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REVIEWS OF RESEARCH  
RESEARCH BRIEF

## PREDICTORS OF CHILD CARE SUBSIDY USE

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The Reviews of Research series synthesizes research on selected topics in child care and early education. For each topic, Reviews of Research provides an in-depth Literature Review and a summary Research Brief. Also, for each, a companion Table of Methods and Findings from the literature reviewed is available on the *Research Connections* web site: [www.childcareresearch.org](http://www.childcareresearch.org).

### What We Know

- ▶ Families with children ages birth through 5 are more likely to use subsidies than families with children ages 6 and over.
- ▶ Families who currently receive or are transitioning from cash assistance are more likely to use child care subsidies than those with no recent history of cash assistance.
- ▶ Single-parent families are more likely than two-parent families to use subsidies.
- ▶ African-American mothers appear more likely to apply for and use child care subsidies than mothers from other racial/ethnic backgrounds.
- ▶ Families using center-based care appear more likely to use child care subsidies than families using other forms of care.
- ▶ Parents with higher tolerance for the hassles that families may encounter in applying for and maintaining child care subsidies appear more likely to use subsidies.

## INTRODUCTION

In 2004, spending on child care subsidies from the main U.S. public funding sources—Child Care and Development Fund and Temporary Assistance for Needy Families—reached more than \$11 billion (Field Initiated Child Care Research Projects, 2004). A growing body of research, employing a range of methodologies and data sources, has begun to identify the characteristics and child care arrangements of low-income families and children most likely to participate in subsidy programs. Although child care subsidy research is still a young field, preliminary findings on predictors of child care subsidy use are emerging.

This research brief summarizes the Research Connections literature review of the same title, *Predictors of Child Care Subsidy Use*, which examines recent research addressing the basic question:

- ▶ What family and child care characteristics are associated with the use of child care subsidies?

That is, among eligible families, what factors tend to predict which families will actually use assistance to help pay for the care and education their children need while parents work or participate in education and training? Given that the rate of subsidy use remains relatively low, policymakers want to know what distinguishes the families that use these services.

## WHAT ARE CHILD CARE SUBSIDIES?

Child care subsidies aim to support both parents' employment and children's development. The major—but not sole—public funding source for subsidies is the Child Care and Development Fund (CCDF),<sup>1</sup> created in 1996, along with the overhaul of the nation's welfare/cash assistance program through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).<sup>2</sup> Additional federal funding comes from Temporary Assistance for Needy Families (TANF), the cash assistance program also created by PRWORA, either transferred by states into CCDF or spent directly on child care. A number of states also provide child care subsidy funds beyond those required by CCDF. Other federal and state

programs that assist large numbers of low-income parents in caring for and educating their children do not fall within the definition of “child care subsidy” in research included in the review.<sup>3</sup> Nonetheless, these programs—such as Early Head Start, Head Start, and state prekindergarten—help many low-income parents meet some of their child care needs while they are working or in school and are important parts of states' early care and education systems.

CCDF gives states wide latitude in setting income and activity eligibility standards, family co-payment levels, provider payment rates, and other policies. (See *Introduction to Child Care Subsidy Research* for a full explanation of CCDF.) Within the broad group of low-income working families potentially eligible for subsidies, states serve three subgroups: families currently receiving TANF cash assistance, families transitioning off TANF, and low-income families with no recent TANF history but at risk for TANF dependency. At different points in time, the same family may be in all three subgroups.<sup>4</sup> Although no longer required to do so, states typically continue subsidy guarantees—held over from the predecessor federal programs—for families receiving TANF and during a post-TANF period. Some states provide subsidies to all state-eligible families who apply, giving the same priority to families without a recent TANF connection as to TANF and former TANF families.

## CURRENT POLICY LANDSCAPE

Despite the growth in subsidy use, there are some signs that many states face more demand than they are able to meet. A U.S. General Accounting Office (GAO) survey covering January 2001 through early 2003 found half the states provided child care assistance to all state-eligible applicants and half did not. The GAO further observed that when states lack resources to cover all applicants, they often give TANF and transitioning families priority over other low-income working families (U.S. General Accounting Office, 2003).

