no major surveys of the child care needs, utilization, and supply among AFDC parents have been conducted since 1979. In light of recent welfare reform initiatives and the passage of the Family Support Act, it is critical that information on the child care market, especially the market facing low-income parents, be updated. In the Teenage Parent Demonstration, which has substantial similarities with the adolescent parent provisions of the Family Support Act, it became apparent that a survey of the local child care markets could substantially enhance the evaluation, as well as provide valuable information to inform these more general concerns.
The Teenage Parent Demonstration

The Teenage Parent Demonstration is a six-year project that was initiated in 1986 by the U.S. Department of Health and Human Services (DHHS), Assistant Secretary for Planning and Evaluation and the Office of Family Assistance (OFA), to address the policy issues associated with adolescent childbearing and welfare reform. As part of this initiative, demonstration programs are being operated in three sites—the south side of Chicago (Project Advance); Newark, New Jersey (TEEN PROGRESS); and Camden, New Jersey (TEEN PROGRESS)—to test innovative approaches for increasing the self-sufficiency of welfare-dependent adolescent parents. The demonstration programs emphasize both the obligation of teenage parents to engage in activities that are expected to promote their economic self-sufficiency and the responsibility of the welfare system to provide the social services and other forms of support necessary to enable these young parents to fulfill their participation obligations. Because participation in school, training, or employment for 30 hours a week is mandatory and all participants have young children, a primary support service of the demonstration is the provision of child care assistance. An important task of the demonstration project staff is to assess the child care needs of these parents and the characteristics of the local child care markets to determine how each participant's child care needs can be met.

The Child Care Supply and Needs Study

The special study of Child Care Supply and Needs was undertaken in the spring and summer of 1988 to assess the local market for child care in each of the three demonstration sites. Among the questions to be addressed in the study were the following:
o How large are the supply of and demand for child care in each site?

o What is the nature of the supply of and demand for child care in each site (e.g., by age of child, full-time vs. part-time, preferred type of provider)?

o Does an unmet demand for child care exist? What is the nature of the unmet demand?

o What is the ‘quality’ of the care that is used? Does quality vary by the age of the child or by the socio-economic characteristics of the parents?

o How satisfied are the users of child care? What problems have they encountered with their current arrangements?

o What problems are encountered by child care providers?

o What supply and demand factors determine the observed utilization patterns?

In order to address these questions, Mathematica Policy Research, Inc. gathered information on a representative set of providers and users of all types of child care for preschool-age children in each of the three sites. The sample frames for the child care centers and licensed or registered family day care providers were state licensing lists: the sample frames for the unregulated family day care providers and child care users were developed primarily through a random digit dial telephone screening survey. In total, 167 child care centers, 160 regulated family day care providers, 294 unregulated family day care providers, and 989 child care users were interviewed in the three sites.

KEY FINDINGS AND CONCLUSIONS

The findings from this study are remarkably consistent with available information on the national supply and utilization of child care. The percentage of mothers of preschool children who are working, the distribution
of preschool children in care across types of arrangements, the cost of care, and indicators of the quality of the child care available in the three metropolitan areas are all comparable to national estimates.

Although consistent with national estimates, the findings from this study suggest that the nature of the child care problem is somewhat different than expected. As seen in Figure 1.3, the children in the three demonstration sites are cared for in ways that tend to mirror national patterns of child care: nearly half are cared for by their nonworking mothers; about 30 percent are cared for by a relative; about 15 percent are cared for in other home settings; and the remaining 11 percent attend child care centers. While mothers are generally satisfied with their care, about 30 percent indicated that they would prefer a different arrangement, primarily to provide their child with more learning experiences. Less than 5 percent indicated that they would prefer alternative care because of costs.

'Reported child care problems' pertain to the nature of the supply of care and the mechanisms for matching providers with potential users. As shown in Figure 1.3, a significant number of mothers of preschool-age children (19 percent) indicated that they would seek employment if acceptable and affordable child care were available. However, their views about reasonable costs of child care were consistent with current market costs, suggesting that the barrier was not cost per se but access to providers. If the preferences of these mothers to work were realized and all found child care of the type they preferred, care by relatives and other family day care providers would each serve roughly an additional 10 percent of preschool children; child care centers would serve an additional 7 percent of the preschool population.
FIGURE 1.3
CURRENT PATTERN OF CHILD CARE USE AND
PATTERN OF POTENTIAL CHILD CARE USE IF
CHILD CARE BARRIERS ELIMINATED **

LEGEND

CURRENT USE
POTENTIAL USE

SOURCE: "SURVEYS OF CHILD CARE SUPPLY AND NEEDS", (MATHEMATICA POLICY RESEARCH, I.C.C., 1988)

