



**Leaving Welfare for Employment:  
The Role of Child Care Subsidies  
for White, Hispanic and African American Families**

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A report prepared for the  
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by the  
Family and Children's Policy Collaborative

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Family and Children's Policy Collaborative (FCPC) is a collaboration between Marsha Weinraub, Developmental Psychologist and Anne Shlay, Urban Sociologist and their research teams at Temple University to provide research on public policy issues related to children and their families. Formed in 1996, FCPC conducts evaluations of statewide, regional, and neighborhood-based programs. Many evaluations have centered on programs designed to improve the quality of child care in low and moderate income communities. Additionally, FCPC has investigated the effects of welfare reform and child care subsidies on low-income families. Findings from the child care research conducted by the FCPC have been presented at local, regional and national conferences. Reports have been published in prestigious academic journals.

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## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

Child care acquired the national spotlight with the passing into federal law of the 1996 Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA). This was a major federal effort at welfare reform to change “welfare as we know it” With PRWORA, it became the law that recipients of Temporary Assistance to Needy Families (TANF) must combine family with employment responsibilities. For TANF families -- mostly single mothers with young children, employment was no longer a choice. For many of these families, some type of alternative child care was required while the mothers were employed.

Critical to the success of PRWORA and TANF are child care subsidies. Child care subsidies were designed to support welfare reform in two major ways. For TANF recipients, child care subsidies help provide welfare parents with the time, space and supplemental funding to acquire the social and human capital for seeking and acquiring employment. Child care subsidies help parents receiving TANF pay for child care while they are engaged in training, education or work programs. These subsidies are critical for helping parents make the transition off welfare. Second, child care subsidies are provided to qualified low income parents immediately after they leave TANF. These subsidies, often administered by another administrative system called Child Care Information Services (CCIS), are designed to support low income parents to continue employment activities that will permit them to avoid returning to welfare in the future.

In June 2004, the William Penn Foundation and the Claniel Foundation awarded two years of funding to our team of researchers at Temple University to examine the success of child care subsidies as a tool for welfare reform by studying welfare leavers’ experiences with child care subsidies. The goal of the project was to provide policy relevant information that could be quickly incorporated into the Pennsylvania policy domain.

Our research focused on the utilization of child care subsidies by former welfare recipients at the precise moment when they were supposed to be making the transition from welfare to work. The concept of transition was central to this research. Welfare leavers transition off welfare. Simultaneously they transition from one type of child care subsidy system to another. This research examined both types of transitions, the transition off welfare, hopefully, to employment and the transition off the welfare child care subsidy system to one that supports subsidies for working low income families.

In this report, we describe our findings and recommendations from two major components of this project. The first component examined welfare leavers’ utilization of child care subsidies upon leaving the TANF system, the transition process, barriers to subsidies, and the factors that influence the acquisition and utilization of child care subsidies. This component examined the ability of welfare recipients to acquire those subsidies deemed important to permit continued labor force participation upon leaving the welfare rolls.

The second component of this research examined the impact of child care subsidies on welfare leavers' ability to sustain employment.<sup>1</sup> In addition, it considered stability and change in child care usage, subsidy usage, and employment over a six to eight month period.

We considered differences in subsidy use and employment outcomes as a function of welfare receivers' race and ethnicity. Race and ethnicity are structural factors in U.S. society that play a large role in determining rewards, opportunities and outcomes. Race and ethnicity are dimensions of inequality both between and within different classes. Therefore, we compared subsidy use, barriers to subsidy use and labor force opportunities by race and ethnicity for these recent welfare leavers. Also, because race and ethnicity are cultural factors that may be related to differential attitudes, preferences and behaviors, we examined how these cultural factors could have influenced differences in subsidy receipt in these groups.

In the final section of this report, we present recommendations that can be used by the Commonwealth of Pennsylvania to improve the success of child care subsidies as a tool for welfare reform.

### **STUDY DESIGN, METHODS AND DATA COLLECTION**

This study was a longitudinal examination of welfare leavers, their transition from TANF to the CCIS child care subsidy system, their use of child care subsidies, and the subsequent impact of subsidy use on employment. The design was comparative with the goal of assessing differences in the welfare transition process and subsidy utilization for three groups: White, African American and Hispanic welfare leavers.

Welfare leavers were interviewed on the telephone at Time 1 to examine factors relating to their transition off of TANF. These same welfare leavers were then interviewed again on the telephone at Time 2 six to eight months later to measure employment outcomes. This research links experiences with welfare, the transition off welfare, child care subsidy utilization and employment.

Names and contact information for welfare leavers at Time 1 were obtained from lists of recent welfare leavers provided by the Pennsylvania Department of Public Welfare. Names were selected from three strata: White welfare leavers, African American welfare leavers, and Hispanic welfare leavers. The final sample of 658 welfare leavers included 228 African Americans, 215 White and 215 Hispanic parents. The overall response rate was 66% and similar across the three groups.

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<sup>1</sup> Yet another component examines child care preferences of our sample using the factorial survey technique. The findings from this component can be found in a separate report: *Racial and Ethnic Differences in Child Care Preferences: A Factorial Survey Analysis* (April, 2007). The factorial survey technique is used to determine what factors contribute to people's overall assessments of complex multidimensional phenomena. Computer generated descriptions of different child care settings were generated where the items associated with each child care characteristic are uncorrelated. Respondents rated complete descriptions of child care setting. Multivariate techniques were used to determine what child care items explain the variation in preference structures. This method was used to assess differences in child care preferences by race and ethnicity.

At Time 2, we re-contacted interested families to ask about their employment six to eight months after our initial interview. In this second phase of the research, there were 237 participants: 100 African Americans, 76 White and 61 Hispanic parents. We observed no differences between the families who returned to participate in the Time 2 study and those who did not.

We refer to the part of the study at Time 1 as the “Child Care Subsidy Utilization Study.” We refer to the part of the study at Time 2 as the “Employment Outcomes Study.” In the next two sections of this report, we describe the questions and findings separately for these two related studies.

### **TIME 1: THE CHILD CARE SUBSIDY UTILIZATION STUDY**

The purpose of the Child Care Subsidy Utilization Study was to determine why recent welfare leavers were not taking child care subsidies for which they were eligible. Specific issues addressed included parents’ beliefs and attitudes about subsidy usage, their perceptions as to whether they needed child care subsidies and the procedural difficulties they encountered when applying for and maintaining them.

#### **STUDY QUESTIONS**

Our analysis of welfare leavers and child care subsidy use addressed several sets of questions. The first set addresses child care subsidy eligibility. Were most welfare leavers eligible for child care subsidies upon leaving the TANF system? Did those welfare leavers that were eligible for subsidies use them? How many families used subsidized care compared to non-subsidized care? How many families did not use any form of child care, subsidized or non-subsidized? How does child care and subsidy use vary by the race and ethnic identify of welfare leavers?

The second set of questions addressed these same issues among only those welfare leavers who were *eligible* for subsidies. How are subsidy eligible child care subsidy users different from subsidy eligible families who do not use subsidies? These groups were compared on family and demographic characteristics; use of different forms of public assistance; education, employment and job training experiences; problems obtaining employment; sources of income, income levels and child care support; respondent and child health; housing and transportation; child care use while on TANF; current child care use; prior experiences with the TANF welfare system; and attitudes towards welfare, child care, and child care subsidies. This set of analyses focused on whether barriers to subsidy use are related to characteristics of families, their experiences and familiarity with public assistance programs; their economic and employment situations; health problems; prior experiences with subsidized child care, and attitudes towards public assistance and child care more generally.

The third set of questions addressed the transition process for welfare leavers who were eligible for subsidy from the TANF to the CCIS system to examine the different experiences of welfare leavers. We specifically examined the differences in these experiences by child care and subsidy use as well as by race and ethnicity. What are the differences in the transfer process for people who obtained child care subsidies and for

people who did not? How did people find out about the CCIS system? Did they know they were eligible for child care subsidies and if not, why not? Did the CCIS application process produce problems for applicants? Focusing on differences in subsidy use and by race and ethnicity, this set of analyses addressed whether barriers to subsidy use exist in the transfer process from TANF to CCIS.

## **THE CHILD CARE SUBSIDY UTILIZATION STUDY: FINDINGS AND DISCUSSION**

### **The Distribution of Child Care and Subsidy Use**

Although child care subsidies are considered to be an important tool for supporting welfare reform, most welfare leavers were not eligible to receive these subsidies because they were not employed at the time they left the TANF system. Subsidy ineligibility was linked to child care use. Welfare leavers not eligible to receive subsidy did not use any form of regular child care. In addition, many subsidy eligible welfare leavers neither obtained nor used child care subsidies or regular child care.

- The majority of welfare leavers in our sample (52%, n = 342) were not subsidy eligible because they were not employed at the time they left the TANF system. A major reason why many welfare leavers did not use child care subsidies is because they were not eligible to receive them.
- The majority of subsidy ineligible welfare leavers were not using regular child care. Of those who were *ineligible* for child care subsidies, more than three quarters (76%) did not use any form of child care at the time of the survey.
- Being eligible for subsidies did not mean that welfare leavers actually received them; almost half of those eligible for subsidies did not receive a subsidy.
- Like subsidy ineligible welfare leavers, the majority of subsidy eligible welfare leavers who did not use a child care subsidy also did not use child care. In all, most subsidy eligible welfare leavers who did not obtain a subsidy did not use child care.
- Child care subsidy eligibility varied somewhat by race and ethnicity. African American welfare leavers were more likely to be eligible for subsidies (55%) compared to either White (43%) or Hispanic (45%) welfare leavers.
- Among those eligible for subsidy, African American welfare leavers were more likely to use child care subsidies (78%) compared to eligible White (50%) and Hispanic (45%) welfare leavers. White (50%) and Hispanic welfare leavers (50%) were more similar to each other in their rate of not using subsidies than they were to African American welfare leavers.
- Hispanic welfare leavers were more heavily represented among non-subsidy users (41%) than either White (15%) or African American (23%) welfare leavers.

- African American welfare leavers were the most heavily represented group among subsidy users. African American welfare leavers (54%) were more likely to use child care subsidies than White welfare leavers (26%) or Hispanic welfare leavers (23%).

### **Differences among Subsidy Eligible Subsidy Users and Non-Users**

- Subsidy users were more likely to be never-married (85%) than non-users (77%). Non subsidy users were more likely to live with their spouses or partners (93% and 17% respectively) than subsidy users (67% and 7% respectively).
- Prior family welfare use was not related to child care subsidy use. Proportionately equal numbers of subsidy users and non-users came from families who had previously received welfare.
- Education was not a big divider between child care subsidy users and non-users. Subsidy users and non-users' educational levels were comparable.
- Subsidy use and employment were clearly related. Fully 93% of subsidy users were employed compared to 66% of non-subsidy users. This is not unexpected, since employment is a precondition for subsidy use.
- Hours of employment did not appear to be a barrier to subsidy use as much as the sheer attainment of employment itself. The number of hours worked per week, on average was over 30 hours. At the time of this survey, the work requirement to maintain a child care subsidy was 25 hours per week.
- Subsidy users were more likely to work the same work days and times per week than non-users.
- Non-subsidy users were more likely to work irregular hours compared to subsidy users, indicating that working irregular hours may be a barrier to subsidy use.
- More non-subsidy users received economic support and income from relatives or friends (27%) than subsidy users (14%).
- Child care subsidy users were more likely to receive food stamps (83%) and child support (36%) than eligible non-subsidy users (73% and 23% for food stamps and child support respectively). The difference in child support receipt may reflect the former subsidy eligibility requirement that families receiving child care subsidies must have a court child support order.
- Subsidy users had considerably higher incomes than non-users. On average, subsidy users earned more money (mean = \$1,076 per month) than non-subsidy users (mean = \$667 per month). Accounting for all income sources, subsidy users made, on average, \$450 more per month than non-subsidy users.

- Both subsidy users and non-users were poor; most lived below the 2006 federal poverty line.
- Non-subsidy users (20%) were more likely to report being treated for mental health problems than subsidy users (9%).
- Subsidy users and non-users reported similar experiences while receiving TANF. Most people in both groups felt that they were treated with dignity and respect and that their TANF caseworkers answered questions clearly. Overall, how respondents felt they were treated while on welfare did not appear to be related to child care subsidy use later on.
- Subsidy users (66%) used child care more while on TANF than non-subsidy users (50%).
- Child care subsidy users were much more likely to have received child care assistance while on TANF (80%) compared to non-subsidy users (34%).
- While on TANF, subsidy users were more likely to use registered or licensed care while on TANF (57%) non-subsidy users (39%).
- While on TANF, more subsidy users used center care (48%) and less relative care (41%) than non-subsidy users (24% and 61% for center and relative care respectively).
- After leaving TANF, subsidy users were more likely to use center care (56%) than non-subsidy users (20%). They were also more likely to use registered or licensed care (68%) than non-subsidy users (8%). Subsidy use was clearly related to using both center as well as licensed care.
- Subsidy users and non-subsidy users expressed similar attitudes about welfare and child care subsidies.
- Non-subsidy users expressed attitudes about child care consistent with not sending children to more institutional child care settings than subsidy users. Non-subsidy users tended to believe more than subsidy users that children are best cared for in a home setting, that children are best cared for by a relative, and that a good child care provider should act more like a parent than a teacher. Subsidy users believed more than non-subsidy users that children do best in a child care center and that religion is a part of the child care experience

### **Differences among African American, White and Hispanic Subsidy Eligible Welfare Leavers**

Do differences between subsidy users and non-users vary by race and ethnicity? That is, are there differences between African American, Hispanic and White subsidy

eligible welfare leavers that correspond with the differences between subsidy users and non-users more generally?

The answer to this question is largely no. Differences in particular characteristics were largely differences between African Americans and the rest of the sample. When African American subsidy eligible welfare leavers exhibited differences from the other racial and ethnic groups, Hispanic and White subsidy eligible welfare leavers tended to be more similar to each other.

- African Americans were more likely to have never been married (90%) compared to White (81%) or Hispanic (71%) subsidy eligible respondents.
- African American (64%) and Hispanic (63%) subsidy eligible respondents were more likely to have been in families as children that received welfare compared to White respondents (31%).
- African American respondents had higher levels of education than either White or Hispanic respondents. African Americans had higher rates of high school graduation and GED acquisition (63%, 50% and 50% for African American, White and Hispanic respondents respectively) and lower rates of not finishing high school (17%, 31% and 34% for African American, White and Hispanic respondents respectively).
- African American respondents were more likely to have received a housing subsidy (33%) than either White (7%) or Hispanic (6%) respondents.
- African Americans had lower reported rates of mental illness (7%) than either White (21%) or Hispanic (11%) respondents.
- African Americans' child care use and subsidy use while on TANF differed from those of White and Hispanic respondents. African American respondents were more likely to have used child care while receiving TANF (71%, 52% and 53% for African American, White and Hispanic respondents respectively). They were also more likely to receive child care subsidies while on TANF (54%, 39% and 40% for African American, White and Hispanic respondents respectively).
- African Americans, after leaving TANF, were more likely to use center care (46%, 35% and 24% for African American, White and Hispanic respondents respectively) and to use registered or licensed care more generally (56%, 39% and 31% for African American, White and Hispanic respondents respectively).
- Attitudes toward either welfare, child care subsidies or child care more generally did not vary by race or ethnicity.

### **The Transition from TANF to the CCIS System**

A combination of factors was related to whether or not families transitioned to using CCIS child care subsidies after TANF. Factors related to transition to CCIS included

reports of caseworker communications about child care subsidies to the welfare leavers, welfare leavers' knowledge of the rules governing subsidy eligibility, perceptions of hassles and obstacles to obtaining subsidies, experiences with aspects of the subsidy delivery process, and the belief that help paying for care was not needed.

- Getting information from case managers appeared to be a small reason why some welfare leavers connected to the CCIS system while others did not.
- The majority of subsidy eligible non-users who thought they were ineligible for subsidy reported that they would apply for a subsidy if they knew they were eligible. This suggests that communications about subsidy eligibility is a crucial way to link welfare leavers to subsidy. If people knew they were eligible, they would be more likely to try to access the subsidy system.
- Some non-users knew they were subsidy eligible but reported that they would not apply for one. The most common reasons for not applying included hearing that there was a wait list for subsidy (26%), not being able to take time to go to the CCIS office (28%) or inconvenient office hours (19%). Some welfare leavers reported that they no longer wanted any form of government assistance (13%).
- A significant number said that they would not use a subsidy because they thought it would force them to use either center care (24%) or registered family day care (18%). Apparently, they believed that subsidy use would preclude them using their preferred type of care. This, however, is not the case in Pennsylvania.
- Few subsidy eligible non-subsidy users reported that the subsidy application process per se, other than going to the office, would deter them from applying for subsidy.
- Essentially, there were two types of barriers to subsidy. One was the friction of space (getting from here to there) which reduced the probability of applying for a subsidy. Second, misinformation operated as a barrier when people believed erroneously that the subsidy system will limit their preferred type of care.
- Eligible non-subsidy users reported more problems with the application process than subsidy users. Overall, reported problems were largely rooted in the CCIS subsidy application requirements (e.g., paperwork) or with money (coming up with co-payments, wait for CCIS payments).
- Hispanic non-subsidy users were more likely than either African or White non-subsidy users to report that they were not using subsidies because they thought did not believe they were eligible, would only need care for a short amount of time, the co-payments were too high, or they had had a bad experience with public assistance.
- African American non-subsidy users were more likely than either Hispanic or White non-subsidy users to report that they didn't apply for subsidy because they heard there was a wait list for subsidy.

- Compared to Hispanic or African American non-subsidy users, White non-subsidy users were more likely to report that they would not use a subsidy because they would not want to use a child care center.

### **Predicting Child Care Subsidy Use**

Many factors -- such as welfare experiences, social and demographic characteristics, child care use, public assistance receipt, and race and ethnicity were linked to subsidy use. To understand the unique effects of each of these characteristics on child care subsidy use, we employed a multivariate approach. This approach allowed us to statistically control for correlated factors while isolating the effect of specific factors on selected outcomes.

The findings point to several features that connect welfare experiences, economic supports, and welfare policies as well as race and ethnicity.

- Race and ethnicity are key features that explain subsidy use. Race was the most important predictor of child care subsidy use. All else equal, African American welfare leavers, compared to White or Hispanic welfare leavers, were more likely to receive a child care subsidy. This effect suggests that there is an interplay of cultural factors tied to race and ethnicity that influence the use of child care subsidies.
- Receiving economic support from family and friends had a negative effect on receiving a subsidy. All else equal, subsidy eligible welfare leavers were less likely to receive a child care subsidy if they received income from relatives or friends. Perhaps these welfare leavers who received economic help from family or friends preferred to rely on private forms of support rather than public forms such as child care subsidies. Alternatively, perhaps those parents who were not getting subsidies were forced to rely on private forms of support.
- Mental health had a significant and negative influence on child care subsidy receipt. All else equal, subsidy eligible welfare leavers were less likely to receive a child care subsidy if they reported being treated for mental health problems in the last six months. This finding suggests that although these mothers were healthy enough to find and maintain employment, managing subsidized care may have been too overwhelming for these already stressed parents.
- Working the same day each week increased the probability of receiving a child care subsidy. All else equal, subsidy eligible welfare leavers were more likely to receive a child care subsidy if they worked the same days each week. That working the same days each week predicted child care subsidy use may reflect the fact that parents with predictable, regular employment are most likely to rely on subsidized child care. The direction of effects here is open to question. Does regular employment encourage mothers to seek subsidized care? Or, do the parameters of subsidized care encourage mothers to seek jobs with regular weekly hours? It is likely, however, that mothers with regular work hours were more

likely to use center care, and this is the care used most commonly by families on child care subsidies.

- Welfare leavers were somewhat more likely to use a child care subsidy if they were receiving food stamps. Welfare leavers were also somewhat more likely to use a child care subsidy if they received a child care subsidy while on TANF.

## **TIME 2: THE EMPLOYMENT OUTCOMES STUDY**

The purpose of the Employment Outcome Study (EOS) was to examine stability and change in child care and subsidy use and to measure the effects of child care subsidy usage on welfare leavers' employment several months after leaving TANF. In particular, we wanted to know whether parents who were using child care subsidies were more likely than other parents to be employed and to have more employment success eight to ten months after leaving TANF.

### **STUDY QUESTIONS**

This component addressed several questions concerning the stability and change in child care and subsidy use over time. First, was child care usage stable over the six to eight months of our study? Second, to what extent did families who used child care subsidies continue to use child care subsidies at Time 2? And third, to what extent was employment stable over time? This information about stability over time can inform policy on continuity of subsidy use and the nature of change in low income families.

Our main question in this study concerned the effects of child care subsidy usage over time on parent employment. In particular, were families using child care subsidies at Time 1 more likely to be employed and have more employment success at Time 2 than other families who did not use child care subsidies at Time 1?

## **THE EMPLOYMENT OUTCOMES STUDY: FINDINGS AND DISCUSSION**

### **Child Care Usage**

Our longitudinal findings concerning child care usage and subsidized child care usage over time showed both continuity and change.

- Of those receiving subsidies at Time 1, 59% of those families receiving subsidies continued to receive subsidies at Time 2; 69% of those using no child care at Time 1 were again using no child care at Time 2.
- Receiving a subsidy at Time 1 to support child care made it more likely that families would continue to use child care; families who were using subsidized care at Time 1 were somewhat more likely than families with nonsubsidized care to have continued child care usage (71% vs. 68%).
- While there is some predictability over time for all families, there is also a lot of instability from one time to the next in child care usage and child care subsidy

usage, even for families who are subsidy eligible. Only 53% of subsidy eligible families who used subsidies at Time 1 were still using subsidies at Time 2. Thirty percent of those receiving subsidies at Time 1 were no longer using child care at Time 2.

### **Employment**

We found both continuity and change in employment over time.

- Seventy one percent of those working for pay at Time 1 continued to work for pay at Time 2, and 73% of those who were not working for pay at Time 1 continued to be not working for pay at Time 2.
- The overall employment rate for the sample stayed the same. But this overall measure disguises the fact that there were substantial employment changes. Slightly more than one quarter either lost their jobs or obtained jobs.

### **Subsidized Child Care Usage and Employment Outcomes**

These longitudinal data suggest that child care subsidies may contribute both to continuing use of child care and greater employment over time, even under the most conservative of tests -- among those families who are initially eligible for subsidized care.

- Welfare leavers who used subsidized child care at Time 1 were significantly more likely to be employed at Time 2 than welfare leavers who were not using subsidized child care. Of those families eligible for subsidies, 69% of families using child care subsidies were employed six to eight months later; only 56% of those eligible for subsidies who were using non-subsidized child care were employed.
- Having a child care subsidy at Time 1 increased the odds of being employed at Time 2 by 148%.
- Perhaps because of the small number of subjects and the intercorrelations between subsidy use and races, we were unable to demonstrate any interaction between subsidy usage and race.

## **OVERALL DISCUSSION AND POLICY IMPLICATIONS**

The findings point to both positive and negative features associated with the process of providing child care subsidies when leaving TANF and its potential role in supporting employment.

Clearly the overwhelming number of welfare leavers who neither utilized child care subsidies nor used child care at all points to a critical fault line in the transition from welfare to the non-welfare based child care subsidy system. The vast majority of our sample did not transfer into the CCIS subsidy system because they were not eligible for

subsidy and most of these families used no regular form of child care. Welfare leavers ineligible for subsidy neither used care nor were employed. If child care is indeed a crucial ingredient to successfully leaving welfare for work, the findings of this study do not bode well for the welfare reform to work. This study points to the failure of many welfare leavers to acquire subsidies that are intended to assist them in the acquisition and maintenance of employment.

