



Maryland Child Care Choices Study: Child Care Expenses and Financial Support for Child Care among Applicants for Temporary Cash Assistance

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Introduction to the Maryland Child Care Choices Research Brief Series

The purpose of this Research Brief Series is to summarize key findings and implications from the Maryland Child Care Choices study, a two-year longitudinal survey of parents who were applying for Temporary Assistance for Needy Families (TANF) in 2011. Families in the Maryland Child Care Choices study have at least one child age six or younger and lived in one of the following counties at the time of their first interview: Anne Arundel, Baltimore, Baltimore City, Calvert, Carroll, Montgomery, and Prince George's.

This brief is based on data from the baseline survey of the

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OVERVIEW

This Research Brief focuses on the strategies that parents who recently applied for Temporary Cash Assistance (TCA) in Maryland use to pay for child care. Specifically, we explore whether parents pay for child care, and whether or not they receive financial support to help pay for this care. For study purposes, we focus on one young child in the family. Many of the findings are consistent with those from a similar analysis of welfare applicants in Minnesota.¹

KEY FINDINGS

- Close to two-thirds of parents using non-parental care (65%) report receiving financial help in paying for child care, either in the form of a child care subsidy or some other source.
- Roughly half of parents (46%) using non-parental care do not pay anything out-of-pocket for child care for any of their children.
- Among parents who do pay for their child's care, a large proportion of their household's income is spent on child care. Among parents who used partially subsidized care for the focal child, one-fifth of their weekly household income was spent on child care (for all children). Among parents who paid completely out-of-pocket for the focal child's care, one-third of their weekly household income was spent on child care (for all children). These numbers are consistent with national statistics on child care expenses for families with low incomes.
- Parents who paid completely out-of-pocket for the focal child's care were three times more likely to be working for pay than parents who did not pay anything for child care, regardless of whether those parents were receiving financial support to pay for child care.
- The type of arrangement in which a child is cared for is associated with payment strategies used by parents. The majority of children in partially subsidized care are in child care centers (68%), whereas a high proportion of children in free or unsubsidized arrangements are cared for by informal providers (family members, friends, or neighbors) in a home-based setting.
- Parents whose child is in partially or fully subsidized care are more likely to cite quality as the most important reason for choosing their child's care arrangement than are parents whose child is in free or unsubsidized care.

¹ Tout, K., Blasberg, A., Davis, E., Carlin, C., Forry, N., & Isner, T. (2013). Minnesota Child Care Choices: Families' child care expense and sources of financial support. Washington, DC: Child Trends.

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Maryland Child Care Choices study. Telephone surveys were conducted by Wilder Research every six months, starting in July 2011. Surveys included questions on the following topics: parents' child care preferences, the processes parents use to make child care decisions, parents' perceptions of the quality of their child care, child care-related work disruptions, parental employment, and the use of public assistance programs. For each family, one child is designated as the focal child and detailed information is collected about the child care arrangements used for this child.

For more information about the study design and sample for this brief, see the Study and Sample Description Brief in this series. The entire series of baseline briefs are available online at www.mdmnresearch-partnership.com or www.childtrends.org.

IMPLICATIONS FOR POLICY AND PRACTICE

These findings, discussed in greater detail in this Research Brief, have important implications for policy and practice. First, expenses for parents who pay for child care out-of-pocket are quite high, even for those parents who are receiving a partial subsidy. Additionally, parents whose care was fully subsidized were most likely to select a care arrangement based on quality. These findings suggest that increasing low-income families' access to child care subsidies, particularly through subsidies that cover the full price of care, increases the likelihood that parents will choose higher-quality care. Second, though this Brief does not focus in detail on the child care decision-making process, there are clear links between the choices families make and the payment strategies they use: the majority of parents whose child is in a partially subsidized arrangement are using a center-based arrangement, whereas parents who do not receive any financial support tend to use family, friend and neighbor care, presumably in part because of the reduced expense of this option. As the use of center-based arrangements has been associated with children's school readiness upon kindergarten entry,² improving access to child care subsidies and offering scholarships that can facilitate the use of high quality center-based arrangements are important strategies for supporting young children in low-income families.³

