

# Who are the eligible non-recipients of child care subsidies? ☆

Chris M. Herbst

*School of Public Affairs, Arizona State University, United States*

Received 5 October 2007; received in revised form 28 December 2007; accepted 3 January 2008

Available online 17 January 2008

## Abstract

Given the highly devolved nature of the U.S. child care subsidy system, recent studies have devoted considerable attention to exploring family-level correlates of subsidy receipt. However, most studies in this literature are limited in two respects. First, by focusing exclusively on the characteristics of recipients, previous research has neglected a group with important policy implications: *eligible* non-recipients of child care subsidies. Second, previous work compares recipient households to a heterogeneous population of non-recipients, many of whom are ineligible for child care assistance. This paper provides the first detailed examination of eligible non-recipients of child care subsidies, and uses this group to make more appropriate comparisons to those receiving benefits. Using data from the 2002 National Survey of America's Families, I begin by simulating states' eligibility rules for 2001. Although many of the differences between recipients and non-recipients disappear when the analysis is limited to eligible households, a number of key differences persist. With eligibility status serving as a *de facto* control for financial need and preferences for work, I argue that many of the remaining differences between recipients and non-recipients are due to rationing by states, low parental awareness of benefits, and difficulties navigating the subsidy system.

© 2008 Elsevier Ltd. All rights reserved.

*Keywords:* Child care subsidies; Eligibility; Welfare reform; Work supports

## 1. Introduction

The 1996 overhaul of the U.S. welfare system ushered in equally dramatic changes to the way the federal government provides child care assistance to low-income families. Congress consolidated the patchwork child care subsidy system, which included four distinct programs, into a single block grant called the Child Care and Development Fund (CCDF). Expenditures on the programs that eventually became the CCDF grew steadily throughout the early-1990s, but exploded after the passage of welfare reform. By 2004, approximately \$9.4 billion was spent through the CCDF, serving 1.7 million children per month (Besharov & Higney, 2006; U.S. DHHS, 2005). The explicit goal of the new unified system is to help families transition from welfare to work and to keep employed families from becoming welfare dependent.

☆ This research was supported by a grant (No. 90YE0083) from the Child Care Bureau, Administration on Children, Youth, and Families, U.S. Department of Health and Human Services (DHHS). The contents are solely the responsibility of the author and do not represent the official views of the funding agency, nor does publication in any way constitute an endorsement by the funding agency. I would like to thank the following individuals for their advice and/or technical assistance: Bill Galston, Mark Lopez, Jonah Gelbach, Burt Barnow, Randi Hjalmarsson, Peter Reuter, Sandra Hofferth, and two anonymous reviewers.

*E-mail address:* [Chris.Herbst@asu.edu](mailto:Chris.Herbst@asu.edu).

Given the highly devolved nature of the CCDF, considerable research attention has focused on estimating take-up rates for child care subsidies—defined as the fraction of eligible families receiving assistance—and exploring correlates of subsidy receipt.<sup>1</sup> Findings from these studies suggest that, although a large fraction of low-income families are eligible for child care subsidies, states serve between 15% and 30% of the eligible population. Furthermore, receipt of child care assistance is associated with a combination of familial preferences and need for non-parental care, employment and welfare participation status, and characteristics of states' subsidy regimes.

Studies in this literature generally suffer from two related limitations, both of which are addressed in this paper. First, previous research focuses only on the characteristics of families receiving child care subsidies, neglecting systematic treatment of those that do not. Although this appears to be a minor point, an explicit analysis of non-recipient families may provide clues as to whether family-level preferences differ from their recipient counterparts in ways that make child care subsidies undesirable. Furthermore, such a focus may clarify the role of states' policies in determining which families receive and do not receive assistance. For example, if recipients and non-recipients are observed to have similar demographic and human capital characteristics, then states may not be rationing as aggressively as some researchers argue. However, if the opposite is the case—that is, both families appear different—it could reflect a systematic practice by states to selectively choose some families to receive child care assistance.

The second limitation is less subtle. Previous studies compare the characteristics of recipient families against a heterogeneous population of non-recipient families, many of which are ineligible for subsidies and are at little or no risk of ever receiving these benefits.<sup>2</sup> Such comparisons are not only conceptually unsatisfying, but they are likely to produce misleading estimates of the effects of family characteristics on subsidy receipt. An alternative approach is to examine the distribution of characteristics across recipients and non-recipients within the population of *eligible* families. Eligible non-recipients are equivalent in their level of need, and thus provide the ideal “comparison group” to evaluate the importance of family-level determinants of subsidy receipt.

The purpose of this paper is to provide a descriptive portrait of eligible non-recipients of child care subsidies. It begins by simulating state-specific eligibility rules for a sample of households with children under age 13. Eligibility is based on state policies in 2001 and focuses on rules defining “acceptable” work activities and income eligibility. It then presents simple descriptive statistics comparing demographic, economic, and child care characteristics of eligible recipient and non-recipient families, followed by a formal multivariate analysis of these groups. The analyses use data from the 2002 National Survey of America's Families (NSAF) collected by the Urban Institute. This dataset is ideal for the goals of this paper, since it oversamples low-income households and collects detailed information on subsidy receipt and child care arrangements.

The remainder of the paper is organized as follows. Section 2 provides an overview of current child care subsidy policy and summarizes previous research evaluating the correlates of receipt. Section 3 describes the NSAF dataset and discusses the process by which eligibility is simulated. Section 4 presents the results, and Section 5 concludes.

## 2. Overview of U.S. Child Care Subsidy Policy and related research

The barrier to employment posed by child care costs gained increased prominence in the wake of historic welfare reform passed in 1996. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) eliminated the legal entitlement to cash welfare by imposing a 60-month lifetime time limit on benefit receipt and requiring individuals, even those with young children, to leave welfare for work after 2 years.<sup>3</sup> Due to its strong work mandates, the PRWORA restructured the federal government's role in providing child care assistance. Congress repealed three

<sup>1</sup> The “take-up rate” applied to child care subsidies has been criticized by a number of researchers, and with good reason [See Witte and Queral (2002), for example, who suggest using “service rate” instead]. Such assistance is not a universal entitlement, as is the case with the Earned Income Tax Credit (EITC), and so states cannot guarantee that all eligible families will receive benefits. The potential for excess demand has come into sharp focus recently, as many states now have waiting lists for child care subsidies. Furthermore, the block grant nature of the CCDF implies that states ration benefits according to specific family characteristics, and hence an *offer* must be made to a family before it can decide whether to take-up benefits. Because offer rates are likely to be very low in some states, take-up rates are also likely to be much lower than if benefits were structured as a universal entitlement.

<sup>2</sup> It is common for studies to report that subsidy recipients are more likely to have X characteristic. The implicit “comparison group” commingles eligible non-recipients and ineligible non-recipients. These two groups are very different with respect to demographic and human capital characteristics.

<sup>3</sup> States have the option to exempt from the work requirement time limit families with young children and those unable to locate child care.

Download English Version:

<https://daneshyari.com/en/article/346908>

Download Persian Version:

<https://daneshyari.com/article/346908>

[Daneshyari.com](https://daneshyari.com)