On the positive side, this study points to the success of child care subsidies as a tool for welfare reform. Although most welfare leavers did not receive a child care subsidy, those who did receive child care subsidies were more likely to be employed and to earn more money than their non-subsidy-using counterparts. That is, when acquired, child care subsidies appear to do what they are supposed to do – permit parents to seek, acquire and maintain employment while their children are in stable and affordable child care. We observed this to be true both at a single period of time and across two time periods. Families using child care subsidies at Time 1 were more likely to be employed at Time 2 than those not using subsidized care. Using child care subsidies at one point in time predicted a 148% increase in the odds of being employed six to eight months later.

What are the barriers to child care subsidy use when leaving welfare? More importantly, what are the policy implications of our findings? We point to the importance of 1) subsidy eligibility 2) misinformation and information, 3) prior welfare experiences, and 4) race and ethnicity.

### **Subsidy Eligibility**

Child care subsidy eligibility is tied to employment. But most welfare leavers were not employed at the time they left the welfare rolls and were not using any regular form of child care. At the surface, it appears logical to connect the award of child care subsidies to people who have already succeeded in obtaining employment. But if so many welfare leavers do not obtain employment upon leaving the welfare system and at the same time, do not have support for child care, how can they succeed? It is precisely when they are leaving the welfare system that families are most vulnerable. If families do not successfully transition to the child care system upon leaving the welfare system, it would seem to be less likely that they will gain access to subsidies later if and when they obtain employment.

### **Misinformation about Subsidy Procedures**

Misinformation concerning subsidy procedures and regulations also exists. People reported that they did not use subsidies because they were confused about application procedures, they believed there were waiting lists for obtaining a subsidy, they feared high co-payments, and they were reluctant to use center care. But it is not clear that these particular welfare leavers were subject to either waiting lists or unaffordable co-payments. It is also not clear that they had a realistic understanding of the subsidy application process. In fact, child care subsidy regulations do not require that families use child care center care, and recent TANF leavers are not subject to waiting lists. TANF leavers need to know this information too.

Misinformation acts as a critical barrier to subsidy application and subsidy usage; people who have misinformation may be less likely to consider child care subsidies as an option, and they may make other plans in their stead. Many people who reported not needing child care subsidies may not have needed them because, not including child care subsidies in their planning, they made other, possibly less desirable child care arrangements. Had they known they were eligible for child care subsidies, or that there was no waiting list for people in their situation, or that child care centers were not the only form of child care that could be subsidized, they might not have made other arrangements.

### **Child Care Subsidy Use While on TANF**

People's experiences while on TANF affected their subsequent use of child care subsidies upon leaving the welfare system. The most important experiences affecting subsidy and child care use were the use of child care subsidies while on TANF.

Welfare leavers were more likely to use child care subsidies if they received subsidized child care while on TANF. Why would use of subsidized care while on TANF positively predispose welfare leavers into using a child care subsidy upon leaving the TANF system? There are several likely reasons.

First, caseworkers in the TANF system were more likely to be informed about children in the family in need of care if the families were already using subsidized child care. Receiving subsidized care while on TANF ensured that children were in the system.

Second, families using subsidized care while on TANF may have been better informed about the availability of subsidies post TANF. Families receiving a child care subsidy while on TANF may have been more likely to inquire about subsidies when they were leaving TANF.

Third, families using subsidized care while on TANF may have had a more streamlined transfer process into the CCIS subsidy system. They may have been more likely to be automatically transferred, making the movement into the non-TANF child care system more seamless. And fourth, families using subsidized care while on TANF may have had positive experiences with child care that would lead them to continue to use child care (subsidized or not) after leaving TANF.

Having subsidized child care while on TANF was an important predictor of both subsequent subsidized and non-subsidized child care use. This suggests that getting people acclimated to the use of child care and child care subsidies could be made part of the TANF process to enable more child care and subsidy use upon leaving the TANF system.

## **Race and Ethnicity**

Race and ethnicity were part of the explanation for using child care of any type and for using subsidized child care in particular. But the role of race and ethnicity is complex.

Cultural differences in views about child care may have affected subsidy use. Because our analyses showed that race had an independent effect on subsidy use over and above the welfare experiences, other factors may place a crucial role in the differential use of child care subsidies. Upon leaving the welfare system, African American subsidy eligible respondents used child care subsidies at higher rates than either Hispanic or White subsidy eligible. Some of the characteristics associated with subsidy use such as using a child care subsidy while on TANF or use of registered or licensed care were also positively associated with being African American and negative associated with being either White or Hispanic. But many of the differences among subsidy users and non-users did not correspond with race or ethnicity. African American's higher propensity to use subsidies is not explained by non-racial and ethnic differences between the three groups.

## **Subsidies and Employment**

Welfare leavers did not continually use subsidies over time. From Time 1 to Time 2, many people went on or off of child care subsidy use, and many people either gained or lost employment. This fluctuation may have critical effects on family welfare and child outcome. Researchers need to examine not only the effects of single time usage of subsidies, but also the effects of cumulative subsidy use and patterns of subsidy use over time on family welfare and child development.

Our finding that subsidy use at Time 1 increased the likelihood of parental employment by 148% suggests that child care subsidies are a key support mechanism for welfare reform and demonstrates the critical importance of subsidy usage in supporting employment. At the same time, we found no effect of using child care subsidies at Time 1 on the amount of earned income. Thus, although child care subsidies were effective in promoting employment, we did not find that that subsidies increased attendance on the job, quality of life, quality of financial status or actual income. The link between child care subsidies, employment and family economic outcomes requires further exploration.

**Leaving Welfare for Employment:  
The Role of Child Care Subsidies  
for White, Hispanic and African American Families**

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# **Leaving Welfare for Employment: The Role of Child Care Subsidies for White, Hispanic and African American Families**

## **CHAPTER 1**

### **INTRODUCTION**

With the re-emergence of feminism and the woman's movement of the 1960's, child care became part of the public sphere and began to be recognized as a dimension of the national economy. Nevertheless, child care remained largely a private problem to be solved individually by each family. To be sure, public policy created children care regulations for minimum standards of care, some credentialing and training in the field of child care, and tax benefits for child care expenditures. But child care did not attract the serious attention of public policy makers at the national level until the passing into federal law of the 1996 Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA). This legislation was a major federal effort at welfare reform to change "welfare as we know it" (Department of Health and Human Service Fact Sheet, n.d.). With PRWORA, it became law that low income welfare recipients (largely single mother families with children) had to combine family with employment responsibilities.

As employment for middle class women with children was becoming more of a choice, employment for low income women suddenly became a requirement. And with that requirement, the national government had to consider how the children of poor women would be cared for while their low-income mothers were at work. As a result, federal appropriations for child care were provided under another block grant also authorized as part of PRWORA. The Child Care and Development Fund (CCDF) was intended to support welfare reform by providing child care support to welfare families

helping them transition off of welfare to employment, and to low income working families (Child Care Bureau, 2005) helping them to maintain economic self-sufficiency.

The crucial element of PRWORA was that it ended welfare as an entitlement program. By setting limits on the amount of time a recipient could receive aid, the focus became **transitioning** families from welfare to work. Previously called to Aid Families with Dependent Children (AFDC), welfare was renamed Temporary Assistance to Needy Families (TANF). Essential elements of PRWORA include a work requirement after two years of receiving cash assistance and a five year life-time limit for receiving all cash assistance. TANF became a block grant program totaling over \$28 billion for states to operate their own programs (Center on Budget and Policy Priorities, 2005). Besides cash assistance, TANF provides funds for a range of services including education and job training, transportation, and child care.

Welfare reform has brought billions of additional federal dollars to support the child care needs of low income families. In 2004, 18% of all federal TANF funds were spent on child care representing \$5.13 billion (Center for Budget and Policy Priorities, 2005). The 2005 reauthorization of TANF for five more years increased appropriations for child care by \$1 billion (White House News Release, 2006). The Child Care and Development Fund authorized \$4.8 billion in child care expenditures in 2005 (Child Care Bureau, 2005). Hotly debated is whether these appropriations are sufficient to meet the actual child care needs of low income families (Center on Budget and Policy Priorities, 2005). Whether adequate support or not, the child care element in welfare reform has given child care more financial support, public visibility and political leverage than ever before.<sup>2</sup>

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<sup>2</sup> To be sure, it would be false to categorize TANF as solely a low income employment program with child care supports. TANF is part of a more conservative agenda that finds fault with the family structure of low income families. According to a 2005 report from the Child Care Bureau, a key element is the promotion of marriage and the preservation of two parent families (Child Care Bureau, 2005).

Through a combination of CCDF and TANF, child care is supported in several ways. The most significant way is through subsidies that increase the affordability of child care for low incomes both on and off welfare. In addition, states receiving these funds are required to direct a minimum of 4% of these funds toward the improvement of child care quality and the development of comprehensive planning mechanisms.

Child care subsidies are designed to support welfare reform in two major ways. First, child care subsidies are meant to facilitate the provision of child care while parents are in training, education or work programs that will help them to make the transition off of welfare. These child care subsidies are provided to families while they are receiving TANF. Second, child care subsidies are intended to help families immediately after they stop receiving TANF so they are more able to continue employment activities that will permit them not to return to welfare. These child care subsidies are provided to welfare leavers. The 4% set aside for improvement of quality care for children, a third aspect of the legislation, has received only minimal attention.

In sum, child care support is a critical feature of welfare reform, intended to operate on two levels. For TANF recipients, child care subsidies are supposed to provide parents with the time and space to acquire the social and human capital for seeking and acquiring employment. For TANF leavers, child care subsidies are supposed to provide parents with affordable care as they make a deeper commitment to the labor market.

## **PROJECT GOALS**

In June 2004, the William Penn Foundation and the Claniel Foundation awarded two years of funding to the Family and Children's Policy Collaborative at Temple University to examine the success of child care subsidies as a tool for welfare reform by

studying welfare leavers' experiences with child care subsidies. The goal of the project was to provide policy relevant information that could be quickly incorporated into the Pennsylvania policy domain. With the desire to produce research that would be immediately applied to supporting welfare reform efforts in Pennsylvania and to support the child care needs of low income families, we designed this research in collaboration with several key child care players.

The first partner is the Pennsylvania Department of Public Welfare (DPW). As will be explained below, DPW provided necessary lists of welfare leavers for our sample and was a critical element of our project. Our collaboration was designed to ensure that this research would be immediately relevant and available to the agency responsible for implementing Pennsylvania's welfare reform initiatives.<sup>3</sup>

The second partner is a specially created study advisory board of leading non-profit and public child care advocates and policy makers. With representation from the racial and ethnic groups whom we studied in our sample of welfare leavers, it contains leading DPW administrators; child care providers; early education specialists; lawyers with hands on experience with welfare leavers, knowledge of TANF and child care policy; and Philadelphia and Pennsylvania advocates for children and low income families.<sup>4</sup>

To obtain information for this project, we initiated three inter-related empirical studies. In the first study, we examined welfare leavers' utilization of child care subsidies upon leaving the TANF system, the transition process, barriers to subsidies, and the factors that influence the acquisition and utilization of child care subsidies. This

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<sup>3</sup> Appendix A contains the letter of agreement between Temple University and the Pennsylvania Department of Public Welfare outlining our partnership.

<sup>4</sup> Identities of the Study Advisory Board are presented in Appendix B.

component enabled us to examine the ability of welfare recipients to acquire those subsidies deemed important to permit continued labor force participation upon leaving the welfare rolls. In the second study, we interviewed the participants six to eight months later, at Time 2, to examine their acquisition and maintenance of employment after leaving TANF. This study enabled us to evaluate the impact of child care subsidies on welfare leavers' ability to sustain employment. In a third study, we examined the specific child care preferences of our sample of recent welfare leavers. We used the factorial survey technique to assess differences in child care preferences by race and ethnicity and to determine if child care subsidies provided people access to child care more congruent with their preferences. The findings of the first two studies are reported in detail in this report. The findings from the third component are presented in a separate report (Shlay, Weinraub and Harmon, 2007).

In all three studies, we considered differences in subsidy use and employment outcomes as a function of welfare receivers' race and ethnicity. Race and ethnicity are structural factors in U.S. society that play a large role in determining rewards, opportunities and outcomes. Race and ethnicity are dimensions of inequality both between and within different classes. Therefore, we compared subsidy use, barriers to subsidy use and labor force opportunities by race and ethnicity for these recent welfare leavers. Also, because race and ethnicity are cultural factors that may be related to differential attitudes, preferences and behaviors, we examined how these cultural factors might have influenced any differences in subsidy receipt in these groups.

The information from these studies is presented to the Pennsylvania Department of Public Welfare, the William Penn and Claneil Foundations and to the Advisory Board prior with the goal of improving public policy concerning child care subsidies. After

consideration of these groups, public meetings may be held to disseminate these findings and discuss their implications for policy.

## **OVERVIEW OF THIS REPORT**

This report has several chapters. In Chapter 2 we focus on child care subsidy utilization, the transition from one subsidy system to another, differences among subsidy users and non-users by race and ethnicity, and the predictors of subsidy use. First we present what is known from previous research that has addressed subsidy utilization and describe the child care subsidy context in Pennsylvania. Then we present the first of the two empirical studies that are part of this report, describing the methods and findings of that study.

In Chapter 3, we focus on the effects of child care subsidy use on employment outcomes. First we present what is known from the research that has addressed childcare subsidies and employment, and then we present the methods and findings from the second of the two empirical studies included in this report.

Finally, in Chapter 4, we discuss the implications of our findings for public policy concerning child care subsidies.

## CHAPTER 2

### **CHILD CARE SUBSIDY UTILIZATION**

In this chapter, we focus on child care subsidy utilization and the transition from one subsidy system to another. First, we present what is known from previous research that has addressed subsidy utilization and the transition between subsidy systems, and we describe the child care subsidy context in Pennsylvania. Then we present the first of the two empirical studies that are part of this report, describing the methods and findings of that study, the Subsidy Utilization Study

#### **THE LITERATURE ON SUBSIDY UTILIZATION**

With the recognition that child care subsidy use is very low relative to need and eligibility, recent research has focused on several aspects of the child care subsidy problem. These include administrative and other barriers to subsidies as well as factors that predict subsidy use and factors that impede the transition of welfare leavers to the child care system.

#### **Subsidy Utilization, Predictors of, and Barriers to Subsidy Use**<sup>5</sup>

Subsidy utilization rates, referred to by many as “take-up” rates, vary considerably by state and locality, method used, and time period (Collins, Layzer, Kreader, Werner and Glantz, 2000). Early studies showed that for welfare leavers, subsidy utilization across selected areas ranged from 3% to 28% (Schumacher and Greenberg, 1999).

Analysis of the 1999 National Survey of America’s Families showed that approximately 21% of low income families overall received some kind of help for child care assistance from the government or other organization. The researchers describe this

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<sup>5</sup> The discussion of predictors of child care subsidy use depends heavily on a literature review of the major studies that have examined these predictors (see Schaefer, Kreader and Collins, 2005).

figure as a minimum estimate because of underreporting (Giannarelli, Adelman and Schmidt, 2003). Using data from the 2002 National Survey of America's Families and simulating child care subsidy eligibility, another study reports that only 14% were subsidy recipients, although nationally, 28% of households were subsidy eligible (Herbst, 2006). For single female headed households, 52% were found to be subsidy eligible; only 22.5% were subsidy recipients (Herbst, 2006). In a telephone survey of subsidy eligible families in low-income Philadelphia neighborhoods, our research team found that 33% of subsidy eligible respondents received a child care subsidy (Shlay, Weinraub, Harmon & Tran, 2004). Combining administrative records with survey data, another group of investigators reported take-up rates of 40%-50% in Rhode Island and Illinois (single parent families only) (Witte and Queralt, 2002).

What is the source of the wide variability of findings about child care subsidy utilization rates? At one level, argue Witte and Queralt (2002), the variation is real, reflecting differences in places, policies, and methods. They state,

The simple answer is that there is no single take-up rate. The take-up rate varies widely across methodologies and samples. It also varies across time, as the number of eligible families changes due to changes in social welfare programs (e.g., welfare reform) and in the economy (Witte and Queralt, 2002:21).

At another level, the variation in subsidy utilization reflects the existence of barriers to subsidies that vary by state as well as by local area. These include subsidy administration and regulations including reimbursement rates and co-payment levels, perceived hassles and transaction costs associated with acquiring and maintaining subsidy use, knowledge about subsidy availability, attitudes towards government assistance and welfare, past experiences with welfare, and the availability of other private assistance including free or discounted care. Predictors of subsidy use also include factors such as

maternal education, age of children, race and ethnicity, family composition, and type of care used (e.g., center care, family day care, and relative care).

Child care subsidies are not entitlement programs. Although some states are willing to serve all eligible families, typically funds are capped, limiting subsidy availability (Adams, Weinraub and Shlay, 2006)<sup>6</sup>. In addition, subsidy eligibility is accompanied by more limitations than other benefit programs, including work requirements and age of child and income requirements. Therefore, *a priori* barriers exist in the delivery of child care subsidies by virtue of how subsidy policy is defined and constructed. This makes the existence of additional barriers even more significant.

Adams, Snyder and Sandford (2002a, 2002b) detail the multiple ways in which parents are required to interact with the subsidy system, and the many ways in which accessing and retaining a child care subsidy can be a very slippery slope. They focus on the “overall experiences of parents interacting with the subsidy system” (Adams, Snyder and Sandford, 2002a: v). Factors prohibiting acquiring and maintaining a subsidy include interactions with caseworkers, office practices and accessibility, multiple agencies to deal with, in person and multiple in person agency visits, amount of paperwork, eligibility recertification procedures including changes in employment services, and agency treatment of welfare leavers. Indeed, the subsidy experiential process can be seen as an amalgam of hassles. In another study, 37% of child care subsidy eligible parents reported that the hassles associated with applying for a subsidy was the main reason they did not use one (Shlay et al., 2004). Still another study documents the ways in which bureaucratic procedures discourage subsidy use (Knox, London, Scott and Blank, 2003).

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<sup>6</sup> About half of all states report that they serve all families who apply and are eligible for child care subsidies (U.S. General Account Office, 2003).

Low reimbursement rates may also operate as a barrier to subsidy use (Witte and Queralt, 2002; Collins et al., 2000). These are the rates reimbursed to child care providers for serving subsidy eligible clients. If these rates are unacceptably low, providers may elect not to serve the subsidized child. Since 2001, 28 states increased their reimbursement rates, and four states decreased their reimbursement rates. For many states, reimbursement rates remained well below the going local market rates; (U.S. General Accounting Office, 2003). Reimbursement rates are difficult to set for relative and in-home care because their informal nature does not easily indicate what the market rate for this type of care is. Rates are often set lower than other types of care, disadvantaging this type of care (Collins et al., 2000).

When reimbursement rates were substantially raised in Rhode Island and the administrative processes that providers use to obtain reimbursement were simplified, Rhode Island experienced a large increase in the number of providers entering the formal market and the proportion of subsidy users choosing to use formal care when they had previously relied on the informal market (Witte and Queralt, 2004). Reimbursement rates and administrative procedures can directly affect the child care market as well as its use by subsidy recipients.

Child care co-payments are additional potential policy-related barriers to subsidy use. Co-payments are the amount of money a family must pay to the provider. Co-payment levels are adjusted by income, although the amount varies by state. If co-payment levels are too high or if co-payments rise precipitously with increased income, families may choose not to use a subsidy because the value of the subsidy is reduced (Collins et al., 2000).

To apply for a child care subsidy, parents must be aware of the existence of child care subsidies and they must be cognizant that they may be eligible. Lack of this knowledge often operates as an important barrier (Meyers, Heintze, and Wolf, 1999; Schumacher and Greenberg, 1999; Shlay et al., 2004).

People who use center care are more likely to receive child care subsidies (Schumacher and Greenberg, 1999; Shlay et al., 2004). It is unclear if people who prefer center care are more likely to apply for subsidies or if center care providers are more likely to provide information about subsidies to the families they serve.

Prior welfare experience may provide families with greater knowledge about the availability of subsidies (Blau and Tekin, 2001; Fuller et al., 1999; Huston, Chang, and Gennetian, 2002; Shlay et al., 2004; Witte and Queralt, 2002). At the same time, some research also indicates that bad experiences with other public assistance programs is a reason people report for not using child care subsidies (Shlay et al., 2004).

Cultural factors may operate as barriers to subsidy use because they may affect parental preferences for care that may not be supported or that parents believe not to be supported within the subsidy system (Lowe and Weisner, 2001; Shlay et al., 2006).

Latino families' apparent preferences for informal caregivers may explain their lower subsidy utilization rates (Fuller et al., 1996; Holloway and Fuller, 1999); African American families' preferences for center care may partially explain their comparatively higher subsidy utilization rates (Blau and Tekin, 2001; Danziger et al, 2003; Lee et al., 2004). In addition, families' value systems and a belief in family self reliance may lead some families to reject all forms of governments, particularly if they believe that subsidy use is stigmatized (Shlay, 2006).

Finally, family characteristics are related to whether families use subsidies (Schaefer, Kreader, and Collins, 2005). Parents with more education (Blau and Tekin, 2001), single parent families (Danziger et al, 2003; Shlay et al., 2004), and families with younger children (Blau and Tekin, 2001; Huston, Chang, and Gennetian, 2002; Lee et al., 2004; Meyers, Heintze and Wolfe, 1999) are generally more likely to use subsidies than other families.

### **Leaving Welfare to Work: Transition and the Role of Child Care Subsidies**

The 1996 federal welfare reform legislation (PRWORA) recognized the importance of child care subsidies to the success of getting welfare recipients to gain and acquire employment. It has become a virtual truism that child care subsidies are a vital component of welfare reform (U.S. General Accounting Office, 2003).

PRWORA provides states with discretion over which groups are eligible and which groups will receive priority in accessing child care subsidies. In this era of welfare reform, many states give child care subsidy priority to families on TANF (to support activities to get them off of TANF) and to families leaving TANF (U.S. General Accounting Office, 2003). TANF leavers are considered to be “transitioning” families, because they are transitioning off of TANF (hopefully to employment). Simultaneously, they are transitioning off of the TANF child care system into a non-TANF child care subsidy system.

Although child care subsidies have been considered a vital element to transitioning families’ success in staying off of welfare, research shows that many subsidy - eligible welfare leavers do not use child care assistance. In an early study that conducted a meta-analysis of subsidy usage in a variety of states, Schumacher and Greenberg (1999) sounded the initial alarm. They reported that most welfare leavers who

were working were not receiving child care subsidies; subsidy usage rates in most areas were under 30%. Their research suggested that many welfare leavers were simply unaware of the availability of child care assistance post welfare.

Why did welfare leavers not know about post TANF child care benefits? The answer, it has been discovered, is not a simple one, and it lies with the administration of the transition process. In their multi-state study of child care for low income families, Collins et al. (2000) concluded that that this transition is complicated by differences between child care subsidies for TANF and non-TANF families and in the rules for accessing child care subsidies within each system. The rapid infusion of massive amounts of federal dollars for these subsidies compounded the complications in the administrative processes related to these subsidies.

The fact that there are two different systems for these subsidies often creates further difficulties. The explanation for the emergence of two separate agencies in some states (or counties within states) may have to do with the fact that one agency serves welfare recipients, and another agency serves welfare leavers and low income families in general. Despite the reasons for having two separate agencies, it is widely believed that TANF leavers would benefit more from having a system that is physically and logistically linked to the welfare system, perhaps administered out of the same office (Collins et al., 2000).