METHODOLOGY & DEFINING PAYMENT STRATEGIES

Parents in the Maryland Child Care Choices Study were divided into four groups to explore the relationship between child care payment strategies and other family and child care characteristics. Identification of the four groups is based on two factors: 1) whether or not the parent reports paying anything out-of-pocket for the focal child's care and 2) whether or not the parent reports receiving any type of help for child care expenses.⁴ These sources of financial support include child care subsidies or vouchers, a social service or welfare agency, a friend or relative, the child care provider, child care tax credits, or the parent's employer (see Figure 1).⁵ The sources of financial support were not mutually exclusive; the majority of parents (72%) who reported receiving some type of support were using a subsidy.

2 Forry, N. D., Davis, E., & Welti, K. (in press). Ready or Not: An Examination of the Associations between Participation in Subsidized Child Care Arrangements, Pre-Kindergarten, and Children's Readiness for School upon Kindergarten Entry. *Early Childhood Research Quarterly*.

3 To learn more about outcomes associated with Minnesota's Saint Paul Early Childhood Scholarship Program see: <http://policyweb.sri.com/cehs/projects/displayProject.jsp?Nick=melf>

4 Forty-six parents were excluded from these analyses: 44 parents in which the focal child was not cared for in any child care arrangements other than parental care and two parents who did not report whether they paid out-of-pocket for child care.

5 Only one parent reported receiving financial support from their employer.

FIGURE 1: Sources of financial support for child care expenses for the focal child

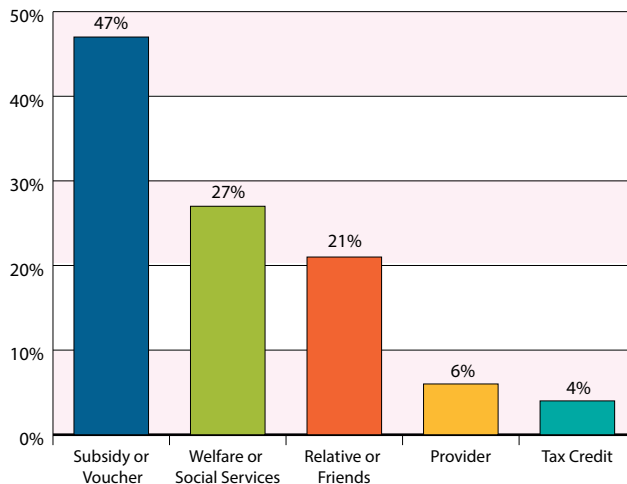


Figure 2 shows the distribution of parents in the analytic sample ($n=243$) into four payment profiles. The “no payment - child care arrangement is free” payment profile group represents 21% of the sample. These parents do not pay anything out-of-pocket for the focal child’s care and do not receive financial help from any of the sources of support in Figure 1. These parents are considered to be using “free care” for the focal child. Over half of parents in this group (55%) only have one child under the age of 18 living in their households. Of those parents who do have multiple children ($n=23$), the majority (96%) do not pay for care for their other children. On average, parents using free care for the focal child have a weekly household income of \$410.

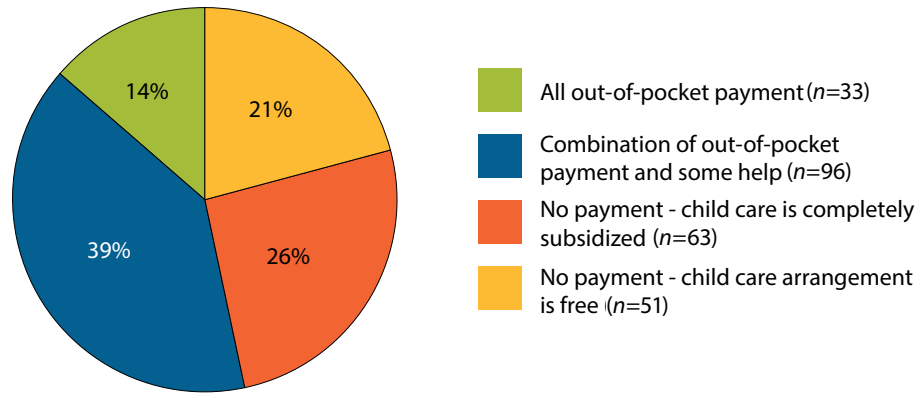
The second payment profile group, “no payment - child care is completely subsidized,” accounts for roughly one-quarter (26%) of the analytic sample. These parents do not pay anything out-of-pocket for the focal child, not because the care arrangement is free, but because the child’s care is completely subsidized by at least one source identified in Figure 1. Only one parent in this group paid for care for other children in the household. On average, parents using care that is completely subsidized for the focal child have a weekly household income of \$359.