By 2002, according to one study, children from families leaving TANF and children from families

without TANF connections accounted for the majority of children receiving subsidies (Collins, Layzer, & Kreader, forthcoming). In part, this reflected rapidly falling TANF caseloads after passage of PRWORA. Data are not yet available to show how these proportions may have changed since 2002, when national TANF caseloads stopped declining.<sup>5</sup>

## CRITERIA FOR SELECTION OF STUDIES FOR REVIEW

In preparing the literature review, the authors scanned research from a wide range of sources; several criteria of equal importance guided the selection process. An initial selection criterion was study completion since the 1996 passage of PRWORA and establishment of the Child Care and Development Fund. Policy research published since this watershed in child care policy has the highest value to policymakers and researchers alike.<sup>6</sup> A related criterion was a report's policy relevance. Additionally, the chosen works use sound methodologies, with analyses that support their conclusions.

## DESCRIPTION OF STUDIES

Research in this area is fairly recent and, to date, somewhat limited in scope. Researchers have used a variety of approaches to learn about the factors that influence subsidy receipt. Some have used large datasets about families, obtained from administrative data compiled by agencies administering child care subsidy programs or from surveys made available in recent years. Some researchers have conducted additional analyses of datasets that were originally constructed to answer other questions, such as those used in pre-TANF evaluations of welfare reform initiatives.

Some researchers have used qualitative methods, such as ethnographic studies. This research uses information gathered from in-depth interviews and structured focus groups to glean insights and understanding from the perspective of families who participate in the subsidy program.

## Populations Studied

To identify predictors of child care subsidy receipt, studies need samples of potential subsidy-eligible families—some of whom take up subsidies and some of whom do not. Thus, the review was limited to research that looked at broad groups of eligible families, not just at families receiving subsidies. More research on subsidized child care has been conducted with samples of welfare than nonwelfare families. However, to more fully understand the experience of subsidy-eligible families, additional studies are needed that examine all low-income families that are eligible for subsidies, regardless of TANF status.<sup>7</sup>

## EMERGING THEMES

To date, the body of research conducted on subsidy use is too small to be the basis for any definitive statements. Some studies show correlations consistent with one another, but often questions are not asked in similar ways, and the populations studied are very different. With these caveats, early findings from research are highlighted below.

### Parent and Child Characteristics

- ▶ Families with preschool-aged children (birth to age 5) are more likely to receive subsidies than families with older children.
- ▶ There is a strong relationship between current and past TANF receipt and the use of subsidies (Blau & Tekin, 2001; Shlay et al., 2002; Burstein et al., forthcoming).
- ▶ Mothers who are black are more likely than mothers who are white to apply for or receive subsidies (Blau & Tekin, 2001; Burstein et al., forthcoming; Lee et al., 2004).
- ▶ Single-parent families are more likely to use subsidies than two-parent families (Shlay et al., 2002; Burstein et al., forthcoming; Danziger, Ananant, & Browning, 2003; Shlay et al., 2004).

## Child Care Characteristics

- ▶ Families that used center-based care appear more likely to apply for or use subsidies than families using other types of arrangements (Shlay et al., 2002; Shlay et al., 2004; Burnstein et al., forthcoming; Schumacher & Greenberg, 1999).
- ▶ Families who use relative care in the child's own home are less likely to apply for subsidies than families using family child care or center care (Burstein et al., forthcoming).

## Parents' Experiences with the Subsidy System

- ▶ Parents with higher tolerance for the hassles that families may encounter in applying for and maintaining child care subsidies appear more likely to use subsidies (Shlay et al., 2004; Shlay et al., 2002; Adams et al., 2002; Knox et al., 2003).

## METHODOLOGICAL ISSUES

Several methodological issues in research on use of child care subsidies became apparent from the review of this literature.

### Lack of Standardized Measurement

One issue is the lack of standard definitions of constructs across studies. For example, in examining the types of child care families used, some studies considered center care, family child care, and informal care as three distinct categories while other studies looked only at center care and informal care and considered regulated family child care a subset of informal care. More standardization within the field about the categories of key constructs would reduce confusion and facilitate comparisons.

### Reliability and Validity Issues

A potential reliability problem in using administrative data is inconsistent use of administrative data definitions within a state; different locations may use differ-

ent definitions. Administrative data can also present validity issues, such as when data definitions, created for administrative purposes, do not mean what they may appear to mean (e.g., full-time child care may be defined as five or more hours per day, not the more commonly understood definition of a full work day).

State policy differences can create additional reliability and validity issues for cross-state comparisons. The state differences inherent in federal programs such as CCDF and TANF, which allow much state discretion, mean that the same term can be defined very differently in different states. These differences must be addressed to arrive at appropriate and accurate cross-state comparisons.

## ISSUES FOR FURTHER STUDY

In the course of the literature review, several issues emerged that have not been adequately addressed to date and warrant further study.