Research now points to several factors that complicate the movement from one system to another (Adams, Snyder and Sandfort, 2002a; Adams et al., 2006a; Collins et al., 2000). These complications rest in the ways in which welfare leavers engage the child care subsidy system and vice versa. Factors that may impede the transition and the acquisition of child care subsidies on the non-welfare side include interactions with

caseworkers, agency office practices and accessibility, and whether families deal with one versus multiple agencies (Adams, Snyder and Sandfort, 2002b).

Ease of application and how staff members determine eligibility are very important (Adams, Snyder and Sandfort, 2002b; Collins et al., 2000). Eligibility determination and redetermination are critical issues because welfare leavers are, by definition, experiencing a lot of change. As a result, changes in work and income feed into the child care subsidy decision making process and require careful consideration (Adams, Snyder and Sandort, 2002b). Collins et al. 2000, who argue for one agency administering the transition, highlight this problem.

Perhaps the most critical aspect of the administration of child care subsidies from the family's perspective, is how the system deals with families changing status and whether the methods chosen increase or decrease the risk that families moving from one category to another will lose their subsidies although they remain eligible to receive them. In the counties in which access to subsidies is through a single agency to which both TANF and non-TANF families apply, families are less likely to fall through the cracks as they change status (Collins et al., 2000:62).

Ultimately, it is the procedures themselves that critically affect whether people gain access to child care subsidies. What are the policies in place? How is information communicated between systems, among caseworkers and to families? What do families need to do to get a subsidy and how do they find out how to do this? From their research on several sites, Adams, Snyder and Sandfort (2002a) conclude that some basic factors underlie families' ability to access the subsidy system.

Although there was significant variation across sites in how they set up their child care and welfare systems administratively, this study did not find any particular administrative approach was "better" or "worse" in terms of either client or administrative burden. Instead, it appeared the level of administrative complexity and client burden reported across sites had less to do with how the administration of child care subsidies and welfare to work systems were structured and instead had more to do with policies and practices such as the authorization and recertification of subsidies in connection with participation in TANF welfare to work activities, how information was transferred between the welfare to work and

child care subsidy systems and how much TANF parents were required to do to obtain and retain subsidies (Adams et al, 2002a:).

Easing the transition would be the creation of a more user friendly, if not, seamless system; helping families maintain these subsidies once they have left welfare is also necessary. Research suggests that the administrative emphasis should be on subsidy retention, simplification of procedures, and minimizing the costs of subsidies for parents (Adams et al., 2006b).

Automatically enrolling TANF leavers into the child care system would seem to be a movement in this direction, and some states are doing this (Adams et al., 2002b; U. S. General Accounting Office, 2003). But what does automatic eligibility or guaranteed child care subsidies mean in practice? What do families need to do to access these “guaranteed” subsidies? Adams, Snyder and Sandfort (2002b) warn that “automatic” does not mean seamless.

While most states used language such as “guaranteed child care” or “automatic eligibility” when referring to families leaving welfare, the process of retaining subsidies seldom appeared to be automatic for these families. Only a few sites allowed families to continue to get subsidies without having to take additional steps when they left welfare. In the remaining sties, families needed to come to the office in person, reapply/recertify for subsidies or move to a new agency (Adams, Snyder and Sandfort, 2002b:4).

Thus, it is important to understand the process for enrolling TANF leavers into the child care system and the many barriers that can interfere with this process here in the Commonwealth of Pennsylvania. It is to understanding the Pennsylvania Child Care subsidy system that we now turn.

### **Pennsylvania’s Child Care Subsidy System**

Pennsylvania has increased its appropriations for child care for the last three fiscal years. Table 1 (page 16) shows the appropriations for TANF child care subsidies, child

care subsidies for former TANF recipients, and for low income families. Over three years, appropriations increased from \$435 million to \$550 million.

Table 1  
Pennsylvania Child Care Subsidy Appropriations for FY 2003, 2004 and 2005

	FY 2003-2004	FY 2004-2005	FY 2005-2006
TANF Child Care Appropriations			
\$ (in millions)	\$114,985	\$141,601	\$152,029
% of FY Total	26.41	28.69	27.60
Former TANF Child Care Appropriations			
\$ (in millions)	\$96,305	\$109,630	\$135,752
% of FY Total	22.12	22.21	26.65
Low-Income Child Care Appropriations			
\$ (in millions)	\$224,099	\$242,290	\$262,963
% of FY Total	51.47	49.09	47.75
Total Child Care Appropriations			
\$ (in millions)	\$435,389	\$493,521	\$550,744
% of FY Total	100.00	100.00	100.00

Source: Pennsylvania Department of Public Welfare

In FY 2003-2004, more than half of PA appropriations were allocated for low income families. Although the dollar amount for low income families increased over the three year period 2004-2006, from \$224 million to \$263 million, the share for low income families of the overall total declined from 51.47% to 47.75%. Correspondingly, the share for welfare families increased, with its share of total subsidy appropriations ranging from 26.41% in FY 2003-2004 to 27.60% in FY 2005-2006. In terms of its overall share of subsidy dollars, former TANF recipients received the largest increase in its share of total subsidy appropriations. Child care subsidy appropriations for former TANF recipients increased from 22.12% (\$96 million) to 26.65% (\$136 million). These steady increases in TANF and former TANF recipients' share of the child care subsidy pool reflect the increasing emphasis on welfare reform in Pennsylvania. The trend is not unique to Pennsylvania, but is happening across the nation as well.

These increased appropriations reflect the growing demand for child care subsidies, which is also reflected in the growth of child care subsidy waiting lists.

Waiting lists by county are shown in Table 2.

Table 2  
Child Care Subsidy Waiting Lists for the Philadelphia Region by County, 2004 and 2005

County	October	
	2004	2005
<b>Bucks</b>		
N	63	92
%	2.99	3.68
<b>Chester</b>		
N	55	133
%	2.61	5.32
<b>Delaware</b>		
N	260	412
%	12.34	16.50
<b>Montgomery</b>		
N	61	205
%	2.89	8.21
<b>Philadelphia</b>		
N	1667	1654
%	79.15	66.26
<b>Total</b>		
N	2106	2496
%	100.00	100.00

Source: Pennsylvania Department of Public Welfare

In October of 2004, there were 2,106 on the waiting list for child care subsidies for Philadelphia region overall. The following October (2005), the waiting list increased to 2,496 for the regions. The waiting list for child care subsidies in Philadelphia constituted the lion's share of total, representing 79.15% of the waiting list in 2004. Although the number of Philadelphia families on the waiting list stayed almost exactly the same the next year, its share of the overall wait list declined to 66.26%. Much of the increase in the waiting list from 2004 to 2005 reflected increased demand for child care subsidies by low income families living in the suburbs.

The Pennsylvania child care subsidy system is administered by one state agency, the Department of Public Welfare (DPW). Child care subsidies are administered within two separate offices housed with DPW. The County Assistance Offices (CAO) administers subsidies for TANF recipients. The Child Care Information Services (CCIS) administer subsidies for families transitioning off of welfare as well as for low-income families. The two offices have different administrative policies, different eligibility standards, different reporting requirements, different participation rules and different payment schedules (Child Care Subsidy Rate Policy Task Force, 2004).

### **TANF Subsidy Eligibility**

All TANF recipients with children are eligible for child care subsidies administered through the County Assistance Offices (CAO). The rules governing subsidy eligibility through the Child Care Information Services (CCIS) are designed by DPW.

The CCIS subsidy regulations affecting TANF leavers and low income families in general were changed by DPW, effective July 2005. As will be discussed later in this report, our survey of subsidy utilization of welfare leavers covers the period between April and September 2005. Therefore, our discussion of subsidy eligibility includes a description of those regulations in force during the bulk of our data collection period, before July 2005 and those in force during the last three months of data collection, post July 2005. These are shown in Table 3 (page 19).

Changes in these subsidy regulations moved in the direction of being more inclusive of low income families. Although income limitations remained the same (200% of federal poverty income guidelines initially with increases up to 235% of federal poverty income guidelines), the new regulations altered how family income could be

Table 3  
 Pennsylvania Department of Public Welfare Subsidy Regulation: Recent Changes

	Pre-July, 2005 Subsidy Regulations	Post-July 2005 Subsidy Regulations
Court ordered child support requirement	Required	Not required
Hours of work	25 hours per week	20 hours per week
Hours of education	Child care for education only if parent worked 25 hours per week. Limited to 12 hours of child care for education.	Child care for hours of education counts toward 20 hour requirement if working at least 10 hours per week. No limit on number of hours of education covered.
Income	Less than 200% of federal poverty guidelines for initial eligibility. Income may increase up to 235% of federal poverty income guidelines	Same
Calculation of family income	Income of live-in partners and step-parents included as family income	Income of live-in partners excluded. Stepparents given deduction so not all income included in calculation
Age of child	May serve 13-19 if child has a developmental age of 13 or less (very hard standard to apply, especially for kids with physical disabilities.)	May serve child 13-19 if child has physical or mental handicap and cannot care for self
Travel time coverage	Not covered. Child care covers work time only	Travel time covered as part of child care subsidy
Cap on weekly hours of care	50 hours per week	No cap
Minimum wage	Must earn minimum wage	Minimum wage requirement eliminated
Eligibility verification	Certification papers required	Multiple methods of eligibility verification including self-certification, documents, telephone calls, and self declaration (with 30 days to provide document or other verification)
Re-determination	Every six months	Same

calculated. The pre-July 2005 regulations required income of live-in partners and stepparents to be counted. The post-July 2005 regulations eliminated the requirement of including the income of live in partners and provided stepparents with a deduction. In addition, live-in partners were not subject to the work requirement.

The new regulations eliminated the court ordered child support requirement. The number of hours required of employment was decreased from 25 to 20 hours per week; 10 of these hours could be time spent in an education program.

The new regulations eliminated the requirement that subsidy recipients earn the minimum wage (in PA, \$5.15 per hour) and waved the cap on the maximum number of hours a child could be in care. While redetermination remained constant at six month intervals, methods of eligibility verification were expanded to include telephone calls, self-certification, and self-declaration as well as the traditionally required in person visits and paper documents.

### **Transferring from TANF to a CCIS Child Care Subsidy**<sup>7</sup>

In Pennsylvania, for a family to receive a child care subsidy upon leaving the welfare system, the family needs to successfully transfer or somehow move from one subsidy system to another. This is called the “transfer process.”

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<sup>7</sup> Our description of the transfer process describes the one in place at the time of the survey. This transfer process changed with the July 2005 revision of the child care subsidy regulations. Our sample of welfare leavers left TANF prior to these changes in the transfer process. These changes include the permitted substitution of telephone for face to face interviews if face to face proves disruptive to parent work hours, flexibility on access to subsidies if TANF leavers are at income levels that render them ineligible for TANF, and a more flexible system of verification and reporting of information including self declarations and self certifications. For the purposes of this study, the most significant change is the automatic transfer of all TANF leavers including those leaving TANF because of sanction. In addition, families not using child care while on TANF but with post TANF child care needs may also automatically transfer to the CCIS system. Prior to these changes, these non-automatic transfers to CCIS would have had to formally apply for CCIS subsidies and be subject to wait lists.

Upon leaving welfare, funding for a child care subsidy was assured if the family applies at the CCIS office within 183 days or six months of leaving TANF even if a wait list for subsidy was in existence at the time of application. TANF leavers are given priority status over other applicants (called “walk-ins”). However, if a TANF family applies after the 183 day window, they may be subject to a wait list for access to CCIS funds.

Eligibility criteria for child care assistance through TANF required the parent or parents to demonstrate a need for child care to enable them to participate in work-related activities. Appropriate work related activities included being employed at least 20 hours per week, actively searching for employment, attending job training classes and workshops, and schooling. A TANF recipient needed only to verify they were participating in a work related activity to receive assistance to pay child care costs.

Eligibility criteria for a CCIS child care subsidy were more strictly defined than for TANF child care assistance recipients. Parents were required to work at least 25 hours per week under the CCIS work requirements. Searching for employment and attending job training classes, workshops or continued education were not acceptable activities under the CCIS eligibility requirements. Additionally, the CCIS Child Care program followed different rules for determining whose income in the household counted in determining income eligibility and co-payments. Unlike the CAO office’s calculations of household income, the CCIS Child Care program included the income of a live-in partner in the household, even if the partner was not the other parent of the child. Therefore, it was possible that a parent was income eligible under the CAO guidelines, but earned too much money when considered by the CCIS and thus ineligible.

At the time of a parent's TANF case closed, a CAO caseworker decided if the parent was eligible or potentially eligible for transfer to the CCIS Child Care Program. Parent's transferring from TANF were eligible to enter the CCIS Child Care Subsidy program if they were employed, had an eligible child in need of child care, and had a total gross income under 235% of the Federal Poverty Income Guidelines (FPIG). Income eligibility was calculated based on the gross household income and the number of related people in the family living in the household. A six-month grace period was granted to parents starting from the day their TANF case was closed to comply with the CCIS eligibility requirements. Parents whose TANF benefits were terminated due to a sanction or if their income exceeded the 235% of the FPIG income eligibility ceiling were not eligible for a CCIS child care subsidy and thus were not transferred.

Although the transfer process was described as automatic for those who were eligible or potentially eligible, it was not a simple one, in part because two separate offices existed for TANF benefits and CCIS child care subsidy benefits. While it was required that all TANF caseworkers inform the parent of other non-TANF services (e.g., CCIS child care subsidies) for which they may have been eligible at the time of their case closing, it is not clear that all parents were given this information.<sup>8</sup>

Depending on the status of the TANF leaver at the time of closing, three scenarios for transferring files from the welfare office to the CCIS office may have occurred. These scenarios are identified as the 'Y' (yes, eligible), the 'N' (no, not eligible) and the 'M' (maybe, potentially eligible) transfers.

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<sup>8</sup> Cited by Harriet Dichter, Deputy Secretary, Office of Child Development at Advisory Board meeting held on January 6, 2005 at Temple University.

The 'Y' transfer was the 'yes' or automatic transfer. It was the simplest and most straight forward of the transfer processes. When a TANF case closed due to new or increased income, but the income was at or below 235% of the FPIG, the parent was employed, and received child care assistance in addition to their cash benefit, they were considered a 'Y' transfer. The parent's file containing the child care provider's information was automatically transferred to the CCIS office. The CCIS office then notified the parent that the parent was eligible for a CCIS child care subsidy and the parent had 30 – 60 days to apply for a child care subsidy in person at a CCIS office to ensure no interruption in child care payments. If the parent did not contact the CCIS office within 30 - 60 days of being transferred, child care payments ceased and the parent had to pay the full cost of care or make other arrangements they could better afford. However, since they were still considered a welfare leaver after the 30 - 60 day period, they had 183 days (six months) to apply at the CCIS office and come into compliance with the CCIS eligibility requirements to obtain a child care subsidy without being put on a wait list.

The 'M' transfer is referred to as the 'maybe' transfer, meaning that the case may be transferred to CCIS or not.<sup>9</sup> This potentially eligible for transfer group met all the other qualifying requirements for a CCIS subsidy, but the need for child care was not clear. We understand the typical 'M' transfer case worked as follows. A family's TANF case closed. Although the welfare office had knowledge of a child under the age of 13 who was living in the home, child care assistance was not provided through the welfare office while the parent was receiving TANF. That is, this family was a TANF receiver

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<sup>9</sup> Our advisors tell us that for some of them, the 'M' stands for 'messy or missing' as this group does not seem to consistently follow a consistent path.

but did not receive a TANF child care subsidy. By design, the CCIS office should have received this welfare leaver's file and notified the parent that they may have been eligible for a child care subsidy. This may not, however, have routinely occurred. Therefore, welfare leavers who may have needed a child care subsidy may not have automatically gotten into the CCIS system like other welfare leavers.

To be sure, the 'M' transfers, like the 'Y' (yes) transfers who missed the 30 -60 day application period, had 183 days from the time their TANF case closed to apply in person at a CCIS office and come into compliance with the requirements for a subsidy. But if the parent's file was not transferred because of their 'maybe' status, CCIS did not know to notify the parent. The responsibility of learning of the availability of CCIS subsidies fell on the parent.

The third group is the 'N' transfer; also known as the 'No transfer case.' The file was not transferred to CCIS because the parent's case closed due to a sanction, the parent's income exceeded the 235% of the FPIG or because the welfare office had no knowledge of a child under the age of 13 living in the household. Again, like the 'M' cases who were not transferred to CCIS, the responsibility of pursuing a CCIS subsidy rested solely on the parent.

Were welfare leavers able to navigate this system? Did welfare leavers manage to obtain child care subsidies that could help them seek, obtain and maintain employment? Did automatic transfers receive subsidy benefits? What happened to people who may not have used TANF child care subsidies? Were they able to access the system? What happened to families who were not transferred, such as those who received sanctions while receiving TANF? And how did the welfare experience affect their transfer

process? These are the question that come out of this analysis of the transfer process from TANF to CCIS in Pennsylvania.

## **OVERALL STUDY DESIGN**

This study is an empirical examination of families leaving welfare, their transition from TANF to the CCIS child care subsidy system, their use of child care subsidies, and the subsequent impact of subsidy use on employment. The design of this study is comparative with the goal of assessing differences in the welfare transition process and subsidy utilization for three groups: White, African American and Hispanic welfare leavers. The design is also longitudinal. Welfare leavers were sampled at Time 1 to examine their transition off of TANF. These welfare leavers were then sampled at Time 2 to look at employment outcomes. This research links experiences with welfare, the transition off of welfare, child care subsidy utilization and employment.

This research relies on data collected from two surveys. The first survey, completed at Time 1, focused on the welfare transition process and subsidy utilization. We call the information collected with this survey the “Child Care Subsidy Utilization Study.” Six months later, participants were re-contacted and asked about their employment status and employment situation. We refer to the part of the study at Time 2 as the “Employment Outcomes Study.” In the next sections of this chapter, we describe the questions, methods and findings for the Child Care Subsidy Utilization Study. In Chapter 3, we describe the questions, methods and findings for the Employment Outcomes Study.

## **THE CHILD CARE SUBSIDY UTILIZATION STUDY**

The design process for the Subsidy Utilization Study was threefold. We began by meeting with key informants to understand the process by which parents who stop receiving TANF benefits transfer (or do not transfer) into the public child care subsidy system operated by Child Care Information Services.<sup>10</sup> Next, we conducted three focus groups with White, African American and Hispanic welfare recipients to help us identify the most salient issues facing parents with young children as they transition from welfare to the labor force. The goal was to learn about the range of experiences mothers had when leaving the welfare system, how they managed child care for their children, and the overall effects of the transition on them and their families. Along the way, we reviewed the literature that surveyed recent welfare leavers.

### **CHILD CARE SUBSIDY UTILIZATION SURVEY**

The 30-minute telephone survey interview we developed was designed to collect information to determine why recent welfare leavers were not taking child care subsidies for which they were eligible. Specific issues addressed included parents' beliefs and attitudes about subsidy usage, their perceptions as to whether they needed child care subsidies, and the procedural difficulties they encountered when applying for and maintaining them. It consisted of eleven parts. Each part of the survey interview is described in Table 4 (page 27 - 29). The complete survey is in Appendix C.

The first section of the survey interview includes screening questions to determine whether the respondent is eligible to participate in the survey. Participants' eligibility was governed by the following criteria: parent or legal guardian of a child less than five

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<sup>10</sup> Key informants included DPW Office of Income Maintenance staff and members of our study advisory board.

Table 4  
Sections in the Subsidy Utilization Survey

Survey Section	Topics covered
Eligibility Screener	<ul style="list-style-type: none"> <li>➤ Parent not currently receiving TANF</li> <li>➤ Parent received TANF in [Month three months prior]</li> <li>➤ Lives in 5 county area (Philadelphia, Bucks, Montgomery, Chester, Delaware)</li> <li>➤ Race &amp; Ethnicity</li> <li>➤ Has child under the age of 5 currently living in household (HH)</li> </ul>
Family Characteristics	<ul style="list-style-type: none"> <li>➤ Number of adults &amp; children in HH</li> <li>➤ Age of children in HH</li> <li>➤ Marital Status</li> <li>➤ Current living situation (Living with spouse or partner)</li> </ul>
Experiences with Welfare	<ul style="list-style-type: none"> <li>➤ Opinions about experiences with welfare</li> <li>➤ Receipt of specific forms of public assistance</li> <li>➤ Experiences with CAO, sanctions</li> </ul>
Family and Social Supports	<ul style="list-style-type: none"> <li>➤ Family and Friends to depend on for help</li> </ul>
Employment	<ul style="list-style-type: none"> <li>➤ Current employment status</li> <li>➤ Child care concerns regarding job</li> <li>➤ Employer provision of child care or assistance for child care costs</li> <li>➤ Work structure (hours, days, times of day worked)</li> </ul>
Identify Target Child	<ul style="list-style-type: none"> <li>➤ Establish R's relationship to child</li> <li>➤ Current relationship with child's biological father/mother</li> <li>➤ Child support and provisions by other biological parent</li> </ul>
Child Care (Now and Then)	<ul style="list-style-type: none"> <li>➤ Child care usage</li> <li>➤ Use of CCIS subsidy and/or child care assistance through welfare</li> <li>➤ Number of child care arrangements</li> <li>➤ Type of child care arrangements</li> <li>➤ Registered/Licensed status</li> <li>➤ Out of pocket expense for child care</li> <li>➤ Satisfaction with child care arrangements</li> </ul>
<b>The Transition Sections</b>	
A- Received cc assist thru TANF and now receives CCIS subsidy	<ul style="list-style-type: none"> <li>➤ Information received from either TANF or CCIS caseworkers</li> <li>➤ Contact by CCIS representative by mail or by phone</li> <li>➤ Child care affected during transition to CCIS from child care assistance through TANF</li> <li>➤ How was cost of child care handled during transition from TANF to CCIS</li> <li>➤ Experience with CCIS application process</li> </ul>
B - Received cc assist thru TANF, but does not now receive CCIS subsidy	<ul style="list-style-type: none"> <li>➤ Information received from either TANF or CCIS caseworkers</li> <li>➤ Contact by CCIS representative by mail or by phone</li> <li>➤ Apply for CCIS subsidy since TANF receipt stopped</li> <li>➤ Experience with CCIS application process (if applicable)</li> <li>➤ Need help paying for child care?</li> <li>➤ R's knowledge of eligibility for CCIS subsidy</li> <li>➤ Reasons why R is not using CCIS subsidies</li> </ul>

Survey Section	Topics covered
B1 – Used CCIS subsidy for a period of time after TANF closure and prior to being interviewed, but is not currently using CCIS subsidy	<ul style="list-style-type: none"> <li>➤ Child care affected during transition to CCIS</li> <li>➤ How cost of child care handled during transition from TANF to CCIS</li> <li>➤ Experience with CCIS application process</li> <li>➤ Reasons for not using subsidies</li> </ul>
C – Did not receive cc assist thru TANF, but now receives CCIS subsidy	<ul style="list-style-type: none"> <li>➤ Information received from either TANF caseworker or CCIS caseworker</li> <li>➤ Contact by CCIS representative by mail or by phone</li> <li>➤ Experience with CCIS application process</li> <li>➤ Child care affected during transition to CCIS from child care assistance through TANF</li> </ul>
D- Did not receive cc assist thru TANF and does not now receive CCIS subsidy	<ul style="list-style-type: none"> <li>➤ Information received from either TANF caseworker or CCIS caseworker</li> <li>➤ Contact by CCIS representative by mail or by phone</li> <li>➤ Receipt of CCIS subsidy at any time since TANF receipt stopped</li> <li>➤ Experience with CCIS application process (if applicable)</li> <li>➤ Need help paying for child care?</li> <li>➤ R’s knowledge of eligibility requirements for CCIS subsidy</li> <li>➤ Would R apply for CCIS if eligible?</li> <li>➤ Reasons why R is not using CCIS subsidies</li> </ul>
D1 – Used CCIS subsidy for a period of time after TANF closure and prior to being interviewed, but is not currently using CCIS subsidy	<ul style="list-style-type: none"> <li>➤ Experience with application process</li> <li>➤ Reasons why R is not using CCIS subsidies</li> <li>➤ Effect of court ordered child support requirement on R’s CCIS usage</li> <li>➤ Beliefs regarding ineligibility for subsidies</li> </ul>
E – Currently NOT using child care	<ul style="list-style-type: none"> <li>➤ Information received from either TANF caseworker or CCIS caseworker</li> <li>➤ Contact by CCIS representative by mail or by phone</li> <li>➤ Child care options</li> <li>➤ Beliefs regarding current eligibility status for subsidies</li> <li>➤ Beliefs regarding ineligibility for subsidies</li> <li>➤ Reasons why R is not using CCIS subsidies</li> <li>➤ Effect of court ordered child support requirement on R’s CCIS usage</li> </ul>
Health	<ul style="list-style-type: none"> <li>➤ R’s health</li> <li>➤ Target child’s health</li> </ul>
Attitudes about welfare, child care, and child care subsidies	<ul style="list-style-type: none"> <li>➤ Welfare</li> <li>➤ Child care</li> <li>➤ Child care subsidies</li> </ul>
Household Economics	<ul style="list-style-type: none"> <li>➤ For Respondent</li> <li>➤ For spouse/partner (if applicable)</li> <li>➤ Monthly income for the household</li> </ul>
Housing	<ul style="list-style-type: none"> <li>➤ Housing tenure</li> <li>➤ Pay low rent because government is paying part of the cost of the unit</li> <li>➤ House owned by public housing authority</li> <li>➤ Receipt of a certificate or voucher to pay rent each month</li> <li>➤ Amount of money paid out of pocket for rent each month</li> </ul>

Survey Section	Topics covered
Personal Characteristics	<ul style="list-style-type: none"> <li>➤ Family receipt of TANF/AFDC while growing up</li> <li>➤ Where R was born</li> <li>➤ Citizenship status</li> <li>➤ Level of education</li> <li>➤ Participation in job training programs</li> <li>➤ Access to a car / public transportation</li> </ul>
General open ended question:	<ul style="list-style-type: none"> <li>➤ Anything R would like the state of PA to know that would make the experience of leaving welfare, getting a job, and caring for a child easier.</li> </ul>

years of age living in the home, who had not received TANF benefits for two full months, was over 18 years of age, identified as either White, African-American, or being of Hispanic decent, and resided in the five county area (Philadelphia, Montgomery, Bucks, Chester and Delaware). If eligible, the respondent was invited to participate in the survey.