The third payment profile group, “combination of some out-of-pocket payment and some help” also represents about two-fifths of the sample (39%) and is comprised of parents who pay something out-of-pocket (regardless of how much) and also receive some form of financial support. On average, parents in this group pay \$48 dollars per week toward child care expenses for the focal child and \$71 per week toward child care expenses for all children (if they pay for multiple children’s care, $n=17$). Parents in this group have total household income of \$332 per week and pay, on average, 21% of their household’s weekly income to child care expenses.⁶

The fourth payment profile group, “all out-of-pocket payment,” is the smallest of the four groups and comprises 14% of parents in the sample. Parents in this group pay for all of the focal child’s care expenses out-of-pocket. Parents in this group pay an average of \$79 per week for the focal child’s care and parents who pay for the care of other children in the household ($n=8$) pay \$183 each week for child care. On average, parents paying for the focal child’s care completely out-of-pocket earn \$436 each week and spend 33% of their weekly household income on child care expenses.

⁶ Parents who reported child care expenses per week that were higher than or equal to their household’s weekly earnings ($n=15$ across the entire sample) were excluded from the calculation of average weekly child care expenses and the proportion of household income that pays for child care. If a parent reported that their household income was zero, their child care expenses are included in the average, but they were excluded from the average proportion of income spent on child care expenses.

FIGURE 2: Child care payment strategies used by low-income parents for the focal child's care



In the next sections of the Brief, parents in each of the child care payment profiles are analyzed in more depth to understand how the payment profiles are linked to other family characteristics, child care characteristics, features of the child care decision-making process, and parental perceptions of child care quality.⁷

FAMILY CHARACTERISTICS

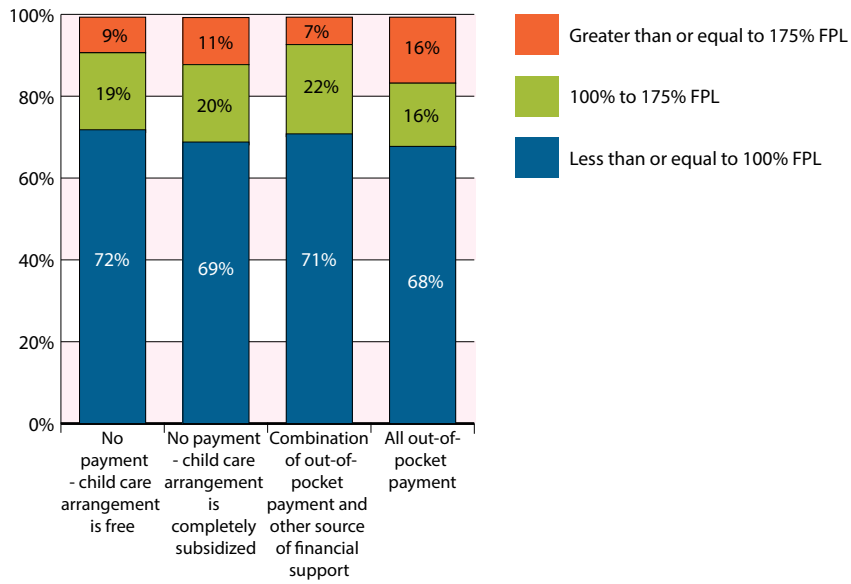
Parents using different child care payment strategies did not differ on family characteristics, such as income, whether the parent lives with a spouse or partner, and the focal child's age. They did, however, differ on ease of paying for child care and whether the parent worked for pay.