** Potential use of different child care arrangements is defined as current use by working mothers plus the use of various arrangements that would occur if the needs and preferences of nonworking mothers who said they would go to work if satisfactory child care were available were met.
Figure 1.4 shows that centers are currently operating at capacity, while family day care providers are operating substantially below reported capacity. As a group, those parents who would prefer center-based care really would not have their preferred option available to them unless the capacity of centers were expanded by as much as 50 percent. In contrast, the current supply of family day care (including openings that providers say are available) is nearly double the current use rate. This unused capacity is potentially large enough to meet the needs of those nonworking mothers who indicated a desire to enter the work force if acceptable family day care were available. However, this market operates on a very informal, word-of-mouth basis, and information about available openings in family day care settings (a necessary but not sufficient condition for filling the slots) is not readily accessible to the public at large. Thus, one major policy concern with the family day care market pertains to its organization and the expansion of information networks.

Other key questions addressed in the study of the child care markets in the three Teenage Parent Demonstration sites, and their answers are summarized below:

- To what extent do mothers of preschool children need child care? The majority (55 percent) of mothers of preschool children in the three sites are employed, go to school, and/or attend job training programs and thus rely on some form of child care for an average of 35 hours per week. Roughly half of the children of these mothers, are cared for by relatives, frequently the other parent who also has a job. Mothers often seek nonstandard work schedules to enable them to rely on this care by relatives. The other children of working mothers generally require full-time care provided by nonrelatives or child care centers.
FIGURE 1.4
CHILD CARE USE AND POTENTIAL USE
RELATIVE TO CAPACITY IN CHILD CARE CENTERS
AND PAID FAMILY DAY CARE

LEGEND
- CAPACITY
- CURRENT USE
- POTENTIAL USE

SOURCE: "SURVEYS OF CHILD CARE SUPPLY AND NEED?", (MATHEMATICA POLICY RESEARCH, INC., 1988)
When is child care available? Child care centers in the three demonstration sites generally provide full-day, full-year care. Centers are open for an average of about 50 hours per week, and nearly all centers are open for more than 40 hours per week. These hours are available exclusively on weekdays.

In contrast, paid family day care providers have shorter average work weeks (40 hours per week), and significant proportions of paid family providers offer only part-time care. Family day care providers are essentially the only source of paid care for children during evening and weekend hours.

How do working mothers select their child care providers? The child care market operates very informally. Most mothers of preschoolers were referred to their provider by friends, neighbors, and/or relatives; mothers of only about half of preschool children in nonrelative care considered more than one provider before making their selection; the most common reasons cited by mothers for selecting their child's current arrangement were quality, location, and price, in that order.

The predominance of informal methods for finding nonrelative care is consistent with the fact that paid family day care providers neither advertise their services nor actively recruit to fill empty slots. Most paid family day care providers get children through referrals from relatives, neighbors, or friends, word of mouth, or acquaintance with the-children's mothers. More than one-half of paid family day care providers take no action themselves to fill an empty slot, and those who do attempt to fill empty slots use the various informal referral methods. Child care centers rely primarily on waiting lists to fill empty slots.

What types of child care arrangements do working mothers make for their preschool children? Most preschool children in the three sites are cared for in only one arrangement (about 75 percent). For approximately half of the children, their primary care arrangement is with relatives; about one-fourth are cared for by nonrelatives; and one-fourth are cared for in child care centers and preschools. Relatives generally provide secondary arrangements when multiple providers are used.

Younger children are more likely to be cared for in family day care settings and less likely to be cared for in formal group settings than are older preschool children. The age patterns of enrollment reported by child care centers and
paid family day care providers are consistent with these patterns. Most children enrolled in child care centers are between two and five years old, while larger proportions of children cared for by paid family day care providers are infants or school-age children. The availability of center-based infant care is very limited.

What is the cost of child care arrangements for preschool children? The mothers of approximately two-thirds of preschool children pay an average of $1.38 per hour for care in the main arrangement, regardless of the age of the child. Secondary child care arrangements are less likely to be paid for but, when they are, they cost more per hour.

Child care centers in the three demonstration sites charge an average of $35 to $50 per week for moderate- to high-income toddlers and older preschool-aged children, the age groups constituting the large majority of their enrollment, and somewhat higher fees for infant care. However, they also frequently reduce their fees significantly for low-income families.

Paid family providers in the three sites reported charging an average of $1.40 to $1.90 per hour for care. This is equivalent to $56 to $76 per 40-hour week. While family providers less frequently adjust their fees on the basis of family income, they tend to charge substantially higher hourly rates for part-time than for full-time care.

The median total cost of child care for mothers paying for care is $50 per week. This results in families spending approximately 10 percent of their income and about 25 percent of the mother's earnings on child care.

What assistance do mothers receive in paying for their child care arrangements? The mothers of about two-thirds of preschool children in paid arrangements reported that they plan to take an income tax credit for their child's main arrangement, but few reported receiving financial assistance from other sources. Virtually all free care for preschool children is provided by a relative or friend.