In subsequent sections of the survey, respondents were asked about their family characteristics, maternal and child health, attitudes about welfare, child care and child care subsidies, household economics, housing, experiences with welfare, existence of family and social supports, employment, and child care arrangements used while receiving TANF and after leaving TANF. Questions regarding child care were focused on the child in the household under the age of five for whom the parent received a CCIS child care subsidy. If a CCIS subsidy was not used, or if there were multiple children under age 5, we focused on the youngest child in the household. For purposes of the survey, we refer to this child as the ‘target child.’ Although not all the respondents were parents, so many of them were that we refer to respondents interchangeably as ‘parents’ or ‘participants’ throughout this report. Since all of them were welfare leavers, we also use the term “welfare leavers” to refer to our respondents.

Depending on whether the respondent reported receiving child care assistance while on TANF and/or a CCIS child care subsidy after TANF, respondents were asked a series of questions about their knowledge of and experiences with each of the assistance programs and the experience of transferring from one program to the other.

For respondents who were *using child care at the time of the interview*, four possible situations are identified: (1) those who received child care assistance while on TANF and were using a CCIS subsidy at the time of the interview, (2) those who received child care assistance while on TANF but were *not* receiving a CCIS subsidy at the time of the interview, (3) those who did *not* receive child care assistance while on TANF, but were receiving a CCIS subsidy at the time of the interview, and (4) those who did *not* receive child care assistance while on TANF and were *not* receiving a CCIS subsidy at the time of the interview. These experiential paths are shown in Figures D-1 through D-5 in Appendix D.

All respondents, regardless of their experiential path were asked a series of common questions about the information they received from their County Assistance Office (CAO) caseworker regarding CCIS child care subsidies. Based on their answers, a different set of questions were subsequently asked depending on their experience with the subsidy system.

Parents who received a CCIS subsidy were asked about their experiences with the program, including problems they may have had with the application process. Parents who stopped using the subsidy were probed for the reasons they discontinued use. Parents who never applied for a CCIS subsidy were asked if they needed help paying for child care expenses and whether they believed they were eligible to receive a CCIS

subsidy. Parents who said they did not need help paying their child care expenses and/or did not believe they were eligible to receive a subsidy were probed for the reasons why they believed this to be true. Parents who reported that they did not use a child care subsidy, but said they needed help and believed they were eligible, were asked about the range of potential factors that might have prevented them from deciding to use a subsidy. Parents who were not using child care at the time of the interview were asked about their knowledge of CCIS child care subsidies and the reasons why they were not using child care.<sup>11</sup>

After initial piloting, the survey was given to Temple University's Institute for Survey Research for translation into Spanish and programming in a Computer Assisted Telephone Interviewing (CATI) format in January 2005. The CATI program allows survey items, interview instructions, and pre-programmed probes to be displayed to the interviewers in program controlled sequences on CRT terminals. Once programmed, pre-testing of the survey took place in March 2005, and ISR began data collection using trained, reliable telephone interviewers in April 2005.

## **SAMPLE SELECTION**

Names and contact information for potential participants were obtained from monthly lists provided by the Pennsylvania Department of Public Welfare (DPW). These lists contained names and contact information for people who lived in the five county (Philadelphia, Montgomery, Bucks, Delaware, and Chester) area of Southeastern

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<sup>11</sup> In December 2004 and January 2005, a range of knowledgeable people reviewed a draft instrument. Reviewers included key personnel at the Office of Income Maintenance at the Department of Public Welfare, members of our advisory board, the study director at the Institute for Survey Research (ISR), and Dr. Eugene Ericksen, a Sociology professor at Temple University who specializes in survey design and analysis. Questions and possible response categories to open ended questions were adjusted according to their feedback.

Pennsylvania and had terminated their cash assistance two months earlier. Additional criteria for being included in the list of potential participants included parents who were over 18 years old, who were responsible for a child under the age of five and identified as being African-American, White or of Hispanic descent.

Names were selected from these lists from three strata: White welfare leavers, African American welfare leavers, and Hispanic welfare leavers. We established a quota of recruiting at least 200 respondents per each racial/ethnic group, assigning callers to continue calls within any given week until that quota was reached. Data were collected from April-October, 2005. Each respondent received a \$20.00 postal money order in appreciation for completing the survey.

The final sample of 658 welfare leavers included 228 African Americans, 215 White and 215 Hispanic parents. The overall response rate was 66%. The White response rate was 64%. The African American response rate was 62.5%. The Hispanic response rate was 72%. Our methods for calculating the overall response rate and by race and ethnicity are presented in Appendix E.

## **PARTICIPANTS**

Table 5 (pages 33 - 35) shows the demographic and background characteristics of the participants in the Subsidy Utilization Study. The participants were mostly female (96%) with their ages ranging from 18 to 57 years ( $M = 26$ ,  $SD = 6$ ). Forty-six percent were African American, 31% were White and 33% were Hispanic. Of those who reported being of Hispanic decent, 83% identified Puerto Rico as their country of origin. The vast majority of the sample was single (80%), resided in Philadelphia County (74%) and rented their home (76%). Thirty-two percent of the parents did not have a high

Table 5  
 Demographics and Background Characteristics of Recent Welfare Leavers in the Subsidy Utilization Study  
 (N = 658)

Characteristic	
Gender	
% Female	95.7
Age of Respondent	
Mean	26.1
SD	6.0
Race	
% African American, Black	34.9
% White	32.9
% Bi-racial	4.3
% Some other race	23.7
% Hispanic	32.7
Ethnic identity <sup>a</sup>	
% Puerto Rican	83.0
% Other	17.0
Education level	
% Less than 12 <sup>th</sup> grade	31.9
% 12 <sup>th</sup> grade	45.2
% GED	2.6
% Some college credits	12.9
% Associates degree	2.9
% Technical / Vocational school	2.7
% Bachelors degree or higher	1.9
Marital Status	
% Married	7.6
% Divorced	4.3
% Separated	8.1
% Widowed	0.3
% single, never been married	79.7
% Living with spouse or partner	21.7
Residing County	
% Philadelphia	73.7
% Montgomery	7.3
% Bucks	7.1
% Chester	4.1
% Delaware	7.8
% Born in the U.S.	88.4
% Families received cash assistance when respondent was growing up	50.2

Table 5  
Demographics and Background Characteristics of Recent Welfare Leavers in the Subsidy Utilization Study  
continued

Characteristic	
Housing	
% Own home	10.3
% Rent home	76.0
Employed	
% Yes	54.4
No. of paid jobs	
% Working only one paid job	96.9
Working same hours every week	
% Yes	41.5
Working weekends, evenings, nights	
% Yes	32.1
No. of hours worked per week	
Mean	33.8
SD	(10.0)
Monthly household income (\$) <sup>b</sup>	
Mean	1,415.0
SD	(986.4)
No. of children	
Mean	2.0
SD	1.2
Age of target child	
Mean	1.5
SD	(1.3)
Health of target child	
% In good/excellent health	91.7
% In intensive care when born	14.6
% With condition that limits regular activities	5.8
Using a child care arrangement	
% Yes	48.0
Type of child care used	
% Center	41.6
% Family day care	21.0
% Relative care	37.5
Using a CCIS child care subsidy	
% Yes	28.7
No. of hours / week in child care	
Mean	33.3
SD	(13.4)

Table 5  
Demographics and Background Characteristics of Recent Welfare Leavers in the Subsidy Utilization Study  
(continued)

Characteristic	
Average cost of care per week (\$)	
Mean	32.4
SD	(43.2)

<sup>a</sup> Ethnic identity was only asked of those who reported being of Hispanic decent.

<sup>b</sup> Includes spouse/ live-in partner's income and other sources (e.g., child support, social security, workers compensation, food stamps, WIC, foster child payments, help from relatives/friends).

school degree, 48% completed high school or had their GED, 16% had some college credits or an associate's degree, and less than two percent had a bachelor's degree or higher. Almost half of the respondents reported receiving cash assistance while growing up.

A little more than half (54%) of the respondents were employed at the time of the survey and worked on average about 34 hours per week. Most had only one job with a third of parents working non-traditional hours (32%). The average monthly household income for these families was \$1,415.

The average household had two children; the average age of the target child selected for this study was one and a half years old. Forty-eight percent of parents reported using a child care arrangement with 42% using a child care center, 21% using a family day care home, and 38% using relative care. On average, children were in care 33 hours per week. Parents paid, on average, \$32 per week for the target child's care, with 29% reporting receipt of a child care subsidy to help offset the cost.

## **STUDY QUESTIONS**

Our analysis of welfare leavers and child care subsidy use addressed several sets of questions. The first set addresses child care subsidy eligibility. Were most welfare leavers eligible for child care subsidies upon leaving the TANF system? Did those welfare leavers that were eligible for subsidies use them? How many families used subsidized care compared to non-subsidized care? How many families did not use any form of child care, subsidized or non-subsidized? How does child care and subsidy use vary by the race and ethnic identify of welfare leavers?

The second set of questions addressed differences among welfare leavers who were eligible for subsidies. We focused on differences between eligible child care subsidy users and eligible non-subsidy users. These groups were compared by family and demographic characteristics; use of different forms of public assistance; education, employment and job training experiences; problems obtaining employment; sources of income, income levels and child care support; respondent and child health; housing and transportation; child care use while on TANF; current child care use; prior experiences with the TANF welfare system; and attitudes towards welfare, child care, and child care subsidies. This set of analyses focused on whether barriers to subsidy use are related to characteristics of families, their experiences and familiarity with public assistance programs; their economic and employment situations; health problems; prior experiences with subsidized child care, and attitudes towards public assistance and child care more generally.

The third set of questions addressed the transition process for welfare leavers who were eligible for subsidy from the TANF to the CCIS system to examine the different

experiences of welfare leavers. We specifically examined the differences in these experiences by child care and subsidy use as well as by race and ethnicity. What are the differences in the transfer process for people who obtained child care subsidies and for people who did not? How did people find out about the CCIS system? Did they know they were eligible for child care subsidies and if not, why not? Did the CCIS application process produce problems for applicants? Focusing on differences in subsidy use and by race and ethnicity, this set of analyses addressed whether barriers to subsidy use exist in the transfer process from TANF to CCIS.

## **FINDINGS**

### **Child Care Subsidy Users and Non-Users**

Table 6 (page 38) presents the number of welfare leavers who were eligible and ineligible for subsidies and whether or not they used child care on a regular weekly basis.

The majority of welfare leavers in our sample (52%, n = 342) were not subsidy eligible. These welfare leavers were ineligible for subsidies because they were not employed at the time they left the TANF system. Therefore, one of the biggest reasons why many welfare leavers did not use child care subsidies is because they were not eligible to receive them.

Also, the majority of these subsidy ineligible welfare leavers were not using regular child care. Of those who were *ineligible* for child care subsidies, more than three quarters (76%) did not use any form of child care at the time of the survey.

Table 7 (page 38) shows the numbers of subsidy eligible welfare leavers according to whether they used subsidy or did not use subsidy and whether or not they used regular child care. Forty percent (n = 128) of subsidy eligible welfare leavers did

Table 6  
Child Care Subsidy Eligibility and Child Care Use

	Eligible	Ineligible	Total
Using Child Care			
N	237	82	319
%	75.0	24.0	48.5
Not Using Child Care			
N	79	260	339
%	25.0	76.0	51.5
Total			
N	316	342	658
%	100.0	100.0	100.0

Table 7  
Child Care Subsidy Utilization and Child Care Use

	Subsidy User	Non-Subsidy User
Using Child Care		
N	188	49
%	100.0	38.3
Not Using Child Care		
N	0	79
%	0.0	61.7
Total		
N	188	128
%	100.0	100.0

not use them. Of these eligible non-subsidy users, a majority (61.7%) were also not using any form of child care.

Are welfare leavers able to access the child care subsidy system upon leaving TANF? The answer is both yes and no. First, upon leaving welfare, many did not qualify for child care subsidies. Thus, ineligibility worked as an impediment to child care subsidy use. Second, those ineligible for subsidy were much less likely to use child care

upon leaving welfare. Why subsidy ineligibility and lack of use of child care go hand in hand is unclear. Perhaps subsidy ineligible welfare leavers failed to qualify for subsidies and failed to get employment because they did not have regular child care. Also, welfare leavers' ineligibility for child care subsidies may have limited access to child care, making these welfare leavers unable to obtain employment and hence, ineligible for child care. If child care is essential to the future success of welfare leavers in staying off of welfare and in gaining stable employment, the lack of child care use among such a large of welfare leavers may pose problems for welfare reform.

Third, being eligible for subsidies did not mean that welfare leavers actually received them; almost half of those eligible for subsidies did not receive them. Like subsidy ineligible welfare leavers, the majority of subsidy eligible welfare leavers who did not use a child care subsidy also did not use child care. In all, most subsidy eligible welfare leavers who did not obtain a subsidy did not use child care.

Overall, about half of the welfare leavers (52%) were eligible for subsidy and the majority of them (76%) were not using any form of regular child care upon leaving TANF. Those who were eligible and using subsidized child care were only 29% of the sample of welfare leavers we studied. Most of the subsidy-eligible welfare leavers who did not use subsidies were not using any form of child care.

### **Child Care Subsidy Eligibility, Subsidy Use, and Child Care Use : Race and Ethnic Differences**

Did child care subsidy eligibility, subsidy use and child care use vary by the racial and ethnic characteristics of welfare leavers? This is addressed in Tables 8 and 9. Table 8 shows child care subsidy eligibility and ineligibility by race and ethnicity. For subsidy

eligible welfare leavers, Table 9 shows subsidy eligible users and non-users by race and ethnicity.

Table 8  
Welfare Leavers by Child Care Subsidy Eligibility Status and Race

	Non-Hispanic Black	Non-Hispanic White	Hispanic	Total
Eligible				
N	126	93	97	316
%	55.3	43.3	45.1	48.0
Ineligible				
N	102	122	118	342
%	44.7	56.7	54.9	52.0

Table 9  
Subsidy Use Among Welfare Leavers Eligible for Subsidy by Race and Ethnicity

	Non-Hispanic Black	Non-Hispanic White	Hispanic	Total
Subsidy Users				
N	98	46	44	188
%	77.8	49.5	45.4	59.5
Eligible, Non- Subsidy Users				
N	28	47	53	128
%	22.2	50.5	54.6	40.5

Child care subsidy eligibility varied somewhat by race and ethnicity. African American welfare leavers were more likely to be eligible for subsidies (55.3%) compared to either White (43.3%) or Hispanic (45.2%) welfare leavers.

Among those eligible for subsidy, African American welfare leavers were more likely to use child care subsidies (77.8%) compared to eligible White (49.5%) and Hispanic (45.4%) welfare leavers. White (49.5%) and Hispanic welfare leavers (49.5%) were more similar to each other in lack of subsidy use than they were to African American welfare leavers.

## **FINDINGS: THE ROLE OF EXPERIENCES, ECONOMIC SUPPORT AND ATTITUDES: DIFFERENCES AMONG CHILD CARE SUBSIDY USERS, NON-SUBSIDIZED CHILD CARE USERS AND NON-CHILD CARE USERS**

Do child care subsidies users and non-users differ along a range of factors that may explain propensity and willingness to use child subsidies? What is the interplay between subsidy use and welfare leavers' characteristics, attitudes and experiences? What is the role of factors such as family type and demographics, public assistance experiences, education and training, economic and social support, past and present child care use, and attitudes towards child care and welfare?

### **Race and Family**

Table 10 (page 42) presents the racial and ethnic breakdown of welfare leavers by eligible child care subsidy users and non-users. Hispanic welfare leavers were more heavily represented among non-subsidy users (41.4%) than either White (15.2%) or African American (23.2%) welfare leavers.

More African American welfare leavers were the most heavily represented group among subsidy users. African American welfare leavers (54%) were more likely to use child care subsidies than White welfare leavers (26.2%) or Hispanic welfare leavers (23.4%). The small number of bi-racial welfare leavers were proportionately equally distributed among subsidy users and non-users.<sup>12</sup>

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<sup>12</sup> The pattern of low subsidy use among those that reported they were some other race reflects the subsidy use of Hispanics who reported their race as other rather than White or African American.

Table 10  
Race and Ethnicity by Eligible Subsidy Users and Non-Subsidy Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
<b>HISPANIC</b>		
All Hispanic <sup>a</sup>		
N	44	53
%	23.4	41.4
Puerto Rican		
N	37	40
%	19.7	31.2
Dominican		
N	2	6
%	1.1	4.7
Colombian		
N	0	2
%	0.0	1.6
Cuban		
N	1	0
%	0.5	0.0
Mexican		
N	0	0
%	0.0	0.0
Other		
N	4	4
%	2.1	3.1
<b>RACE</b>		
African American		
N	101	29
%	54.0	23.2
White		
N	49	19
%	26.2	15.2
Bi-Racial		
N	7	6
%	3.7	4.8
Other race		
N	30	41
%	16.0	32.8

<sup>a</sup> Hispanic countries of origin.

Table 11 (page 44) presents demographic and family characteristics by subsidy use and non-use. Both subsidy and non-subsidy users were female and on average about 25 years old. Subsidy users were more likely to be never-married (85%) than non-users (76.6%). Non-subsidy users were more likely to live with their spouses or partners (92.9% and 16.5% respectively) than subsidy users (66.7% and 6.5% respectively).

Subsidy users were more likely to be born in the United States (94%) compared to non-subsidized child care users (86.7%). Non-subsidy user's parents were more likely to be foreign born (73.6%) compared to the parents of subsidy users (54.5%). Prior family welfare use, however, was not related to child care subsidy use. Proportionately equal numbers of subsidy users and non-users came from families who had previously received welfare.

### **Education, Job Training and Employment**

Table 12 (page 45) presents education and program participation levels by child care subsidy use. Subsidy users and non-users' educational levels were comparable. A little over half of each group had a high school diploma or a GED certificate. Slightly more subsidy users (21.3%) had attended college compared to non-subsidy users (15.6%).

About half of both subsidized and non-subsidized child care users attended some form of training program. More non-subsidy users tended to participate in a job training program (71.4% and 62.8% for subsidy non-users and users respectively). More subsidy users tended to participate in a college education program than non-subsidy users (8% and 2.3% respectively), but the differences are small. Education was not the big divider between child care subsidy users and non-users.

Table 11  
Demographic and Family Characteristics by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Female		
N	184	121
%	97.9	94.5
Parent born outside U.S. <sup>a</sup>		
N	24	39
%	54.5	73.6
Respondent age		
Mean	25.9	25.9
SD	5.5	6.2
Never Married		
N	159	98
%	85.0	76.6
Lives with spouse <sup>b</sup>		
N	4	13
%	66.7	92.9
Lives with partner <sup>c</sup>		
N	12	18
%	6.5	15.7
Number of children		
Mean	2.0	2.0
SD	1.2	1.2
Born in the U.S.		
N	177	41
%	94.1	86.7
Family received welfare when respondent was a child		
N	93	67
%	49.5	52.3

<sup>a</sup> Asked only of Hispanic respondents.

<sup>b</sup> Percent living with spouse is of total married respondents.

<sup>c</sup> Percent living with partner is of total unmarried respondents.

Table 12  
Education and Job Training by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
<b>EDUCATION</b>		
High school diploma/GED		
N	106	67
%	56.4	52.3
Some college or more		
N	40	20
%	21.3	15.6
<b>JOB/EDUCATION PROGRAM PARTICIPATION</b>		
Participated in any program		
N	94	63
%	50.0	49.2
Participated in high school/GED program <sup>b</sup>		
N	9	11
%	9.6	17.5
Participated in job training program <sup>b</sup>		
N	59	45
%	62.8	71.4
Participated in college program <sup>b</sup>		
N	14	3
%	8.0	2.3
<b>PERCEIVED PROGRAM PARTICIPATION BENEFITS</b>		
Helped get a job or better job <sup>ab</sup>		
N	68	53
%	72.3	84.1
Taught skills to be successful in job <sup>ab</sup>		
N	82	52
%	87.2	82.5

<sup>a</sup> Includes reported benefits that helped “somewhat” and “a lot”

<sup>b</sup> Percents are of respondents who participated in a program

Table 13 (page 46) presents data on employment for child care subsidy users and non-users. Employment is clearly related to subsidy use. Fully 92.6% of subsidy users were employed compared to 66.4% of non-subsidy users. Of course, employment is a precondition for subsidy use. But it would appear that subsidies are also conducive to acquiring employment.

Table 13  
Public Assistance by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non –Subsidy Users n = 216
Using Child Health Insurance Program (CHIP)		
N	7	10
%	3.7	7.8
Using Medical Assistance		
N	183	122
%	97.9	95.3
Using Low Income Heat and Energy Assistance Program (LIHEAP)		
N	62	34
%	33.0	26.6
Using Child Care Information Services (CCIS) Subsidy		
N	188	0
%	100.0	0

Few people, regardless of subsidy status worked more than one job. The number of hours worked per week, on average was over 30 hours per each group. At the time of this survey, the work requirement to maintain a child care subsidy was 25 hours per week. Hours of employment did not appear to be a barrier to subsidy use as much as the sheer attainment of employment itself.