What are the household incomes of parents using the four different payment types?

Household incomes did not differ significantly by payment profile (see Figure 3). Most families in each payment profile have household incomes at or below the federal poverty level (FPL). The group that paid completely out-of-pocket had the highest proportion of parents who earned above 175% of the FPL (16%). In the other three payment profiles, only between 8% and 11% of parents earned above 175% FPL.

⁷Unless otherwise stated, the results presented in this Brief are statistically significant with a p-value less than 0.05.

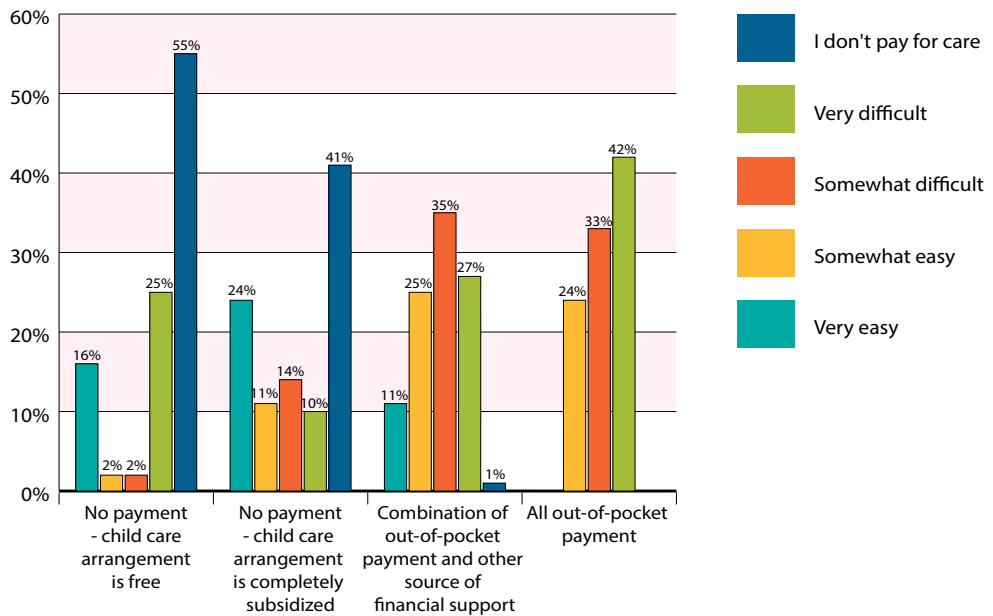
FIGURE 3: Income distribution across the four payment profiles



How easy do parents perceive paying for care to be?

Parents’ perception of how easy or hard it is to pay for child care varied by payment profile, with parents paying some out-of-pocket expenses reporting the most difficulty in paying for care. Forty-two percent of parents who paid completely out-of-pocket reported that paying for child care was very difficult (Figure 4). In contrast, 25% of parents whose child’s care was partially subsidized reported that paying for child care was very difficult.

FIGURE 4: Parents’ reported ease of paying for care across the four payment profiles



What are the employment characteristics of parents in each of the four payment types?

Parents were asked a series of questions about employment status including whether the parent was working for pay, looking for a job, in school, in a job training program, or unable to work due to a disability. Parents could be participating in multiple employment activities; thus, these response categories were not mutually exclusive.