What assistance do providers receive? Government agencies subsidize some child care for low-income families. Between one-fourth and one-third of child care centers in the three sites receive government subsidies, largely through direct payments to the center but also through voucher payments. These subsidies benefit between 10 and 15 percent of all children in center-based care. The majority of centers, but only about 5 percent of family day care providers, participate in the USDA Child Care Food Program, which benefits all children in the care setting.
What is the 'quality' of care available? In general, the quality of center-based care in the three sites exceeds state standards. The average group size in child care centers is about 15 children, and the average child-staff ratio is about 6:1. For all age groups, average child-staff ratios are considerably smaller than required by state licensing regulations.

The average child-adult ratio in paid family day care settings is about 3:1. Only 5 percent of all family day care providers care for more than 6 children.

Preschool teachers in child care centers generally have some postsecondary schooling, either in a Child Development Associate (CDA) program or in college. In contrast, less than 30 percent of family day care providers have some postsecondary schooling, and over a third have less than a high school education.

Are child care settings safe and health-promoting? Child care centers in the three sites are required by state licensing regulations to meet minimum health and safety standards, including keeping medical releases and emergency contact information. Another requirement is that they maintain isolation areas for sick children, which most do. However, few child care centers allow parents to leave sick children. Policies on the administration of medications vary among centers.

Paid family day care providers are much more willing than centers to provide care for sick children. Between one-half and three-quarters of paid family providers allow parents to leave sick children, and most are willing to administer medications at the request of the parent. However, only three-quarters of family providers have the phone numbers of the doctors of the children for whom they provide care and less than half of paid family providers consistently maintain medical releases for emergency medical treatment for each child.

To what extent are mothers satisfied with their children's primary arrangements? Mothers generally report that they are satisfied with their child care arrangements regardless of their child's age. Only one-third of the mothers in the three sites reported that they would change arrangements even if all types of care were available free of charge; most of these mothers would prefer center-based care for their child because the child would have better learning opportunities.
How stable are child care arrangements for preschool children? Child care arrangements tend to be reasonably stable. Only about 12 percent of preschool children had a change in their child care arrangement within the last year, most often because the provider stopped providing care. However, turnover in enrollment in centers and family day care is somewhat greater, with between 5 and 15 percent of the center-based slots turning over in a three-month period.

How reliable are preschool children's child care arrangements? Problems with child care arrangements are not uncommon in the three sites. Mothers of about 10 percent of preschool children in care in the three sites reported that they had missed a day of work in the previous month due to child care problems. In addition, the mothers of about 15 percent of preschool children in care reported that they had been late to work or had to leave early at least once within the last month. Mothers of nearly half of preschool children reported that their regular child care arrangements are always available, and nearly three quarters have relatives or neighbors they rely on to watch their children when the regular provider is unavailable.

Both currently working and nonworking mothers reported lost opportunities due to child care problems. Approximately one-third of mothers of preschool children reported that child care problems had at some time prevented them from working or led them to change jobs or work hours.

What arrangements do mothers make when their child is sick? Care of sick children is largely the mother's responsibility. Half of the time, sick preschool children are cared for by their mothers, a third of whom take leave without pay to provide this care. Only about 5 percent of sick children are cared for by their fathers or stepfathers.

To what extent are child care providers covered by liability insurance? All child care centers in the three sites are required by state licensing regulations to be covered by liability insurance and few centers reported having had difficulties in obtaining insurance. However, some (up to 25 percent) reported that they had raised their fees to cover increased insurance premiums.

In contrast, about one-half of paid family day care providers reported that they are not covered by liability insurance, most because they have not tried to get it. Among those who are covered, the premiums of only one-quarter had increased within the last two years.
What are the most common operating problems reported by child care providers? The most common operating problems faced by child care centers in the three demonstration sites are late payments by parents (75 percent), late child pick-ups (50 percent), and parents' unresponsiveness to staff concerns about their children.

Family day care providers reported that they had problems with late child pick-ups and payments (25 percent each). In addition, up to one-quarter of paid family providers reported that their own children resented the other children in their care and that they had other things they had to do while caring for children.

To what extent is there unmet demand for child care? As was noted previously, there are currently sizable numbers of "openings" with family day care providers in the three sites. However, access to these openings is limited due to the lack of information networks and possibly to other constraints imposed by the providers regarding the children for whom they will provide care. Child care centers have slightly more formal procedures for filling vacancies. However, they have little unutilized capacity. The result is that there is substantial unmet demand for child care in the survey areas of two types: demand by some parents to move their children from relative or family day care to center-based care and demand by nonworking mothers to place their preschool-age children in an acceptable care setting. Meeting this demand could involve both an expansion of the total supply of care, particularly center-based care, and improved information networks so as to more fully utilize available family day care positions.

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