Non-subsidy users were more likely to work irregular hours compared to subsidy users, indicating that working irregular hours may be a barrier to subsidy use. For subsidy users, 77.6% and 72.9% reported working the same work days and times from week to week compared to non-subsidy users of whom only 52.3% worked either the same days or time from week to week. More subsidy users reported working more evening, nights and weekends (57.5%) than non-subsidy users (42.2%).

### **Public Assistance, Income and Income Sources, Housing and Transportation**

Table 14 (page 47) and 15 (page 48) shows reported forms of public assistance received and income sources by subsidy use and non-use. As shown in table 14, most

families received Medical Assistance, the publicly provided form of health insurance for very low-income families. Few people in either group were using the Child Health Insurance Program (CHIP), a public health insurance program for children in low income families without any form of health insurance. More subsidy users received help paying energy bills from the Low Income Heat and Energy Assistance Program (LIHEAP) (33%) than non-subsidy users (26.6%) although the differences are not large.

Table 14  
Employment by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Employed (working for pay)		
N	174 <sup>a</sup>	85
%	92.6	66.4
Working more than one job		
N	7	2
%	4.0	2.4
Hours worked per week		
Mean	34.6	34.7
SD	8.0	11.0
Same work hours week to week		
N	135	67
%	77.6	52.3
Same work times week to week		
N	137	67
%	72.9	52.3
Work evenings, nights, weekends		
N	100	54
%	57.5	42.2

<sup>a</sup> Upon transition from TANF to the CCIS system, there is a grace period for seeking and acquiring

Table 15  
Sources of Income by Assistance by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Alimony		
N	2	2
%	1.1	1.6
Child Support		
N	68	30
%	36.4	23.4
Food Stamps		
N	156	96
%	83.0	75.0
Women Infant Children Nutritional Program (WIC)		
N	100	70
%	53.2	54.7
Social Security		
N	10	5
%	5.3	3.9
Disability or Supplemental Security Income		
N	14	11
%	7.4	8.6
Workers compensation		
N	0	2
%	0.0	1.6
Unemployment compensation		
N	3	1
%	1.6	0.8
Veteran's Administration		
N	0	0
%	0.0	0.0
Foster child payments		
N	1	0
%	0.5	0.0
Cash Assistance for their children		
N	23	10
%	2.1	7.8
Pension		
N	0	0
%	0.0	0.0
Help from relatives or friends		
N	27	34
%	14.4	26.6

As shown in table 15, more non-subsidy users received economic support and income from relatives or friends (26.6%) than subsidy users (14.4%). Child care subsidy users were more likely to receive food stamps (83%) and child support (36.4%) than eligible non-subsidy users (73% and 23.4% for food stamps and child support respectively). The difference in child support receipt may reflect the former subsidy eligibility requirement that families receiving child care subsidies must have a court child support order.<sup>13</sup>

Comparable numbers in both groups received disability or Supplemental Security Income as well as food from the Women Infant Children Nutritional Program (WIC). Few people in any group received either alimony, social security, workers compensation, unemployment compensation, foster child payments, a pension or benefits from the Veteran's Administration.

Table 16 (page 50) provides a more detailed breakdown of how child support was provided. More subsidy users had court ordered child support (50%) than non-subsidized child care users (40.7%). More subsidy users also received child support on a regular basis (67.2%) compared to non-subsidy users (59.4%). About half of both groups reported that the other parent provided some kind of necessities for the family.

Table 17 (page 50) provides a breakdown of monthly income by subsidy use and non-use. Shown are respondent monthly employment income (for employed respondents only), respondent monthly income from all sources, and combined respondent monthly income from all sources plus spousal income. For each income variable, we show the mean, standard deviation and range. On average, subsidy users earned more money (mean = \$1,076 per month) than either non-subsidy users (mean = \$667 per month).

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<sup>13</sup> The court ordered child support requirement was eliminated in the revised subsidy regulations.

Table 16  
Child Support by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Parent pays support		
N	61	34
%	32.4	26.6
Pays on a regular basis <sup>a</sup>		
N	39	19
%	67.2	59.4
Court ordered support		
N	85	46
%	50.3	40.7
Other parent provides necessities		
N	75	54
%	43.1	47.0

<sup>a</sup> Percentage of parents paying support

Table 17  
Monthly Income by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Respondent Monthly Income: employment <sup>a</sup>		
Mean	1,076	667
SD	718	651
Range	0-4,400	0-2,816
Respondent Monthly Income: all sources		
Mean	1,705	1,255
SD	912	791
Range	60-6,200	15-5,316
Respondent Monthly Income: all sources and Spousal income		
Mean	1,754	1,444
SD	934	918
Range	60-6,200	80-5,316

<sup>a</sup> For employed respondents only

When all sources of income are counted, including employment, the income difference between subsidy users and non-users increases. Accounting for all income sources, subsidy users made, on average, \$450 more per month than non-subsidy users.

Accounting for spousal income on top of other forms of income decreases the gap in earning to \$310 per month between subsidy users and non-subsidy users. Nonetheless, both subsidy users and non-users were poor; most lived below the 2006 federal poverty line.<sup>14</sup>

Table 18 (page 52) presents data on housing and transportation by subsidy use. Several welfare leavers were homeowners; this included 10% of child care subsidy user and 14.1% of non-subsidy users. Most, however, were renters, although some people reported that they neither owned nor rented where they lived.<sup>15</sup> Child care subsidy users had, on average, somewhat lower mortgages than non-subsidy users, but this difference was not significant. Rent levels tended to be comparable among both groups. More subsidy users received government assistance in paying for their rent (23%) compared to non-subsidy users (12.5%).

About half of each group had access to a car. Almost everyone reported having access to public transportation.

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<sup>14</sup> The 2006 federal poverty level for a family of four is \$20,000 annually. For a family of three, it is \$16,600 annually.

<sup>15</sup> Possibly they were staying with family or friends. This housing status constituted 23.4% of the non-subsidy users and 7.7% of child care subsidy users.

Table 18  
Housing and Transportation by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Own home		
N	19	18
%	10.1	14.1
Monthly mortgage payment		
Mean	\$321.8	\$439.9
SD	233.8	338.5
Rent home		
N	139	80
%	82.2	62.5
Monthly rent payment		
Mean	\$367.2	\$371.2
SD	229.1	
Government pays part of rent		
N	31	10
%	22.6	12.5
Access to a car		
N	93	65
%	49.5	50.8
Access to public transportation		
N	181	118
%	96.3	92.2

<sup>a</sup> Percent of respondents who reported that the government pays part of their rent

### **Health and Social Supports**

Table 19 (page 53) shows respondents' reports of their health and their child's health by subsidy use. A majority of respondents in both groups reported being in good or excellent health. Non-subsidy users (19.5%) were more likely to report being treated for mental health problems than subsidy users (8.5%).

The health of the target child in each group, according to parent reports, was not a problem; over 90% reported that their child's health was good to excellent.

Proportionately similar numbers of children in both groups were in intensive care when

they were born (less than 15%) and few children in either group had any conditions that limited their physical activities (less than 7%).

Table 19  
Respondent and Child Health by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
<b>RESPONDENT HEALTH</b>		
Good/excellent		
N	142	96
%	75.5	75.0
Pregnant		
N	6	9
%	3.3	7.5
Treated for mental health problem		
N	16	25
%	8.5	19.5
<b>CHILD HEALTH</b>		
Good/excellent		
N	172	117
%	91.5	92.1
In intensive care when born		
N	25	20
%	13.3	15.6
Condition that limits regular activities		
N	13	7
%	6.9	5.5

Table 20 (page 54) shows respondents' reports on whether they had someone available to help them with their children when they needed help, specifically, to watch, pick up or baby sit the child. Overall, both groups had comparable levels of social supports for helping them with their children. Subsidy use was not to be related to whether someone was available to help the parent with their child in time of need.

Table 20  
Perceptions of Family and Social Supports by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Someone available to watch child		
N	123	77
%	65.8	60.6
Someone available to pick up child		
N	133	88
%	71.5	68.8
Someone to baby sit child		
N	113	77
%	60.1	60.2

### **Welfare and Child Care Experiences**

Table 21 (page 55) shows welfare leavers' reports of how they felt they were treated by TANF caseworkers and their experiences with getting information and maintaining their welfare status. Overall, both groups reported similar welfare experiences. Most people felt that they were treated with dignity and respect and that their TANF caseworkers answered questions clearly. More subsidy users than non-users said they were not informed of changes in a timely way, given information about other forms about public assistance, that their case worker cared only about forms and did not explain rules but these differences are not large. Overall, how respondents felt they were treated while on welfare did not appear to be related to child care subsidy use later on.

Table 21  
Welfare Experiences by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Treated with dignity and respect		
N	139	100
%	74.3	78.7
Informed changes in timely way		
N	85	78
%	45.2	61.9
Appointments on time		
N	119	84
%	63.3	66.1
Case worker cared only for forms		
N	97	55
%	51.6	43.0
Application process difficult		
N	40	42
%	21.3	32.8
Given information about other forms of public assistance		
N	83	66
%	44.4	51.6
Case worker answered questions clearly		
N	140	100
%	74.9	78.1
Victim of racial/ethnic discrimination		
N	11	7
%	5.9	5.5
Case worker explained rules		
N	123	91
%	66.1	75.0

Table 22 (page 56) shows reports of sanctions while on TANF. Welfare recipients receive a sanction when they fail to be in compliance with specific TANF rules and regulations, particularly with work requirements. In Pennsylvania, TANF recipients are given partial sanctions for initial infractions which results in a partial reduction of the adult portion of their TANF grant for 30 day or until in compliance. If compliance does not occur, a maximum sanction is imposed and the adult portion of the check is

permanently reduced. In other words, if a person receives a maximum sanction they lose the adult portion of their TANF grant. Their children, however, may continue to receive TANF benefits (State Policy Documentation Project, 2000).

Between one fifth and one fourth of our respondents received a sanction while receiving TANF. About half of each group reported that their caseworker helped them avoid sanctions. However, out of those who reported receiving a sanction, slightly more non-subsidy users (58.1%) said that they had had their TANF check stopped due to sanctions than subsidy users (53.5%). Out of those who reported having their TANF check stopped due to sanctions, more non-subsidy users (38.9%) permanently lost their benefits than child care users (21.7%).

Table 22  
TANF Sanctions by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Ever sanctioned when on welfare		
N	43	31
%	22.9	24.2
Caseworker helped avoid sanctions		
N	97	68
%	51.6	53.1
Check stopped due to sanction <sup>a</sup>		
N	23	18
%	53.5	58.1
Benefits ended due to sanction <sup>b</sup>		
N	5	7
%	21.7	38.9

<sup>a</sup> Percentage of persons sanctioned

<sup>b</sup> Percentage of persons who had a check stop due to sanctions

Table 23 (page 58) shows reported child care use while receiving TANF by child care and subsidy use. Subsidy users (66%) use child care more while on TANF than non-subsidy users (50%). Child care subsidy users were much more likely to have received child care assistance while on TANF (79.8%) compared to non-subsidy users (34.4%). Subsidy users were more likely to use registered or licensed care while on TANF (56.8%) non-subsidy users (38.8%). Not surprising, more subsidy users used center care (48%) and less relative care (41%) than non-subsidy users (24% and 60.6%% for center and relative care respectively). Of the people using child care while receiving TANF, more child care subsidy users (54%) continued to use the same child care arrangement than non-subsidy care users (14.8%).

While receiving TANF, child care subsidy users had lower out of pocket expenses for child care (mean = \$13 per week), on average, than non-subsidy users (mean = \$35 per week). On average, TANF paid more for child care for post TANF subsidy users (\$169 per week) than the post TANF non-subsidy users (\$142 per week). Regardless of child care subsidy use or status, almost everyone who used child care while on TANF was satisfied with this care.

Table 24 (pages 59) shows child care use immediately after leaving the TANF system by child care subsidy users and non-subsidized child care users. Subsidy users were more likely to use center care (56%) than non-subsidy users (20.4%). They were also more likely to use registered or licensed care (68%) than non-subsidy users (7.8%). Subsidy use was clearly related to using both center as well as licensed care.

Subsidy users had somewhat lower child care costs (mean = \$18 dollars per week) than non-subsidy users (mean = \$35 per week), but there was great variability in the

Table 23  
 Child Care While on TANF by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Used child care while receiving TANF		
N	124	65
%	66.0	50.0
<b>TYPE OF CHILD CARE WHILE ON TANF</b>		
Child care center		
N	59	16
%	47.5	24.0
Family day care home		
N	17	10
%	13.7	15.2
Relative care		
N	51	24
%	41.1	80
More than one care arrangement		
N	26	10
%	20.9	15.9
Using same arrangement now		
N	67	19
%	54.0	14.8
Registered or licensed program		
N	71	21
%	56.8	38.8
Child care assistance while on TANF		
N	99	44
%	79.8	34.4
Weekly respondent child care payment		
Mean	\$13.2	\$35.4
SD	(26.9)	(53.7)
Weekly welfare child care payment		
Mean	\$169.7	\$142.5
SD	(141.0)	(109.0)
Satisfied with care		
N	111	64
%	89.5	97.0

Table 24  
Current Child Care by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
<b>REGULAR CHILD CARE USE</b>		
Used child care on regular basis since off TANF		
N	188	49
%	100.0	38.3
Currently using child care on regular basis		
N	185	49
%	98.4	38.3
<b>TYPE OF CHILD CARE</b>		
Child care center		
N	104	10
%	56.2	20.4
Family day care home		
N	31	14
%	16.8	28.6
Relative care		
N	50	25
%	27.0	51.0
More than one care arrangement		
N	29	7
%	15.8	5.3
Hours per week in care		
Mean	35.0	35.8
SD	(13.0)	(13.3)
Days per week in care		
Mean	4.9	5.0
SD	(0.7)	(10.8)
Accommodates changing work schedule <sup>a</sup>		
N	42	10
%	75.0	90.9
Registered or licensed program		
N	127	10
%	67.6	7.8
Child care payment per week		
Mean	\$17.9	\$35.3
SD	(27.2)	(29.8)
Range	\$0-\$200.0	\$0-\$158.0
Provider charges on sliding scale		
N	80	9
%	44.9	19.6

Table 24  
Current Child Care by Eligible Subsidy Users and Non-Users continued

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Relative/friends help pay for care		
N	13	4
%	7.0	8.3
Satisfied with care		
N	172	43
%	93.0	93.8

<sup>a</sup> Includes only respondents with changing work schedules

amounts parents paid for child care per week. Subsidy users' child care providers were also more likely to charge for care on a sliding scale (44.9%) than non-subsidy users (19.6%). Few in either group received help from friends or relatives paying for care (7% and 8.3% for subsidy users and non-subsidy users respectively). As with their child care while receiving TANF, almost everyone was satisfied with the child care they used after leaving TANF regardless of subsidy use.

### **Attitudes toward Welfare, Child Care Subsidies and Child Care**

Tables 25, 26, and 27 show respondents' opinions about a wide range of positions on welfare, child care subsidies and child care. Table 25 (page 61) presents attitudes towards welfare by child care and subsidy use. Table 26 (page 62) presents attitudes towards child care subsidies by child care and subsidy use. Table 27 (page 63) presents attitudes towards child care by child care and subsidy use.

Subsidy users and non-subsidy users expressed similar attitudes towards welfare. The vast majority of both groups agreed that government needed to ask for personal information to determine need, that government had the responsibility to help people in need, and that people in receipt of public assistance often abuse the system. Subsidy

users tended to believe more than non-subsidy users that society looks down on welfare recipients (79.7% and 67.7% for subsidy users and non-users respectively) and that it is the responsibility of government to help people when they need it (82.2% and 72.8% for subsidy users and non-users respectively). These differences, however, are not large.

Table 25  
Attitudes towards Welfare by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Government asks for too much personal information when applying for public assistance		
N	111	64
%	59.0	50.0
Welfare recipient should accept job offered to them		
N	120	91
%	63.8	71.7
Society looks down on welfare recipients		
N	149	86
%	79.7	67.7
People who receive public assistance often abuse the system		
N	136	100
%	75.6	78.7
Government has to ask for personal information to figure out who needs help		
N	156	119
%	83.4	93.7
If job pays too little, a welfare recipient should be able to turn it down		
N	105	67
%	56.8	52.3
It is the responsibility of government to help people when they need it		
N	152	96
%	82.2	72.8
People have the right to use government assistance when they need it		
N	179	126
%	96.2	98.4

Table 26  
Attitudes towards Child Care Subsidies by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Government should assist working parents with child care expenses		
N	174	113
%	93.5	89.0
By taking subsidies, people limit the type of child care arrangements they can use		
N	104	78
%	56.8	65.0
Child care providers treat children with subsidies different from other children		
N	27	20
%	14.8	16.4
Using a child care subsidy helps parents get better quality care		
N	126	83
%	67.0	66.9

Few differences existed by subsidy use and non-use over attitudes towards child care subsidies. Almost everyone believed that government should assist working parents with child care subsidies and that child care providers do not treat children with subsidies different from other children. About two thirds of both groups agreed that using a child care subsidy helps parents get better quality care. Slightly more non-subsidy users than subsidy users thought that by taking subsidies people limit the type of child care arrangements they can use (65% and 56.8% for non-subsidy users and subsidy users respectively), consistent with some non-subsidy users' positions that they would not use subsidies because they believed it required them to use center care.

The largest disagreements between subsidy users and non-subsidy users were over attitudes towards child care itself. Non-subsidy users tended to believe more than

subsidy users that children are best cared for in a home setting (76.4% and 61% for non-subsidy users and subsidy users respectively), that children are best cared for by a relative (58.7% and 49.5% for non-subsidy users and subsidy users respectively), and that a good child care provider should act more like a parent than a teacher (50.8% and 42.7% for non-subsidy users and subsidy users respectively). Subsidy users believed more than non-subsidy users that children do best in a child care center (54.5% and 47.6% for subsidy users and non-subsidy users respectively) and in care where religion is a part of the child care experience (43.8% and 32.5% for subsidy users and non-subsidy users respectively). Overall non-subsidy users expressed attitudes more consistent with not sending children to more institutional child care settings than subsidy users.

Table 27  
Attitudes towards Child Care by Eligible Subsidy Users and Non-Users

	Subsidy Users n = 188	Non-Subsidy Users n = 128
Children are best cared for in a home setting		
N	114	97
%	61.0	76.4
It is important that religion is a part of the child care experience		
N	81	41
%	43.8	32.5
Children are best cared for by a relative		
N	92	74
%	49.5	58.7
Children do best in a child care center		
N	102	59
%	54.5	47.6
A good child care provider should act more like a parent than a teacher		
N	79	64
%	42.7	50.8
Children do best when their child care providers are of the same race and ethnicity as they are		
N	17	11
%	9.1	8.6

## **Racial and Ethnic Differences**

Do differences between subsidy users and non-users vary by race and ethnicity? That is, are there differences between African American, Hispanic and White subsidy eligible welfare leavers that correspond with the differences between subsidy users and non-users more generally?

The answer to this question is largely no. Appendix F contains a set of analyses that compare White, African American and Hispanic welfare leavers. All these groups were very similar along most dimensions including age, sex, welfare experiences, and employment. Differences in particular characteristics were largely differences between African Americans and the rest of the sample. When African American subsidy eligible welfare leavers exhibited differences from the other racial and ethnic groups, Hispanic and White subsidy eligible welfare leavers tended to be more similar to each other.

African Americans were more likely to have never been married (90.4%) compared to White (80.6%) or Hispanic (71.1%) subsidy eligible respondents. African American (63.8%) and Hispanic (62.8%) subsidy eligible respondents were more likely to have been in families as children that received welfare compared to White respondents (30.7%). African American respondents had higher levels of education than either White or Hispanic respondents. African Americans had higher rates of high school graduation and GED acquisition (62.7%, 49.5% and 49.5% for African American, White and Hispanic respondents respectively) and lower rates of not finishing high school (16.7%, 31.2% and 34% for African American, White and Hispanic respondents respectively).

African American respondents were more likely to have received a housing subsidy (33%) than either White (7%) or Hispanic (6.3%) respondents. African

Americans had lower reported rates of mental illness (7.1%) than either White (22.6%) or Hispanic (11.3%) respondents.

African Americans' child care use and subsidy use while on TANF differed from those of White and Hispanic respondents. African American respondents were more likely to have used child care while receiving TANF (71.4%, 51.6% and 52.6% for African American, White and Hispanic respondents respectively). They were also more likely to receive child care subsidies while on TANF (54.4%, 38.7% and 40.2% for African American, White and Hispanic respondents respectively). African Americans, after leaving TANF, were more likely to use center care (46%, 35.5% and 23.7% for African American, White and Hispanic respondents respectively) and to use registered or licensed care more generally (56.3%, 38.7% and 30.9% for African American, White and Hispanic respondents respectively). Attitudes toward welfare, child care subsidies or child care more generally did not vary by race or ethnicity.

Upon leaving the welfare system, African American subsidy eligible respondents used child care subsidies at higher rates than either Hispanic or White subsidy eligible. Some of the characteristics associated with subsidy use such as using a child care subsidy while on TANF or use of registered or licensed care were also positively associated with being African American and negative associated with being either White or Hispanic. But many of the differences among subsidy users and non-users did not correspond with race or ethnicity. African American's higher propensity to use subsidies is not explained by non-racial and ethnic differences between the three groups.

## **FINDINGS: THE TRANSITION FROM TANF TO THE CCIS SYSTEM**

Most welfare leavers did not obtain child care subsidies upon leaving the TANF system. Why? We address this question by examining welfare leavers' knowledge about subsidies and their transition experiences. These analyses focus solely on differences among welfare leavers from all three race/ethnicity groups who were eligible for subsidy: those subsidy eligible welfare leavers who received a child care subsidy and those subsidy-eligible who did not.

### **Communications about CCIS**

Tables 28 and 29 present information about communications to welfare leavers about transitioning to the CCIS subsidy system. Table 28 (page 67) shows respondents' reports of who first told them about CCIS by subsidy use and non-use. For each group, Table 29 (page 68) shows respondent reports about specific pieces of information conveyed to them by their TANF caseworker about CCIS.

Welfare leavers who learned about CCIS from their TANF case manager were slightly more likely to use a child care subsidy. Sixty percent of all child care subsidy users heard about CCIS from their TANF caseworker compared to 54.3% of non-subsidy users. Non-subsidy users, however, were more likely to first hear about CCIS from a CCIS caseworker (14.9%) than subsidy users (1.1%). These minor differences in how welfare leavers learned about child care subsidies suggests that subsidy communications between caseworker and welfare leaver is a very small part of the reason for subsidy use and non-use.

Welfare leavers who received a child care subsidy were more likely to report receiving specific information about the transfer process once they were told about CCIS

Table 28  
 First Learned about CCIS by Subsidy Utilization

	Eligible for Subsidy	
	Subsidy User n = 185	Non-Subsidy User n = 94
Welfare case worker		
N	112	51
%	60.5	54.3
Family/friends		
N	35	18
%	18.9	19.1
CCIS office/caseworker		
N	2	14
%	1.1	14.9
Job training program		
N	7	2
%	3.8	2.1
Social Services		
N	2	1
%	1.1	1.1
Child care		
N	0	3
%	0.0	3.2
Advertisements		
N	5	1
%	2.7	1.1
Employer		
N	0	0
%	0.0	0.0
Used it previously		
N	0	2
%	0.0	2.1
Other		
N	22	2
%	11.9	2.1

by their TANF caseworker. More than three quarters of child care subsidy users, (79%) reported being told by their TANF caseworker that their file would be transferred to the CCIS system compared to 61% of non-subsidy users. More subsidy users reported being told that a CCIS worker would contact them (69%) than either non-subsidy users (52.2%).