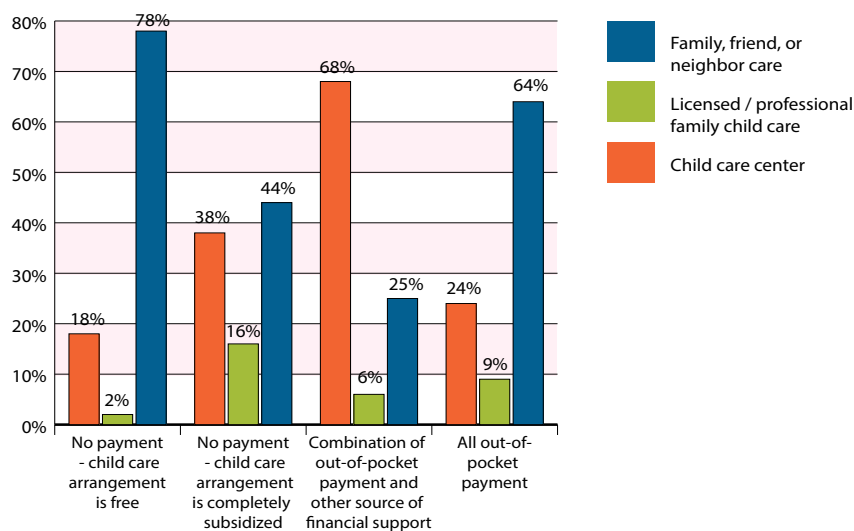
Parents who pay completely out-of-pocket for the focal child's care are more likely to be working for pay than parents who do not pay anything out-of-pocket. Almost one-half (45%) of parents who pay completely out-of-pocket report working for pay in the past two weeks. This proportion is significantly higher than the 14% of parents who do not pay anything out-of-pocket for care (regardless of whether the family received financial support or not). Roughly one quarter (28%) of parents who pay for child care and receive some financial help report working for pay; this proportion does not differ significantly when compared with parents using other payment strategies. Although the percentage of parents working for pay varied by payment strategy, the number of hours worked did not, with each group working between 26 and 32 hours per week, on average.

CHILD CARE CHARACTERISTICS

What types of primary care arrangements are associated with different payment profiles?

The child care arrangements parents used most often for focal children differed by payment profile (see Figure 5). The majority of children (79%) in free care were cared for by a relative, a friend, or a neighbor either inside or outside of the child's home. Children whose care was completely subsidized were using center-based care (38%) and family, friend and neighbor care (44%) in similar proportions. In contrast, the majority (68%) of children whose care was partially subsidized were using center care. Finally, among children in care that was paid for completely out-of-pocket, over half (64%) were in family, friend, or neighbor care and one quarter (24%) were in center care. The child care choices of this last group of parents may reflect the difficulty of affording center care completely out-of-pocket, as evidenced by the fact that a high proportion of parents in this group reported paying for care to be very difficult.

FIGURE 5: Type of care selected across the four payment profiles⁸



⁸Parents using before or after school programs or summer school as their child's primary arrangement are not reported in this figure because of the small number of these parents in each payment profile.

Does time spent in primary care arrangements vary by payment strategy?

There are significant differences in the amount of time children spend in their primary care arrangement depending on the payment strategy their parents use. Children whose care was completely subsidized spent significantly more hours in care (28 hours per week) than children who attended free care (15 hours per week). Similarly, children using care that was partially subsidized and whose parents paid some out-of-pocket expenses spent significantly more time in care (29 hours per week) than children who attended free care. Although children whose parents paid completely out-of-pocket also spent more time in care (24 hours per week) than those whose care was free, this difference was not statistically significant. Notably, there were no significant differences among the groups in hours spent in care when the sample was restricted just to parents working for pay, implying that the group differences in hours in care were driven by the higher percentage of parents who are not working for pay in the free care group.

CHILD CARE DECISION-MAKING

What is the relationship between payment profile and characteristics of the child care search process?