### Non-TANF Families and Subsidy Use

Families who have not received TANF but participate in the child care subsidy program have been studied less frequently than TANF families. Additional studies are needed that sample the full spectrum of low-income families eligible for subsidies in the context of policies in each state studied.

### Race and Ethnicity

None of the studies reviewed provides much insight into what may underlie differences in subsidy use patterns by race and ethnicity. Additional research is needed to explore the underlying factors that may be driving racial and ethnic differences in patterns of subsidy use.

### Education, Income, Family Size

The studies reviewed present mixed findings on the relationships between subsidy receipt and parent education levels, family income, and number of children in a family. These areas also invite further study.

## Family-Level Patterns of Subsidy Use

Many of the studies in this review present findings on characteristics of families using subsidies and/or children in subsidized care. They do not offer findings on children in the context of their families. Studies are needed that examine potential differences in subsidy use within families of varying characteristics. For example, one study of subsidized families has found major differences in child care choices depending on the number of subsidized children in a family. (Witte, Queralt, & Long, 2004).<sup>8</sup>

## Relation to Head Start and Prekindergarten

For the most part, these studies do not address how child care subsidy use relates to use of Head Start, Early Head Start, and prekindergarten programs. Understanding how these programs do and do not interrelate is particularly important in understanding the experiences of children and families who may participate in several of these programs simultaneously.

## Policy Variation

The variation in states' policies, noted above, poses a challenge in summarizing findings from multiple studies. Aspects of the state policy context and their impact on subsidy use warrant further study.

## CONCLUSION

The studies included in the literature review mostly look at families with TANF histories. Additional research is needed to more fully understand families who use subsidies but have not received cash assistance. More study is also needed to better understand the relationships between subsidy use and parent education levels, family income, and family size, as well as patterns of subsidy use within families. Future research is needed, too, to understand the cultural and other factors underlying differences in subsidy use across racial and ethnic groups. All research in this area must pay close attention to the state policies that affect subsidy use. Finally, for a comprehensive understanding of the experiences of low-income families and children with early care and education, researchers must ask a broader question than who uses child care subsidies. They must also ask who uses all forms and combinations of publicly supported child care and early education, particularly Head Start and state prekindergarten.

### Studies to Watch For in the Future

- ▶ *Employment and TANF Outcomes for Low-Income Families Receiving Child Care Subsidies in Illinois, Maryland, and Texas.* Chapin Hall Center for Children, University of Chicago

This study will blend nonpublicly available, individual-level U.S. Census data with individual-level administrative data from child care subsidy, TANF, and Unemployment Insurance in the three states.

- ▶ *Child Care Quality—Does Partnering with Head Start Matter?* Education Development Center

This study will conduct a three-year investigation in Ohio to examine observed quality and children's school readiness in centers with and without Child Care/Head Start partnerships.



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## ENDNOTES

1. The Child Care and Development Fund was created by 1996 and 1997 amendments to the Child Care and Development Block Grant. The name "Child Care and Development Fund" does not appear in legislation and is the name adopted by the U.S. Department of Health and Human Services to refer to the consolidated funds.
2. TANF, created by PRWORA, replaced the earlier Aid to Families with Dependent Children program.
3. As described in the series introduction, these include the federal Head Start and Early Head Start programs, programs supported by Title I of the Elementary School Education Act, 21st Century Learning Centers, and state prekindergarten programs. Federal and state Dependent and Child Care Tax Credits are also beyond the scope of this research.
4. A current TANF family may become a former TANF family, and a family with no recent TANF history may begin to receive cash assistance from the TANF program.
5. See the series introduction for more detail on the trends described above.
6. Some studies completed after (and informed by) PRWORA analyzed data that had been collected in the course of studies of pre-PRWORA welfare reform initiatives.
7. One study looked at families in California using cash assistance (Meyers et al., 1999). Another used data from an experimental study of welfare reform initiatives in two states (Project New Hope, in Milwaukee, Wisconsin, and the Minnesota Family Investment Program) (Huston et al., 2002). A third examined welfare families in Michigan (Danziger, Ananat, & Browning, 2003), while a fourth studied TANF mothers in Illinois, Maryland, and Massachusetts (Lee et al., 2004). The fifth study examined the child care use of a broader population of low-income families with working mothers using non-paternal care (Burstein et al., forthcoming).
8. Questions that require a child-level analysis present a complicated set of issues around selection of a random child. Statistical methods have been developed to deal with issues that arise when nonindependent subjects (e.g., children from the same family) are included in an analysis (Guo & Wells, 2003). More work is needed to explore the most appropriate method to create the analysis sample when the research question is best addressed at the family level.