Comparable numbers of both subsidy users and non-users were reported actually receiving some form of communication from a CCIS caseworker, about 70% of each group.

Subsidy users were more likely to report receiving information about transferring to the CCIS system than subsidy eligible non-users. Getting information from case workers appeared to be a reason, although not a large one, for why some welfare leavers connected to the CCIS system while others did not.

Table 29  
Case Worker Communication about CCIS by Subsidy Utilization

	Child Care Users	
	Subsidized n = 111	Not Subsidized n = 46
<b>TANF CASE WORKER TOLD<sup>a</sup></b>		
File transfer to CCIS		
N	88	28
%	78.6	60.9
CCIS worker would contact		
N	77	24
%	68.7	52.2
<b>CCIS CASE WORKER CONTACTED<sup>b</sup></b>		
By phone, mail or both		
N	130	32
%	69.1	69.6

<sup>a</sup> Questions asked solely of respondents who had heard of CCIS from their welfare case workers.

<sup>b</sup> All child care subsidy users (n = 188) were asked this question.

### **Beliefs about Subsidy Eligibility**

Table 30 (pages 70-73) presents beliefs about eligibility for child care use for eligible non-subsidy users. Shown are the reasons why they believed they were not eligible and why they were not currently using child care subsidies.<sup>16</sup>

About one quarter of subsidy eligible non-subsidy users either did not know or did not believe they were eligible for subsidy. Why did people believe they were ineligible?

Several people reported that they thought they were ineligible because of employment issues (not employed, did not work enough hours, made too much money or that their spouse was not employed). Few people reported that they thought they were ineligible because of issues related to their welfare status (e.g., being sanctioned), provider eligibility for subsidy, the absence of a court child support order, or being a U.S. citizen.

A significant number of subsidy eligible non-subsidy users who thought they were ineligible (59%) said that they would apply for a subsidy if they knew they were eligible. The proportionately large number of welfare leavers who were unaware of their subsidy eligibility and who said that would apply if they learned they were eligible suggests that communications about subsidy eligibility is a crucial way to link welfare leavers to subsidy. If people knew they were eligible, more than half agreed that they would try to access the subsidy system.

Why would people who know that they are eligible not apply for or use a child care subsidy? The most common reasons included hearing that there was a wait list for

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<sup>16</sup> Beliefs concerning subsidy eligibility were asked only of respondents who had never applied for a child care subsidy.

Table 30  
Reasons for Non-Subsidy Use for Eligible Non-Subsidy Users (N = 99)

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Would not use a subsidy		
N		12
%		48.0
Do not believe or do not know if eligible for CCIS subsidy <sup>a</sup>		
N		24
%		24.2
<b>REASONS BELIEVE NOT ELIGIBLE</b>		
Not working <sup>b</sup>		
N		7
%		70.0
Do not work enough hours		
N		1
%		4.3
Make too much money		
N		10
%		43.5
Earn less than minimum wage		
N		1
%		4.3
No longer on welfare		
N		6
%		25.0
Provider not subsidy eligible		
N		6
%		26.1
Provider will not take subsidy		
N		4
%		17.4
Spouse not employed <sup>c</sup>		
N		3
%		25.0
Will not receive court ordered child support <sup>d</sup>		
N		1
%		9.1
Not U.S. citizen		
N		0
%		0.0
Sanctioned by welfare case worker <sup>e</sup>		
N		1
%		20.0

Table 30  
Reasons for Non-Subsidy Use for Eligible Non-Subsidy Users (continued) (N = 99)

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Child receives SSI or foster care		
N		1
%		4.2
If knew was eligible would apply for subsidy		
N		13
%		59.1
<b>REASONS FOR NOT USING CCIS SUBSIDY<sup>f</sup></b>		
Do not believe eligible		
N		17
%		16.7
Only need for short time		
N		13
%		12.9
Co-pays too high		
N		16
%		16.2
Can get cheaper care		
N		18
%		17.8
Heard there is a wait list		
N		26
%		25.5
Provider does not charge		
N		15
%		15.0
Court ordered child support requirement <sup>d</sup>		
N		9
%		12.2
Application hard to fill out		
N		3
%		3.0
Hard to collect paper for application		
N		9
%		8.8
Application invasion of privacy		
N		10
%		9.8
Can not take time to go to CCIS office		
N		28
%		27.5

Table 30  
Reasons for Non-Subsidy Use for Eligible Non-Subsidy Users (continued) (N = 99)

CCIS office hours not convenient		
N		19
%		19.2
Problems with CCIS staff		
N		7
%		6.9
Six month eligibility re-determination		
N		17
%		16.8
Feel victim of discrimination		
N		3
%		3.0
Do not want to use child care center <sup>g</sup>		
N		12
%		24
Do not want to use registered family care <sup>h</sup>		
N		4
%		18.2
Provider does not charge accept subsidy		
N		6
%		6.1
Fear child would be treated differently		
N		10
%		10.1
Fear child around other races/ethnicities		
N		3
%		3.0
Use out of state provider		
N		0
%		0.0
Use Head Start		
N		1
%		1.0
Had bad public assistance experience		
N		12
%		11.8
Use ineligible religious care		
N		2
%		2.0

Table 30  
Reasons for Non-Subsidy Use for Eligible Non-Subsidy Users (continued) (N = 99)

Subsidy slots at care program already filled	
N	5
%	4.9
No longer want government assistance	
N	13
%	12.7
Do not speak English <sup>i</sup>	
N	3
%	33.3

<sup>a</sup> Asked only of respondents who reported never applying for a CCIS subsidy

<sup>b</sup> Asked only of respondents currently not working.

<sup>c</sup> Asked only of respondents living with spouse or partner.

<sup>d</sup> Asked only of respondents not married or not living with child's other parent.

<sup>e</sup> Asked only of respondents who were sanctioned by the welfare office.

<sup>f</sup> Asked only of respondents who said they would not apply for a CCIS subsidy.

<sup>g</sup> Asked only of respondents using no child care or current child care is in a home.

<sup>h</sup> Asked only of respondents using no child care or current child care is not in a home.

<sup>i</sup> Asked only of Spanish speaking respondents.

subsidy (25.5%), not being able to take time to go to the CCIS office (27.5%) or inconvenient CCIS office hours (19.2%). Some welfare leavers reported that they no longer wanted any form of government assistance (12.7%). A significant number said that they would not use a subsidy because they thought it would force them to use a particular type of care – center care (24%) and registered family day care (18.2%). Apparently, they believed that subsidy use would preclude them using their preferred type of care. This, however, is not the case in Pennsylvania. In addition, few people reported that the CCIS application process per se, other than going to the office, would deter them from applying for subsidy.

Essentially, there were two types of barriers to subsidy. One was the friction of space (getting from here to there) which reduced the probability of applying for a subsidy. Going to the office, in particular while waiting lists exist, may seem like waste

of time. Second, misinformation operated as a barrier when people believed erroneously that the subsidy system will limit their preferred type of care.

### **CCIS Child Care Subsidy Application Process**

Table 31 (page 75-76) compares experiences with the CCIS child care subsidy application process for child care subsidy users and eligible non-subsidized child care users. For non-subsidized child care users, shown are the numbers who applied for child care subsidies.<sup>17</sup> For both groups, shown are their perceptions about the application process and reported problems with the process.

The non-subsidy users included in this analysis represent those who had previously heard of CCIS. About three quarters of all non-subsidy users (76.5%) had heard of CCIS. Fewer than one fifth (12.5%), had applied for this child care subsidy.

Subsidy recipients reported receiving more help with paperwork and more understanding from CCIS staff: 76.7% and 87% compared to 50% and 72.7% for subsidy recipients and non-subsidized applicants respectively.

Eligible non-subsidy users reported more problems with the application process than subsidy users; they reported more that telephone calls were not returned promptly, that evening hours for appointments were not available, and that there was too much paperwork. Subsidy recipients were more likely to report that appointments were scheduled at convenient times (91% and 63.6% for subsidy users and non-users respectively).

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<sup>17</sup> All subsidy users, by definition, had already applied for a subsidy. Questions about whether respondents had applied for a CCIS subsidy were only asked of those who had heard of CCIS.

Table 31  
Child Care Subsidy Application Experiences by Subsidy Utilization

	Subsidy Eligible	
	Subsidy Users n = 188	Non- Subsidy Users n = 23
Heard of CCIS		
N	--	96
%	--	76.8
Apply for CCIS subsidy since TANF		
N	--	12
%	--	12.5
<b>CCIS APPLICATION EXPERIENCE<sup>a</sup></b>		
Help available with paperwork		
N	138	6
%	76.7	50.0
Case worker understands special circumstances		
N	47	8
%	87.0	72.7
Staff polite		
N	166	11
%	93.3	100
Answer phone quickly		
N	139	7
%	77.7	58.3
Return calls promptly		
N	113	6
%	63.5	50.0
Staff respectful of cultural heritage		
N	173	12
%	96.1	100
Evening hours available		
N	105	4
%	66.5	36.0
Appointments scheduled at convenient times		
N	162	7
%	91.0	63.6
<b>APPLICATION PROCESS PROBLEMS<sup>a</sup></b>		
Language barriers		
N	13	1
%	7.3	8.3
Providing information already provided a problem		
N	31	3
%	17.2	25.0

Table 31  
 Child Care Subsidy Application Experiences by Subsidy Utilization (continued)

	Subsidy Eligible	
	Subsidy Users n = 188	Non- Subsidy Users n = 23
Too much paper work		
N	41	4
%	22.8	33.0
In-person appointments		
N	37	2
%	20.7	18.2
Eligibility for CCIS		
N	18	3
%	10.0	25.0
Difficult CCIS staff		
N	14	1
%	7.8	8.3
Personal questions		
N	16	1
%	8.9	8.3
Finding provider accepting subsidy		
N	11	2
%	6.1	16.7
Getting used to CCIS paying provider		
N	25	3
%	14.0	25.0
Coming up with co-pay		
N	28	2
%	15.7	18.2
CCIS wait to begin payments		
N	62	7
%	35.0	58.3
Transportation to CCIS office		
N	27	3
%	14.9	25.0
Too many people to deal with		
N	18	4
%	9.9	33.3

<sup>a</sup> Percents of respondents who had applied for a subsidy.

The wait for CCIS to begin payments was by far the biggest complaint for both groups (35% for subsidy recipients and 58.3% for non-subsidized applicants). This problem of waiting for CCIS payment was reportedly worse for the non-subsidy users. Overall, reported problems were largely rooted in the CCIS subsidy application requirements (e.g., paperwork) or with money (coming up with co-payments, wait for CCIS payments).

### **Need for Assistance Paying for Child Care**

Table 32 (page 78) presents information about subsidy eligible welfare leavers who were using non-subsidized child care and who had not applied for a CCIS subsidy upon leaving the TANF system (n=22). One reason why people might not apply for a subsidy could be because they believed that they did not need help paying for care.

When asked, over half of this group (63.6%) reported that they did not need help paying for care.

Why did they not need help paying for care? The most common reasons were that they believed that they had enough money (33%), had free or cheap care (16.7%) or that child care payments were their own responsibilities (17.7%).

### **Communications about CCIS: Race and Ethnic Differences**

Tables 33 (page 79) and 34 (page 80) present information about communications to welfare leavers about transitioning to the CCIS subsidy system for White, African American and Hispanic welfare leavers. Few differences existed in the pattern of communications about CCIS subsidies among the three racial and ethnic groups.

Comparable numbers of African American, Hispanic and White welfare leavers learned about the availability of CCIS from their caseworkers and others.

Table 32  
Reasons for Not Needing Help Paying for Child Care for Non-Subsidy Users

		Non-Subsidy Users
		n = 22
Do not need help paying for child care		
N		14
%		63.6
<b>REASONS FOR NOT NEEDING HELP PAYING FOR CARE</b>		
Other parent caregiver		
N		0
%		0.0
Work at home		
N		0
%		0.0
Have free/cheap care		
N		2
%		16.7
Friends/family help pay		
N		0
%		0.0
Care provider program assistance		
N		0
%		0.0
Pay my responsibility		
N		2
%		16.7
Have enough money		
N		4
%		33.3
My care good enough		
N		0
%		0.0
Other reasons		
N		4
%		8.2

Table 33  
 First Learned about CCIS by Race and Ethnicity

	Non-Hispanic White n = 79	Non-Hispanic African American n = 118	Hispanic n = 82
Welfare case manager			
N	47	68	48
%	59.5	57.6	58.5
Family/friends			
N	16	22	14
%	20.3	18.6	17.1
CCIS office/caseworker			
N	5	6	5
%	6.3	5.1	6.1
Job training program			
N	2	3	4
%	2.5	2.5	4.1
Social Services			
N	1	2	0
%	1.3	1.7	0.0
Child care			
N	1	0	2
%	1.3	0.0	2.4
Advertisements			
N	1	2	3
%	1.3	1.7	3.7
Employer			
N	1	0	1
%	1.3	0.0	1.2
Used it previously			
N	0	0	2
%	0.0	0.0	2.4
Other			
N	13	28	12
%	9.9	14.3	8.2

More African American and Hispanic welfare leavers were told that their file would automatically transfer to the CCIS system compared to White welfare leavers (75% and 77.5% for African American and Hispanic welfare leavers compared to 63.8% for White welfare leavers). Yet proportionately more White (75%) and African-American (76.6%) than Hispanic welfare leavers (65.5%) reported getting some form of contact (phone, mail, and letter) from their CCIS case manager. In fact, the majority of all groups reported receiving some form of contact from their CCIS caseworker.

Table 34  
Case Worker Communications about CCIS by Race and Ethnicity

	Non-Hispanic White n = 47	Non-Hispanic African American n = 68	Hispanic n = 45
<b>TANF CASE WORKER TOLD<sup>a</sup></b>			
File transfer to CCIS			
N	3	51	35
%	63.8	75.0	77.8
CCIS worker would contact			
N	32	40	29
%	66.7	58.8	65.9
<b>CCIS CASE WORKER CONTACTED<sup>a</sup></b>			
By phone, mail or both			
N	38	85	39
%	75.0	76.6	65.5

<sup>a</sup> Questions asked solely of respondents who had heard of CCIS from their welfare case workers.

### **Beliefs about Subsidy Eligibility: Race and Ethnic Differences**

Table 35 (page 82-84) shows by race and ethnicity whether these subsidy eligible non-subsidy users had heard of CCIS, their beliefs about subsidy eligibility and reasons why they would not use subsidy. African American subsidy eligible non-subsidy users (85.7%) were more likely to have heard about CCIS subsidies than either White (75.16%) or Hispanic (73.1%) subsidy eligible non-users. Among each racial and ethnic group,

from one fifth to about one quarter of those who had heard of CCIS subsidies did not believe or did not know they were eligible for CCIS.

Hispanic non-subsidy users were more likely than either African American or White non-subsidy users to report that they were not using subsidies because they thought did not believe they were eligible (27.7%, 11.1% and 5.4% for Hispanic, African American and White non-subsidy users respectively), would only need care for a short amount of time (16%, 6% and 9% for Hispanic, African American and White non-subsidy users respectively), the co-payments were too high (19.1%, 11.7 % and 14.3% for Hispanic, African American and White non-subsidy users respectively), and they had had a bad experience with public assistance (17%, 0% and 10.8% for Hispanic, African American and White non-subsidy users respectively).

African American non-subsidy users were more likely than either Hispanic or White non-subsidy users to report that they didn't apply for subsidy because they heard there was a wait list for subsidy (44.4%, 23.4% and 18.9% for African American, Hispanic and White welfare leavers respectively). White non-subsidy users were more likely to report that they would not use a subsidy because they would not want to use a child care center (33.3%, 14.3% and 20% for White, African American and Hispanic non-subsidy users respectively).

Table 35  
Reasons for Not Using a CCIS Child Care Subsidy by Race and Ethnicity

	Non-Hispanic White n = 38	Non-Hispanic African American n = 18	Hispanic n = 43
Heard of CCIS child care subsidy			
N	34	24	38
%	75.6	85.7	73.1
Do not believe or do not know if eligible for CCIS subsidy			
N	10	5	9
%	26.3	27.8	20.9
<b>REASONS FOR NOT USING CCIS SUBSIDY</b>			
	n = 35	n = 17	n = 47
Do not believe eligible			
N	2	2	9
%	5.4	11.1	19.1
Only need for short time			
N	4	1	8
%	10.8	5.9	17.0
Co-pays too high			
N	5	2	9
%	14.3	11.7	19.1
Can get cheaper care			
N	7	1	10
%	19.4	5.6	21.3
Heard there is a wait list			
N	7	8	11
%	18.9	44.4	23.4
Provider does not charge			
N	7	1	7
%	19.4	5.6	15.2
Court ordered child support requirement <sup>c</sup>			
N	3	3	3
%	12.5	17.6	9.1
Application hard to fill out			
N	0	0	3
%	0.0	0	6.4

Table 35  
Reasons for Not Using a CCIS Child Care Subsidy by Race and Ethnicity continued

	Non-Hispanic White	Non-Hispanic African American	Hispanic
Hard to collect paper for application			
N	5	0	4
%	13.5	0.0	8.5
Application invasion of privacy			
N	3	1	6
%	8.1	5.6	12.8
Can not take time to go to CCIS office			
N	11	4	13
%	29.7	22.2	27.7
CCIS office hours not convenient			
N	6	3	10
%	17.1	16.7	21.7
Problems with CCIS staff			
N	3	0	4
%	8.1	0.0	8.7
Six month eligibility re-determination			
N	6	4	7
%	16.2	22.2	15.2
Feel victim of discrimination			
N	1	0	2
%	2.7	0.0	4.3
Do not want to use child care center <sup>c</sup>			
N	6	1	5
%	33.3	14.3	20.0
Do not want to use registered family care <sup>f</sup>			
N	1	1	2
%	10.0	33.3	22.2
Provider does not charge accept subsidy			
N	1	1	4
%	2.8	5.6	8.7
Fear child would be treated differently			
N	5	2	3
%	13.5	11.1	6.5
Fear child around other races/ethnicities			
N	1	0	2
%	2.7	0.0	4.3
Use out of state provider			
N	0	0	0
%	0.0	0.0	0.0

Table 35  
Reasons for Not Using a CCIS Child Care Subsidy by Race and Ethnicity continued

	Non-Hispanic White	Non-Hispanic African American	Hispanic
Use Head Start			
N	1	0	0
%	0.8	0.0	0.0
Had had public assistance experience			
N	4	0	8
%	10.8	0.0	17.0
Use ineligible religious care			
N	1	0	0
%	2.7	0.0	0.0
Subsidy slots at care program already filled			
N	0	1	4
%	0.0	5.6	8.5
No longer want government assistance			
N	3	2	4
%	9.6	16.8	8.5
Do not speak English <sup>e</sup>			
N	0	0	3
%	0.0	0.0	33.3

<sup>a</sup> Asked only of respondents currently not working.

<sup>b</sup> Asked only of respondents living with spouse or partner.

<sup>c</sup> Asked only of respondents not married or not living with child's other parent.

<sup>d</sup> Asked only of respondents who were sanctioned by the welfare office.

<sup>e</sup> Asked only of respondents using no child care or current child care is in a home.

<sup>f</sup> Asked only of respondents using no child care or current child care is not in a home.

<sup>g</sup> Asked only of Spanish speaking respondents.

## **FINDINGS: PREDICTING POST TANF CHILD CARE SUBSIDY USE: A MULTIVARIATE ANALYSIS**

The previous analyses showed some of the differences within groups and the characteristics of those subsidy eligible welfare leavers who used and who did not use child care subsidies. In this section, we use multivariate regression analyses to predict to post TANF subsidy use among eligible welfare leavers. These analyses allow us to estimate the effects of each variable on subsidy use while statistically controlling for the effects of all other variables.

In contrast to our previous research in this area (Shlay, et al 2004), the model we developed in this research project to predict post-TANF use of child care subsidies allowed us to statistically control for specific experiences while on TANF and during the transition off TANF. Our previous research showed that more experience with different forms of public assistance affected use of other forms of public assistance. Here, in these regression analyses we were able to assess the effects of all the variables in the model while controlling for public assistance receipt in the form of food stamps. Other variables we assessed in the model include race/ethnicity, receipt of a child care subsidy while on TANF, receipt of economic support from family and friends, working the same days every week, belief that children are best cared for in a home setting, treatment for a mental health problem in the last six months.

This model does not control for employment. We did not control for employment because employment is often a condition for child care subsidy receipt; except in a few cases, employment and child care subsidy use go hand in hand.<sup>18</sup> Employment is also correlated with several of the independent variables in the equation. When employment is entered into the model simultaneously with the other independent variables, it essentially eliminates all other independent effects. Since we already know that employment is a predictor of subsidy use and vice versa, we have excluded it from the model so that we are able to determine other influences on child care subsidy use post TANF. These other influences may not only affect child care subsidy usage, but also employment.

Table 36 (page 86) shows the effects of these characteristics and experiences on child care subsidy use within the group of subsidy eligible welfare leavers. We employed

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<sup>18</sup> The correlation between employment and child care subsidy use is .36.

logistic regression analysis because the dependent variable is binary (1 = received a child care subsidy). All of the independent variables in the equation are also binary variables.

Shown are the B coefficients, associated standard errors and odds ratios.

Table 36  
The Effects of Public Assistance, Race and Ethnicity and Other Factors on Child Care Subsidy Receipt (1 = received child care subsidy) (N = 316)

Variable	B coefficient (Standard error)	Odds ratio
African American <sup>a</sup> (1 = African American)	1.063** (.322)	2.894
Hispanic <sup>a</sup> (1 = Hispanic)	-.243 (.313)	.785
Treated for mental health problems in last six months (1 = treated for mental health problem in last six months)	-.795** (.384)	.451
Received economic support from relatives and friends (1 = received economic support from relatives and friends)	-.757** (.329)	.469
Works the same days every week (1 = works the same days every week)	.706** (.265)	2.027
Receives Food Stamps (1 = receives Food Stamps)	.530* (.311)	1.699
Received child care subsidy while on TANF (1 = received child care subsidy while on TANF)	.483* (.263)	1.621
Believes children are best cared for in home setting (1 = believes children best care for in home setting)	-.396 (.284)	.673
Constant	-.530 (.460)	.589

Cox & Snell  $R^2 = .173$ , Predicted = 71.2%,  $\chi^2 = 59.866^{**}$

<sup>a</sup> Omitted variable = White respondents

\* $p \leq .10$

\*\* $p \leq .05$

The B coefficient indicates the magnitude of the effect relative to the standard error. This is the information we used to determine whether a variable is a statistically significant predictor. A large and significant B coefficient means that the effect is highly significant and unlikely to be affected by chance. The odds ratio permits us to calculate the percentage increase or decrease in likelihood of the dependent variable (e.g., received a child care subsidy) with a unit change in the independent variable (e.g., received food stamps).

Race was the most important predictor of child care subsidy use even controlling for other variables. African Americans, compared to Whites or Hispanics, were more likely to receive a child care subsidy ( $p < .05$ ). Being African American increased the odds of receiving a subsidy by 189%.

Receiving economic support from family and friends had a negative effect on receiving a subsidy ( $p < .05$ ). Receiving help from family or friends decreased the odds of receiving a subsidy by 47%.

Mental health had a significant and negative influence on child care subsidy receipt. Those who had been treated for mental health problems had the odds of receiving a child care subsidy decrease by 45%.