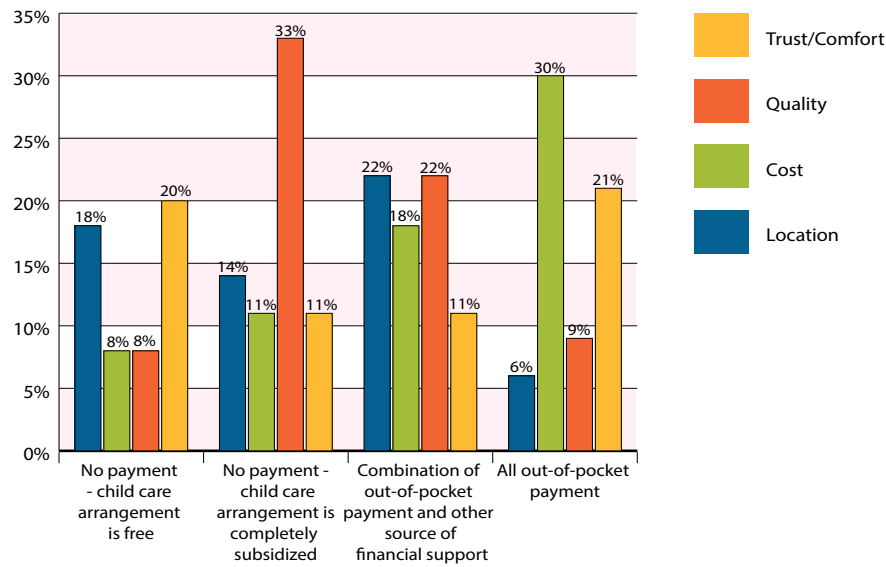
Across all the payment types, the majority of parents first learned about their current provider from informal sources, including relatives, friends, co-workers, or neighbors. Nearly three-quarters of parents using free care (74%) learned about their current provider from a relative. Parents using completely subsidized care and parents paying for care completely out-of-pocket were also likely to have heard about their provider from a relative (40% and 48%, respectively). Parents using partially subsidized care learned about their provider from a relative or friends, co-workers (25%) or neighbors (28%). Fourteen percent of parents using care that was partially or completely subsidized first learned about their provider from the newspaper or the Internet. This finding suggests that parents using subsidies may be more inclined to seek more formal information when looking for child care arrangements than parents who are not using subsidies.

Although the length of time parents took to select their primary care arrangement did not differ significantly by payment type, the main reason that they selected their primary care arrangement did differ. Figure 6 shows the four main reasons parents cited when asked why they chose their primary care arrangement: location, cost, quality, and trust or comfort with the provider.⁹ Parents using free care most often indicated that the main reason they chose their primary care arrangement was either because of trust in their provider (20%) or because their child's caregiver was a family member (20%, not shown). Parents using care that was completely subsidized were most likely to cite program quality as the main reason they chose their primary arrangement, suggesting that parents who have access to full financial support for their child's care arrangement may have more flexibility to consider program quality as a primary selection factor.

Parents using care that is partially subsidized cited location (22%), cost (18%) and quality (22%) in fairly equal proportions. The balance of these numbers shows how parents who do not experience the full cost of a program make decisions. In contrast, parents paying for care completely out-of-pocket most often cited the affordability of the program as the primary reason for selecting their child care arrangement (30%).

⁹Other reasons cited by parents in smaller proportions include their primary arrangement being the only option, their child having special needs, the education or curriculum offered by the provider, the environment (such as health and safety concerns, features of the physical environment, or characteristics of the care setting), or the caregiver's being a family member.

FIGURE 6. MAIN REASON PARENTS SELECTED PRIMARY CARE ARRANGEMENT ACROSS THE FOUR PAYMENT PROFILES



Parents using free care were significantly less likely to consider other options than parents who paid anything out-of-pocket. Twenty-nine percent of parents using free care considered other options compared to 61% of parents paying completely out-of-pocket and 58% of parents using partially subsidized care. Whether parents considered multiple options for the primary care arrangement varied significantly by payment type, but the number of options considered did not.

NEW QUESTIONS AND NEXT STEPS

Teasing apart the relationships amongst child care expenses, subsidy use, child care decision-making, and the arrangements that parents choose is a complicated endeavor. This Brief provides a descriptive examination of the associations between some of these factors, but additional work is needed to identify the cluster of factors that influence how parents make decisions about child care arrangements. Understanding child care decision-making, particularly how payment strategies are used to enable parents to prioritize quality when selecting an arrangement, is a topic for future work, both at the state-level longitudinally and through cross-state analyses of families in Maryland and Minnesota. This research can inform the promotion of policies to support parental decision-making and to facilitate parents' consideration of program quality when selecting care for young children. Increasing access to high quality early care and education is a key strategy for supporting improved outcomes for children.