Working the same day each week increased the probability of receiving a child care subsidy. Working the same day each week increased the odds of receiving a subsidy by 102%.

Welfare leavers, however, were somewhat more likely to use a child care subsidy if they were receiving food stamps ( $p = .088$ ). Welfare experiences may have also been part of the explanation for why people received or did not receive a child care subsidy

post TANF. Welfare leavers were somewhat more likely to use a child care subsidy if they received a child care subsidy while on TANF. Receiving a child care subsidy while on TANF increased the odds of receiving a child care subsidy by 62% ( $p = .066$ ).

Believing children are best cared for in a home setting did not affect subsidy receipt.

What is the meaning of these findings? They point to several features that connect welfare experiences, economic supports, and welfare policies as well as race and ethnicity.

First, race and ethnicity are key features that explain subsidy use. African American welfare leavers, all else equal, were more likely to use a child care subsidy compared to either White or Hispanic welfare leavers. African Americans behaved differently from White and Hispanic welfare leavers in terms of accessing child care subsidies post TANF. White and Hispanic welfare leavers exhibited similar forms of behavior, all else equal, in terms of accessing child care subsidies post TANF. This race effect suggests the interplay of cultural factors tied to race and ethnicity that influence the use of child care subsidies.

To be sure, African American, White and Hispanic welfare leavers had different transition and welfare experiences that explain in part, differences in subsidy use. But these factors are also included as independent predictors in the equations. Therefore, this analysis suggests that race affects subsidy use over and above these experiences while either on TANF or transitioning off of TANF.

All else equal, receiving economic support from family or friends had a negative effect on child care subsidy use. Perhaps these welfare leavers who received economic help from family or friends preferred to rely on private forms of support rather than

public forms such as child care subsidies. Alternatively, perhaps those parents who were not getting subsidies were forced to rely on private forms of support.

Having been treated for mental health problems in the last six months makes it less likely that families used subsidies. This finding suggests that although these mothers were healthy enough to find and maintain employment, managing subsidized care may have been too overwhelming for these already stressed parents.

That working the same days each week predicted child care subsidy use may reflect the fact that parents with predictable, regular employment are most likely to rely on subsidized child care. The direction of effects here is open to question. Does regular employment encourage mothers to seek subsidized care? Or, do the parameters of subsidized care encourage mothers to seek jobs with regular weekly hours? It is likely, however, that mothers with regular work hours were more likely to use center care, and this is the care used most commonly preferred by families on child care subsidies.

The close to significant positive effect of food stamps on child care subsidy use indicates a propensity to use child care subsidies when families receive another subsidy tied to purchasing a particular good necessary for family survival (in this case food). Both subsidized food and child care are necessary economic supports for surviving employment in a low wage job.

This analysis also suggests a role of welfare policy and experiences in transitioning into CCIS, the non-TANF child care subsidy system. Those who received a child care subsidy while on TANF were somewhat more likely to be automatically transferred to the CCIS system. The TANF system knew that a child eligible for subsidy was in the household. Therefore, getting the family from one child care system to

another was apparently more straightforward. The effect of use of a child care subsidy while on TANF on receiving a subsidy post TANF also indicates the converse, that people whose children were not in subsidized care while on TANF were less likely to receive a child care subsidy post TANF.

### **CHAPTER 3**

#### **THE IMPACT OF CHILD CARE SUBSIDIES ON EMPLOYMENT**

There are a variety of reasons that welfare leavers might not succeed in obtaining and maintaining employment. These include a weak job market, a deficit of human capital and the absence of subsidized child care. At the same time, many welfare leavers do find employment and become economically self-sustaining. In this second part of the report, we describe the effect of subsidized child care on obtaining and maintaining employment for low income families.

#### **THE LITERATURE ON CHILD CARE SUBSIDIES AND EMPLOYMENT**

With the premise that child care subsidies are tools that give parents the opportunity to prepare for, enter in and stay in the labor force, research over the last decade has focused on studying the effects of subsidies on labor force participation. Most of the research has examined the influence on subsidies on employment by modeling mathematical relations among subsidy and employment-related data collected as part of larger, publicly available data sets. This research has shown that mothers who use child care subsidies appear more likely than other low-income mothers to be employed, work longer hours, work standard rather than non-standard schedules (Tekin, 2004), maintain their employment over time (Lee, George, Reidy, Kreader, Georges, Wagmiller, et al., 2004), return to employment sooner after childbirth (Baum, 2002), and

earn more income on the job (Danziger, Ananat & Browning, 2003). Reviewing these research studies, Lawrence and Kreader (2006) concluded that there is no doubt that subsidy receipt and increased rates of employment and improved employment outcomes are related.<sup>19</sup>

Some of the research has suggested that subsidies are more likely to affect the employment of particular groups of people. For example, Han & Waldfogel (2001) and Houser & Dickert-Conlin (1998) showed that reductions in child care costs may be more likely to affect single rather than married mothers. Anderson & Levine (1999) showed that reductions in child care costs were more likely to affect the employment of less-educated women, and Tekin (2004) showed that subsidies were more likely to influence the probability of working standard schedules for mothers on TANF than for non-TANF mothers.

As Lawrence & Kreader remind us, current research on child care and employment is limited because it is largely based on correlational research, that is, research based on the relationships between only two or three variables. According to Lawrence & Kreader, “subsidy use and employment are inherently intertwined—subsidies support employment, while employment and preparation for employment are conditions for subsidy eligibility (page 2).” This situation puts us in a tautological bind – subsidies are related to employment because employment is required for subsidy.

Experimental attempts to evaluate public policy programs that foster employment by increasing supports to employment such as child care have also been limited. In a review of 13 experimental welfare and employment programs initiated prior to

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<sup>19</sup> This review of the literature relies heavily on the literature review completed by Susan Lawrence & Lee Kreader in 2006. That review can be found on the Child Care and Early Education Research Connections website.).

PRWORA designed to influence single parents' employment and use of child care, Crosby, Gennetian & Huston (2001) noted that the use of multiple components in interventions makes it impossible to evaluate the effects of particular components of the programs, such as subsidies for child care. Until more experimental research is available, it will be hard to show that child care subsidies causally affect parental employment.

Two research projects are underway that promise to yield causal information. In one, Abt Associates are randomly assigning low income families either to a subsidized treatment group or a nonsubsidized control group. They are following the families for two years to observe the parents' employment, child care satisfaction, and child care stability. In another project, Abt Associates are evaluating the effects of different co-payment schedules on parental employment, child care choices and patterns of child care use. When the results of these experimental studies are available, we will be able to estimate the extent to which child care subsidies affect parental employment. Until that time, we are limited to drawing inferences about the relation between subsidies and employment from correlational data.

One of the questions that can be answered with correlational data concerns the *magnitude* of the relationship between employment and child care usage. Houser & Dickert-Conlin (1998) suggested that both child care subsidies and changes in the Earned Income Tax Credit had relatively small effects on maternal employment characteristics. Blau and Tekin (2001) estimated that single mothers of children under the age of 13 who received child care subsidies were five percentage points more likely to be employed than mothers who did not receive child care subsidies. Given the inherent relation between

subsidies and employment, it is surprising to learn that mathematical models yield such low estimates of the effectiveness of child care subsidies on maternal employment.

Another question that can be answered using correlational data is, how do subsidized families fare over time? That is, when families receive child care subsidies, what are the long term implications for their families, particularly on the parents' employment and the children's development? To our knowledge, few studies have looked at the effects of subsidy receipt longitudinally. Yet, this question is most likely to yield information about the effectiveness of subsidies in enhancing parental employment over the long term. In this, the second study of this project, we address this question.

### **EMPLOYMENT OUTCOME STUDY**

The purpose of the Employment Outcome Study (EOS) was to examine stability and change in subsidy use and to measure the effects of child care subsidy usage on welfare leavers' employment several months after leaving TANF. In particular, we wanted to know whether parents who were using child care subsidies were more likely than other parents to be employed and to have more employment success six to eight months after leaving TANF. To address this issue, we asked two related questions. First, are families using subsidies at Time 1 more likely than families not using subsidies at Time 1 to be employed and have more employment success at Time 2? And second, we asked a more challenging question: Are *subsidy eligible* families using child care subsidies at Time 1 more likely to be employed and have more employment success at Time 2 than subsidy eligible families who did not use child care subsidies at Time 1?

## **STUDY DESIGN**

The EOS was a six to eight month longitudinal follow-up of the 658 parents who participated in the SUS and who agreed to be contacted for further studies. We contacted as many of these families as possible, and we invited them to participate in the 30 minute EOS telephone survey. Trained interviewers made calls from the Family and Children's Policy Collaborative offices on the 6<sup>th</sup> floor of Weiss Hall.

## **THE EMPLOYMENT OUTCOMES SURVEY**

The Employment Outcomes survey took 30 minutes, on average, to complete. It consisted of ten sections. The list of section topics can be found in Table 37 (page 95).

Five sections of the survey were dedicated to understanding the status of respondent's employment. These sections included questions concerning the respondent's current employment status, income, benefits received on the job, job absences and lateness's, the spouse or live-in partner's employment and financial contribution to the household, and any informal work activities in which the respondent might have been involved, such as providing personal services or selling goods to help make ends meet. If the respondent was not employed, we inquired about the length of time the respondent was unemployed, the reasons for unemployment, and any activities the respondent might have recently engaged in to secure work. The remainder of the survey included questions regarding the respondent's current use of public assistance benefits, including receipt of cash assistance (TANF<sup>20</sup>), Medical Assistance, CHIP,<sup>21</sup> LIHEAP,<sup>22</sup> food stamps, WIC<sup>23</sup> and child care subsidies. In addition, we asked

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<sup>20</sup> Temporary Assistance for Needy Families

<sup>21</sup> Children's Health Insurance Plan

<sup>22</sup> Low Income Heat and Energy Assistance

<sup>23</sup> Women Infant Child nutritional program

respondents about their personal and family characteristics, household economics, and child care usage.

Table 37  
Sections in the Employment Outcomes Survey

Survey Section	Topics covered
Public Assistance Status	<ul style="list-style-type: none"> <li>➤ Parent currently receiving TANF?</li> <li>➤ If yes, dates of TANF receipt</li> <li>➤ Amount received from TANF</li> <li>➤ Reason for receipt of TANF</li> <li>➤ Utilization of other public assistance programs</li> </ul>
Family Characteristics	<ul style="list-style-type: none"> <li>➤ Number and ages of children in the home</li> <li>➤ Respondent's marital status</li> <li>➤ Other adults in the home</li> </ul>
<b>The Employment Sections</b>	
Respondent's Employment	<ul style="list-style-type: none"> <li>➤ Current employment status</li> <li>➤ Number of paid jobs</li> <li>➤ Occupational title and responsibilities</li> <li>➤ Salary structure (salaried or paid hourly, commission, tips)</li> <li>➤ Work structure (hours, days, times of day worked)</li> <li>➤ Absenteeism and tardiness</li> <li>➤ Employment income</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>➤ Paid time off from work (sick, vacation, personal days)</li> <li>➤ Health insurance</li> <li>➤ Member of labor union</li> <li>➤ Employer provision of child care or assistance for child care costs</li> </ul>
Non-Employment	<ul style="list-style-type: none"> <li>➤ Reasons for being unemployed</li> <li>➤ Length of time unemployed</li> <li>➤ Activities conducted to find work</li> </ul>
Informal Economy	<ul style="list-style-type: none"> <li>➤ List of informal work activities</li> <li>➤ Was the activity conducted for income or barter</li> <li>➤ Importance of each activity</li> <li>➤ Time spent in informal economy per week</li> <li>➤ Reasons for informal work</li> <li>➤ Amount earned from informal work</li> </ul>
Spouse / Live-in Partner's Employment	<ul style="list-style-type: none"> <li>➤ Household receive income from Spouse / Live-in partner</li> <li>➤ Current employment status</li> <li>➤ Number of paid jobs</li> <li>➤ Occupational title and responsibilities</li> <li>➤ Salary structure (salaried or paid hourly, commission, tips)</li> <li>➤ Employment income</li> </ul>

Table 37  
Sections in the Employment Outcomes Survey (continued)

Survey Section	Topics covered
Child Care	<ul style="list-style-type: none"> <li>➤ Child care usage</li> <li>➤ Use of CCIS subsidy and/or child care assistance through welfare</li> <li>➤ Knowledge of / affects of subsidy regulation changes</li> <li>➤ Type of care arrangements</li> <li>➤ Financial assistance received for child care</li> <li>➤ Structure of child care (hours, days per week, )</li> <li>➤ Registered/Licensed status</li> <li>➤ Out of pocket expense for child care</li> <li>➤ Satisfaction with child care arrangement</li> </ul>
Household Economics	<ul style="list-style-type: none"> <li>➤ Non-employment income (e.g., child support, SSI, worker's compensations, gifts from relatives and friends, etc.)</li> <li>➤ Monthly income for the household</li> <li>➤ Household income now compared to time while on TANF</li> </ul>
Personal Characteristics	<ul style="list-style-type: none"> <li>➤ Physical, learning or mental health condition</li> <li>➤ Education level</li> <li>➤ Participated in job training programs or education courses</li> <li>➤ Access to a car</li> <li>➤ Access to public transportation</li> <li>➤ Commute time to work and to child care</li> <li>➤ Housing (own home, rent)</li> <li>➤ Housing costs</li> <li>➤ Quality of life compared to time on TANF</li> </ul>

## SAMPLE SELECTION

Participants in the EOS were selected from among participants in the Subsidy Utilization Study (SUS). Parents' TANF status at the time of the EO interview was *not* a criterion by which parents were included or excluded for the EO study. As reported in Chapter 2, SUS parents were welfare leavers who were initially identified by the Pennsylvania DPW and who we identified on a telephone interview as having children under the age of five years who had stopped receiving and stayed off TANF for two months prior to the interview. Respondents eligible for the SUS also had to have identified themselves as African American, White or being of Hispanic decent, over 18

years old, and they had to have lived in the five county area (Philadelphia, Montgomery, Bucks, Delaware, and Chester) of Southeastern Pennsylvania at the time of the survey. To be eligible for the Employment Outcomes survey, parents also needed to speak and understand English, as we were not able to translate this survey into Spanish as we had with the initial SUS survey.

### **FIELDING THE SURVEY**

We hired eight interviewers in September 2005 to complete the required number of interviews in the given data collection period. All interviewers were provided with a system manual which included an overview of the study, a section on the interviewer's role and guidelines for contacting and interviewing respondents in a standardized manner. As part of the training, staff members were expected to review and become familiar with all the contents of the manual. After a lecture-style presentation of the manual and the Employment Outcomes survey, interviewers role-played and practiced interviewing techniques as a group. Interviewer training also included two mock interviews with the Project Coordinator. Training was successfully completed by six interviewers in October 2005.

The Employment Outcomes survey was conducted over the telephone and fielded between October 2005 and May 2006. Parents were contacted approximately six to eight months after they completed the Subsidy Utilization Study. Calls were primarily made to respondents between the hours of 9:30 a.m. and 9:00 p.m. seven days a week. However, if a respondent requested a call during off hours (e.g., 11 p.m.), we accommodated their schedule. A minimum of 15 attempts were made to contact each respondent before they

were considered “timed out” of the study. Each respondent received a \$25 postal money order in appreciation for completing the survey.

Of the 658 participants in the Subsidy Utilization Study who agreed to be contacted for follow up surveys, 610 (93%) were English speaking and thus eligible for the EO survey. Two hundred and thirty seven respondents (39% of those eligible) completed the Employment Outcomes Survey. This included 100 African American, 76 White and 61 Hispanic parents.<sup>24</sup> The disposition of calls attempted for the Employment Outcomes survey is presented in Appendix G. Of those who were eligible for the EO survey, we were able to contact via telephone about 40% of the families. Of these, most of the individuals contacted (more than 86%) were willing and able to complete the survey. There were no apparent differences among the three race/ethnic groups in ability to be contacted or willingness to complete the EO survey.

## **PARTICIPANTS**

Table 38 (pages 99-101) presents the demographic and background characteristics of participants in the EOS and those participants from the SUS who did not participate in the EOS. The data are presented in two ways – for all participants (the two columns on the left) and for subsidy eligible participants only (the two columns on the right).

Overall, EOS participants were mostly female (97%), ranging in age from 18 to 57 years ( $M = 26.1$ ,  $SD = 6.2$ ). Forty five percent were African American, 34% were White and 4% were bi-racial. Twenty six percent were Hispanic; 90% of the Hispanic people were of Puerto Rican background.

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<sup>24</sup> Three hundred and fifty-two participants were not able to be contacted and 21 refused to participate in the follow-up components of the study.

Table 38  
Demographic and Background Characteristics at Time 1 of Recent Welfare Leavers in the Subsidy Utilization Study (SUS), Who Did Not Participate in the Employment Outcomes Study (EOS), and for those Who Were Eligible for a CCIS Subsidy at Time 1 (Bold are the significant values at the .05 level )

	All Participants		Subsidy Eligible Only	
	SUS + EOS participants	SUS, but not EOS participant	SUS + EOS participants	SUS, but not EOS participants
N	237	421	113	203
Gender				
% Female	97.0	95.0	96.5	96.6
Age of Respondent				
Mean	26.1	26.0	25.9	26.0
SD	6.2	5.9	5.9	5.7
Race				
% African American, Black	<b>44.9</b>	<b>32.1<sup>c</sup></b>	54.0	34.7
% White	34.3	35.7	29.2	32.7
% Bi-racial	3.8	4.6	3.5	4.5
% Some other race	16.9	27.6	13.3	28.1
% Hispanic	25.7	36.6	21.2	36.0
Ethnic Identity <sup>a</sup>				
% Puerto Rican	90.0	80.3	91.7	76.4
% Other	10.0	19.7	8.3	23.6
Education Level				
% Less than 12 <sup>th</sup> Grade	27.4	34.3	20.4	29.6
% 12 <sup>th</sup> Grade	46.4	44.5	47.8	47.3
% GED	2.5	2.6	1.8	3.9
% Some College Credits	15.6	11.4	16.8	11.3
% Associate's degree	2.5	3.1	3.5	3.9
% Tech/ Vocational School	3.8	2.1	7.1	2.5
% Bachelor's degree or higher	1.7	1.9	2.7	1.5
Marital Status				
% Married	6.4	8.3	8.0	5.4
% Divorced	4.7	4.0	5.3	3.5
% Separated	8.1	8.1	7.1	7.9
% Widowed	.0	.5	0.0	0.5
% Single, never married	80.9	79.0	79.6	82.7
% Living with spouse or partner	22.8	21.1	19.5	12.3
No. of Children				
Mean	2.0	2.0	1.9	2.0
SD	1.0	1.3	1.0	1.2
Residing County				
% Philadelphia	77.2	71.7	79.6	74.9
% Montgomery	8.4	6.7	7.1	6.4
% Bucks	5.1	8.3	6.2	5.9
% Chester	3.8	4.3	2.7	4.4
% Delaware	5.5	9.0	4.4	8.4

Table 38

Demographic and Background Characteristics at Time 1 of Recent Welfare Leavers in the Subsidy Utilization Study (SUS), Who Did Not Participate in the Employment Outcomes Study (EOS), and for those Who Were Eligible for a CCIS Subsidy at Time 1 (Bold are the significant values at the .05 level ) (continued)

	All Participants		Subsidy Eligible Only	
	SUS + EOS participants	SUS, but not EOS participants	SUS + EOS participants	SUS, but not EOS participants
% Born in the U.S.	<b>93.7</b>	<b>85.5<sup>d</sup></b>	<b>95.6</b>	<b>88.7<sup>i</sup></b>
% Family received cash assistance when respondent was growing up	48.5	47.0	51.3	50.2
Monthly Household Income <sup>b</sup> (\$)				
Mean	<b>\$1,548.0</b>	<b>\$1339.4<sup>e</sup></b>	\$1711.9	\$1580.3
SD	\$1,113.0	\$899.4	\$990.4	\$906.9
Housing				
% Own home	10.1	10.5	10.6	12.3
% Rent home	89.9	89.5	90.0	87.8
Employed				
% Yes	54.0	54.6	81.4	83.3
% Working only one job	95.3	97.8	95.7	97.0
% Working same schedule every week	39.7	42.5	59.3	66.5
% Working weekends, evening, nights	60.3	57.2	53.1	46.3
No. of hours worked per week <sup>b</sup>				
Mean	33.6	33.9	34.2	34.9
SD	9.7	10.2	8.1	9.6
Health of target child				
% In good/ excellent health	91.5	91.9	92.1	91.6
% In intensive care when born	16.5	13.6	15.0	13.8
% with condition that limits regular activities	7.6	4.8		
% Using child care arrangement	49.8	47.0	77.0	72.4
Type of child care used				
% Child Care Center	47.9	37.9	55.2	44.9
% Family Day Care	<b>14.5</b>	<b>24.7<sup>f</sup></b>	14.9	21.8
% Relative Care	37.6	37.4	29.9	33.3
% Using a CCIS child care subsidy	<b>33.8</b>	<b>25.7<sup>g</sup></b>	<b>70.8</b>	<b>53.2<sup>j</sup></b>
No. of hours/ week in child care				
Mean	33.6	33.1	35.2	35.1
SD	14.1	13.0	13.9	12.6

Table 38

Demographic and Background Characteristics at Time 1 of Recent Welfare Leavers in the Subsidy Utilization Study (SUS), Who Did Not Participate in the Employment Outcomes Study (EOS), and for those Who Were Eligible for a CCIS Subsidy at Time 1 (Bold are the significant values at the .05 level ) (continued)

	All Participants		Subsidy Eligible Only	
	SUS + EOS participants	SUS, but not EOS participants	SUS + EOS participants	SUS, but not EOS participants
Average cost of care per week (\$)				
Mean	<b>26.7</b>	<b>35.8<sup>h</sup></b>	<b>20.1</b>	<b>30.8<sup>k</sup></b>
SD	38.0	45.7	26.8	43.9

Note. Chi Square ( $\chi^2$ ), ANOVA (F) and T-tests (t) tests indicate the degree to which percentages or means differ across the groups. Only chi square, ANOVA, T-test differences that were significant (not due to chance) are reported.

<sup>a</sup>Ethnic identity was only asked of those who reported being of Hispanic decent.

<sup>b</sup>Computed only for those participants who were employed.

<sup>c</sup> $\chi^2 = 14.15$

<sup>d</sup> $\chi^2 = 9.88$

<sup>e</sup>t = -2.39

<sup>f</sup> $\chi^2 = 4.64$

<sup>g</sup>t = 1.88

<sup>h</sup>F = 7.49

<sup>i</sup> $\chi^2 = 4.29$

<sup>j</sup> $\chi^2 = 9.33$

<sup>k</sup>F = 12.70

Twenty seven percent reported that they did not complete high school, 49% had their high school diploma or GED, 18% had some college credits or an associate's degree, and 2% had a bachelor's degree or higher. Most of the respondents reported being single; 23% reported living with either a spouse or partner. The average household had two children. Most of the respondents (77%) lived in Philadelphia County.

Fifty-four percent of the EOS respondents reported being employed at the time of the survey, with 5% working more than one job. On average, those who were employed worked 34 hours per week.

Fifty percent used a child care arrangement. Of these, 48% used a child care center, 38% used relative care, and 14% used a family day care provider or an unrelated adult. Sixty-one percent used a licensed or registered arrangement. Parents paid, on

average, \$27 per week for child care, with 34% using a child care subsidy to offset the cost of care. Children in care were in care for approximately 34 hours per week.

To what extent were the SUS participants who returned to participate in the EOS different from the SUS participants who did not return to participate in the EOS? In other words, can we feel comfortable that those participants who returned to participate in the EOS study were representative of the welfare leavers in the SUS study? To address this question, we performed two sets of preliminary analyses. First we compared the characteristics of all respondents who participated in both the EOS and the SUS to characteristics of all respondents who participated only in the SUS and did not return for the EOS. Second, we compared the characteristics of only those subsidy-eligible respondents who participated in both the SUS and EOS to those who participated only in the SUS. These comparisons are presented in Table 38. Figures in bold font indicate comparisons that differ significantly.

As can be seen from the columns on the left side of Table 38, several differences were observed between SUS participants who returned for the EOS study and those who did not. More of those who returned were African American (45% vs. 32%), were born in the U.S. (94% vs. 86%), and had higher household incomes than those who did not return (\$1,548 vs. \$1,339). Fewer of the returnees used family day care (14% vs. 25%), and more were using a CCIS child care subsidy (34% vs. 26%). Those who returned for the EO study in Time 2 also paid less for child care each week than did those who did not return (\$27 vs. \$36).

The columns on the far right side of Table 38 show scores for only the families who were subsidy eligible at Time 1. These columns enable us to compare those the

subsidy eligible families who returned to the EO study at Time 2 to those subsidy eligible families who did not return. Here, of the 52 comparisons, only 3 (fewer than 6%) were significantly different. Among the Time 1 subsidy eligible participants, those who returned for Time 2 were more likely to be born in the US (96% vs. 89%), more likely to be using a child care subsidy (71% vs. 53%), and they paid less per week in child care than those who did not return (\$20 vs. \$31).

To summarize, these data indicate that EOS participants, especially subsidy eligible participants, were more likely to be using a subsidy, and on average, more likely to be spending less per week on child care than SUS only subjects. Nevertheless, the selectivity of these families from the wider SUS population is not problematic; the families are still within the normal range of low-income families. Approximately a third of the entire EO sample were using subsidies, just under half were using center care. Thus, we feel comfortable drawing conclusions even from this somewhat selected sample of welfare leavers who returned for the second part of this longitudinal project.

## **EMPLOYMENT OUTCOME MEASURES**

In the EOS survey, we asked all the questions concerning employment included in the SUS as well as additional questions about specific employment and employment experiences. Not only did we ask respondents whether or not they were currently working for pay, we also asked them how many hours per week they worked, the number of times they were late to work or absent from work, whether they were working at more than one job, whether their work schedule was the same from one week to another, and whether they worked evenings, nights or weekends. The correlations among these

variables are reported in Table 39.<sup>25</sup> Most of the correlations are low and nonsignificant, indicating that each of these outcomes are pretty independent from the others and can be looked at as separate employment outcome indicators. There was one exception: people who worked evenings, nights and weekends were more likely than other respondents to have varying schedules week to week.

Table 39  
Correlations among Employment Variables at Time 2 for Employment Outcomes Study Participants Who Were Employed at Time 2. (n = 120)

	2	3	4	5
(1) Hours employed per week	.003	-.13	-.106	-.116
(2) Times late to work or absent from work		-.057	.072	-.019
(3) Working more than one job (Y/N)			.117	.029
(4) Same schedule week to week (Y/N)				-.251**
(5) Work evening, nights, weekends (Y/N)				

\*\*  $p \leq .001$ .

We also asked parents to estimate for us to what extent their “quality of life since being off TANF” was “better”, “about the same”, or “worse”. Similarly, we asked parent to report whether their “perceived income situation since being off TANF” was “better”, “about the same”, or “worse”.

## STUDY QUESTIONS

We addressed four sets of questions concerning the stability of child care and subsidy usage over time and the association between child care subsidy receipt and employment outcome.

<sup>25</sup> A measure of earned income from all employed participants in the EOS was also collected. Because of the questions used to collect this information, these data have proven more difficult to analyze, and we hope to have these results available in the next draft of this report.

1. How continuous are child care and subsidy usage over time? Because longitudinal studies make it possible to assess the continuity of events over time, we took advantage of the longitudinal nature of this study to examine stability and change in use of child care and subsidized child care from Time 1 to Time 2. We examined whether families who were using subsidized care at Time 1 were still using child care and still using subsidized care at Time 2. We examined these relations over time for the entire sample, and again for only the families who were eligible for subsidies at Time 1.
2. Similarly, to what extent was there stability and change in parental employment from Time 1 to Time 2? Were those people who were employed at Time 1 also employed at Time 2? What is the direction of the change? To answer these questions, we examined the concordance of employment for all families at Time 1 and Time 2.
3. Were parents who used subsidized child care at Time 1 more likely to be employed, successful and satisfied with their lives and income at Time 2 than parents who did not use subsidized care at Time 1? More importantly, were *subsidy eligible* parents who used subsidized child care at Time 1 more likely to be employed, successful and satisfied with their lives and income at Time 2 than *subsidy eligible* families who did not use subsidized care at Time 1? To answer these questions, we compared Time 2 employment outcomes (employment status, income, work absence/lateness frequencies and perceived quality of life and income post TANF receipt) for subsidy eligible families who were using care and those who were not using care at Time 1.

4. Were there differential effects of subsidy use on employment for the three different race/ethnic groups – African Americans, Whites, and Hispanics? That is, were subsidies equally effective in enhancing employment in all three groups, or was employment outcome in one or two of the groups more affected by subsidy use than employment outcome in the other groups? When one group is more affected by a variable than another, this effect is called an “interaction”. To control for differences in subsidy use and employment, and to assess the possibility of an interaction between subsidy use and employment outcomes, we used multiple logistic regression.

## **FINDINGS**

### **Stability and Change in Subsidy Use**

There was a slight but nonsignificant increase over time in the percent of families using subsidies at the two measurement periods. At Time 1, 31% of the entire sample of families were using subsidized child care. At Time 2, 34% of all the families in this longitudinal sample were receiving child care subsidies. Part of this very slight increase can be attributed to the selective attrition that is part of any longitudinal sample. Thus, it is important for us to look at the concordance of subsidy use for the same families over time. Are families who used child care and subsidized child care at Time 1 also using child care and subsidized child care at Time 2? In cases where there was change, in what direction did the change occur?

Table 40 (page 107) presents the cross tabulations between subsidy and child care status at Time 1 and these same variables at Time 2 for all the families who participated at both Time 1 and Time 2. There was some stability over the two time periods, as

indicated by the significant Chi Square test. The figures in bold across the diagonal of the Table 40 show the congruence, or stability, from Time 1 to Time 2 in families using no child care, nonsubsidized child care and subsidized child care.

Table 40  
Child Care and Subsidy Use of EO Respondents at Time 1 by Child Care and Subsidy Use of EO Respondents at Time 2 (n = 237)

Time 1	Time 2			Total
	No Child Care Used	Uses Child Care		
		No CCIS Subsidy	Received CCIS Subsidy	
No Child Care Used				
N	<b>81</b>	24	12	117
%	<b>69.2%</b>	24.0%	10.3	100%
Uses Care, No CCIS Subsidy				
N	13	<b>13</b>	14	40
%	32.5%	<b>32.5%</b>	35.0%	100%
Uses Care, Received CCIS Subsidy				
N	21	12	<b>47</b>	80
%	26.3%	15.0%	<b>58.8%</b>	100%
TOTAL	115	49	73	237
	48.5%	20.7%	30.8%	100%

Note. Chi Square ( $\chi^2$ ) tests indicate the degree to which percentages differ across the groups. Only chi square differences that were significant (not due to chance) are reported.  
 $\chi^2 = 79.846, p \leq .001$ .

Of those using no child care at Time 1, 69.2 % were again using no child care at Time 2, 32.5% who used unsubsidized care at Time 1 were again using unsubsidized care at Time 2, and 58.8% of those using subsidized child care continued to receive subsidies at Time 2.

The group for which there was least stability was the group who were using nonsubsidized care at Time 1 (n = 65). Although 35.0% of these families moved toward using subsidized care, 32.5% moved in the opposite direction – toward using no child care at all at Time 2.

There were some noteworthy contrasts between the groups in the direction of changes over time as a function of the use of subsidized care at Time 1. Of the families who were using nonsubsidized care at Time 1, 35.0% changed to using subsidized care, in contrast to the smaller percentage of families (15.0% ) using subsidized care who switched to nonsubsidized care. Of those who had used subsidized child care at Time 1, only 26.3% were no longer using any regular care at Time 2 compared to 32.5% of those who were using nonsubsidized care at Time 1 who were not using any regular care at Time 2. Although nearly a quarter (24.0%) of those without child care at Time 1 began using nonsubsidized child care by Time 2, it was rare for families using no child care at Time 1 to use subsidized child care at Time 2 (10.3%).

These data suggest that receiving a subsidy at Time 1 to support child care may have made it more likely that families would continue to use care; families who were using subsidized care at Time 1 were more likely than families with nonsubsidized care to have continued child care usage (73.8% vs.67.5%).

We were also interested in assessing how *subsidy eligible* families changed from one time period to the next. By focusing on *subsidy eligible* families only, we were able to examine continuity in child care and subsidy usage among families who were already employed at Time 1.

Table 41 (page 109) presents the cross tabulations between no child care use, unsubsidized child care use, and subsidized child care at Time 1 and these same categories among only those families who were subsidy eligible at Time 1. Did subsidy eligible families continue to use care and in particular, did they continue to use subsidized care over the six to eight month period?

Table 41  
 Child Care and Subsidy Use Among *Subsidy Eligible* EO Respondents at Time 1 by Subsidy Use of *Subsidy Eligible* EO Respondents at Time 2 (n=100) [Families receiving CAO subsidies at Time 2 (n = 13) were deleted.]

	Time 2			Total
	No Child Care Used	Uses Child Care		
		No CCIS Subsidy	Received CCIS Subsidy	
<b>Time 1</b>				
<b>No Child Care Used</b>				
N	<b>14</b>	6	1	21
%	<b>66.7%</b>	28.6%	4.8%	100%
<b>Uses Care, No CCIS Subsidy</b>				
N	4	<b>2</b>	3	9
%	44.4%	<b>22.2%</b>	33.3%	100%
<b>Uses Care, Received CCIS Subsidy</b>				
N	21	12	<b>37</b>	70
%	30.0%	17.1%	<b>52.9%</b>	100%
<b>TOTAL</b>				
	39	20	41	100
	39.0%	20.0%	41.0%	100%

Note. Chi Square ( $\chi^2$ ) tests indicate the degree to which percentages differ across the groups. Only chi square differences that were significant (not due to chance) are reported.

$\chi^2 = 22.17, p < .001$

The figures in bold across the diagonal of the Table 41 show the stability from Time 1 to Time 2 in those subsidy eligible families using no child care, nonsubsidized child care and subsidized child care. Of the families using no child care at Time 1, 66.7% of them were using no child care again at Time 2. Of the families using subsidized child care, 52.9% of them were also using subsidized child care at Time 2. The significant Chi Square test suggests that there was some stability over the two time periods.

However, there was also a fair amount of change. Of those subsidy eligible families using care, nearly half of them (47.1%) were no longer using care of any sort at Time 2. These results suggest that while there is some predictability over time for all

families, there is also a lot of instability from one time to the next in child care usage and child care subsidy usage, even for families who are subsidy eligible.

Even among the sample of subsidy eligible families, receiving a subsidy at Time 1 to support child care made it more likely that families would continue to use care; families who were using nonsubsidized care at Time 1 were more likely than families using subsidized care to have discontinued child care usage at Time 2 (44.4% vs. 30.0%).

### **Stability and Change in Employment**

We also examined stability and change in employment status over time. For these data, we used the entire sample ( $n = 237$ ), because we were interested in the employment change not only for those who were employed and therefore subsidy eligible at Time 1, but also for those who were not employed, and therefore not subsidy eligible at Time 1.

At Time 1, 54% of the respondents (128 of the 237 respondents) were employed, and at Time 2, 51% (120 of the 237 respondents) were employed. This suggests a very slight but not significant decline in the overall rate of employment in this welfare leaver sample over the six to eight month period. However, these overall data are affected by longitudinal attrition and do not address the question of individual stability. To examine individual stability over time, we need to look at Table 42 (page 110) which presents the cross tabulations between employment status at Time 1 and employment status at Time 2. Here too, there was considerable stability over the two time periods, as indicated by the significant Chi Square test. Of those working for pay at Time 1, 71.1% continued to work for pay at Time 2, and 73.4% of those who were not working for pay at Time 1 were again not working for pay at Time 2.

Table 42  
 Employment of EOS Respondents at Time 1 as a Function of Employment of EOS Respondents at Time 1 (n=237)

	Working for pay at Time 2 (N = 237)		Total
	No	Yes	
<b>Working for pay at Time 1 (N = 237)</b>			
No			
N	80	29	109
%	73.4	26.6	45.9
Yes			
N	37	91	128
%	28.9	71.1	54.0
Total			
N	117	120	237
%	49.4	50.6	100

*Note.* Chi Square ( $\chi^2$ ) tests indicate the degree to which percentages differ across the groups. Only chi square differences that were significant (not due to chance) are reported.  
 $\chi^2 = 46.613, p \leq .001$ .

Of greater interest to us are the people who did change status. Of those who had not been working at Time 1, 26.6% were working at Time 2, while 28.9% of those who had been working at Time 1 were no longer working at Time 2. Thus, while the overall employment rate for the sample stayed the same, between one quarter and almost one third of our sample changed from working to not working or vice versa.

Similar information is available concerning stability of employment from when the families left TANF until we interviewed them again at Time 1. This analysis is presented in Table 43 (page 112). The findings show that both employment and unemployment tended to persist across time from leaving TANF until Time 1 (80.4% and 64.3%). Approximately one fifth of the welfare leavers who were employed at the termination of TANF were no longer employed at Time 1; slightly more than a third of the sample who were not employed at TANF were later employed at Time 1.

Table 43  
 Employment of EOS Respondents at Time 1 by Employment as a Functions of EOS Respondents' Employment at Termination of TANF Benefits (n=237)

	Working for pay at Time 1 (N = 237)		Total
	No	Yes	
<b>Working for pay at Termination of TANF benefits (N = 237)</b>			
No			
N	90	50	140
%	64.3	35.7	59.1
Yes			
N	19	78	97
%	19.6	80.4	40.9
Total			
N	117	120	237
%	49.4	50.6	100

*Note.* Chi Square ( $\chi^2$ ) tests indicate the degree to which percentages differ across the groups. Only chi square differences that were significant (not due to chance) are reported.  
 $\chi^2 = 46.08, p \leq .001$ .

### **Subsidized Child Care Usage and Employment Outcomes**

What role did subsidized child care at Time 1 play in the employment outcomes at Time 2? In many studies, it is impossible to estimate the effects of subsidies on employment since, as has been noted several times throughout this report, subsidies, child care and employment are inextricably entwined. People who are not employed often do not use child care, and they are often not eligible for subsidized child care. Getting a subsidy is frequently dependent on having employment. Having low cost child care makes it more likely that people will be able to be employed and to maintain their employment. So looking at the effects of one on the other in many studies can be like looking at the effects of chickens on eggs and eggs on chickens.

However, this longitudinal study enables us to examine the differences in continuity of employment over time among those families who are eligible for child care subsidies at Time 1 and using or not using these subsidies on their employment situation

at Time 2. Among only those subsidy eligible families, does using subsidized care increase the probability that the working parent will continue working? Does it affect income, quality perceived quality of life, or any other employment outcome? Looking at these relationships over time can shed some light on the relations between subsidy usage and employment among a group of people all equally qualified for child care subsidy.

Some of the employment outcomes we measured were more useful than others. Because of the low frequency of several employment indicators -- times late to work, working more than one job, changing schedules from week to week, and working evenings -- these measures did not yield useful comparisons. Similarly, the earned income from employment measures did not yield significant results, possibly because of the limited number of subjects and the wide variation in income reports. Thus, we report on three Time 2 outcome measures—employment status, perceived quality of life since being off TANF, and perceived income situation since being off TANF as a function of using child care and as a function of using subsidized child care.

Tables 44 and 45 (page 114) present the percent of parents employed at Time 2 as a function of child care usage (Table 44) and subsidized child care usage (table 45) at Time 1 among only those families who were eligible for subsidies at Time 1.

As shown in Table 44, subsidy eligible parents who used any type of child care at Time 1 were significantly more likely to be employed at Time 2 than subsidy eligible parents who did not use child care. Only 42% of those not using child care at Time 1 were employed in comparison to 67% of families using child care at Time 1 who were employed. These data lend strong support to the notion that child care in and of itself plays an important role in helping recipients obtain and maintain employment. Although

the table suggests that families using child care had higher median incomes, this difference was not significant. That is, we have no evidence that use of child care was related to income.

Table 44  
Employment and Income by Child Care Use for Welfare Leavers from the EO Study as a Function of Child Care Subsidy Eligibility at Time 1

	Time 2	
	Employed <sup>a</sup> N (%)	Monthly Income <sup>b</sup> Median
<b>Eligible for CCIS Subsidy at Time 1</b>		
No child care used (n = 24)	10 (41.7%)	\$1,050
Used child care, (n = 89)	60 (67.4)	\$1,200

<sup>a</sup>  $\chi^2 = 5.32, p \leq .05$

<sup>b</sup> Mann Whitney U = 230.5, NS

Table 45  
Employment and Income by Child Care Subsidy Use for Welfare Leavers from the EO Study as a Function of Child Care Subsidy Eligibility at Time 1

	Time 2	
	Employed <sup>a</sup> N (%)	Monthly Income <sup>b</sup> Median
<b>Used Child Care and Eligible for CCIS Subsidy at Time 1</b>		
No CCIS subsidy used (n=9)	5 (56%)	\$1,200
Used CCIS subsidy (n=80)	55 (69%)	\$1,040

<sup>a</sup>  $\chi^2 = 7.28, p \leq .05$

<sup>b</sup> Mann Whitney U = 67.0, NS

More importantly, what is the role of *subsidized* child care? That information is presented in Table 45. Although the number of families using nonsubsidized child care is small, this table shows that only 56% of families who used nonsubsidized child care at Time 1 were employed at Time 2, while 69% of those who used subsidized child care at Time 1 were employed at Time 2. This difference is significant. Although the table

suggests that families not using subsidized child care had higher median incomes, this difference was not significant. That is, we have no evidence that use of subsidized child care was related to income.

As presented in Table 46 families who used subsidized child care were more likely to report greater increases in their quality of life since being off TANF than did families who used nonsubsidized child care (69% vs. 43% respectively). Also, families who used subsidized child care were more likely to report greater increases in their income situation since being off TANF over time than did families who used nonsubsidized child care (74% vs. 43% respectively). However, these differences were not significant.

Table 46  
Perceived Quality of Life and Household Income by Child Care and Subsidy Use

	Time 1 – Eligible for Subsidy		
	No Child Care	Used Child Care	
	Used	No Subsidy	Used Subsidy
N	17	7	65
Perceived quality of life since being off TANF			
% Better	68.8	42.9	69.2
% About the same	31.3	57.1	26.2
% Worse	0	0	4.6
Perceived income situation since being off TANF			
% Better	47.1	42.9	73.8
% About the same	35.3	42.9	20.0
% Worse	17.6	14.3	6.2

**A Multivariate Approach to Predicting Time 2 Employment Status from Use of Subsidized Care at Time 1**

Table 47 presents the frequency of being employed at Time 2 as a function of being African American or not (White or Hispanic) and using child care subsidies at Time 1 among all the families who were eligible for subsidies at Time 1 (n = 113). Using Chi Square analyses, the distribution across the cells was shown to differ significantly from chance, suggesting that there might be effects not only of Time 1 subsidy usage on employment outcome, but also possibly a race/ethnicity by subsidy use effect, indicating that subsidies might be even more effective for African American families than for white and Hispanic families.

Table 47  
Employment at Time 2 for EOS Respondents as a Function of CCIS Subsidy Use at Time 1 by Race

	Eligible for CCIS Child Care Subsidy at Time 1			
	Did not use CCIS Subsidy at Time 1		Used CCIS Subsidy at Time 1	
	Not Employed at Time 2	Employed at Time 2	Not Employed at Time 2	Employed at Time 2
African American, Black				
N	8	4	11	35
%	66.7	33.3	23.9	76.1
Other				
N	10	11	14	20
%	47.6	52.4	41.2	58.8

Note: Time 1 = Subsidy Utilization Study, Time2 = Employment Outcomes Study

To better understand the effects of subsidy usage at Time 1 and race/ethnicity on Time 2 employment status, we used a multivariate logistic regression analysis. In this statistical analysis, we predicted the occurrence of employment (yes or no) as a function of subsidized child care usage at Time 1 and race/ethnicity among families who were eligible for subsidies at Time 1. We used regression analyses to determine whether

subsidy usage was more effective for one racial/ethnic group than another (interaction of subsidy usage and race/ethnicity).

In our first analysis, we assessed the effects of all three independent variables on the categorical measure of being employed or not. The three independent variables were 1) use of subsidy at Time 1 (or not), 2) African American (or not), and 3) the interaction of subsidy use and race. These analyses indicated a marginal interaction effect ( $p = .077$ ), suggesting that subsidy usage tended to have a greater effect on Time 2 employment for African American families than for all others.

However, this analysis was confounded by problems of multicollinearity – the fact that subsidy usage and race and the race by subsidy interaction were highly correlated. In particular, subsidy use was correlated with race ( $r = .192$ ,  $p = .041$ ) and with the race x subsidy interaction ( $r = .532$ ,  $p \leq .0001$ ). Race was correlated with the race x subsidy interaction ( $r = .807$ ,  $p \leq .0001$ ). This problem of correlated independent variables restricts the ability to estimate the effects of either variable. Thus, we eliminated the effect of the interaction, and simply included Time 1 subsidy use and race (the two variables with the smallest intercorrelations) in the next set of analyses. The results of these analyses are presented in Table 48 (page 118).

These findings demonstrate that, even among a sample of all subsidy eligible families, subsidy usage at Time1 increases the likelihood of parental employment six to eight months later. The effect of using a Time 1 subsidy increased the likelihood of employment by 148% (95% confidence limits: 65% to 479%).

Table 48

The Effects of Race and Child Care Subsidy Usage at Time 1 on Employment Status at Time 2 (N = 113)

Variable	B coefficient (Standard error)	Exp (B)	Change in effect
Received child care subsidy at Time 1 (1 = Yes)	.910* (.432)	2.484	+148.4%
Race (African American = 1) <sup>a</sup>	.314 (.404)	1.369	+36.9
Constant	-.297 (.381)	.554	N.S.

Cox & Snell R square = .051, Predicted = 61.1%,  $\chi^2 = 5.892^*$ <sup>a</sup>Omitted variable = White and Hispanic Respondents.\*  $p \leq .05$ .

## SUMMARY: LONGITUDINAL FINDINGS

### Child Care Usage

Our longitudinal findings concerning child care usage and subsidized child care usage over time showed both continuity and change. Looking at the total sample of families who participated in the EO study at Time 2, 58.8% of those receiving subsidies at Time 1 continued to receive subsidies at Time 2, and 69.2% of those using no child care at Time 1 were again using no child care at Time 2.

More importantly, receiving a subsidy at Time 1 to support child care may have made it more likely that families would continue to use child care; families who were using subsidized care at Time 1 were somewhat more likely than families with nonsubsidized care to have continued child care usage (73.8% vs. 67.5%).

While there is some predictability over time for all families, there is also a lot of instability from one time to the next in child care usage and child care subsidy usage, even for families who are subsidy eligible. Only 58.8% of subsidy eligible families who used subsidies at Time 1 were still using subsidies at Time 2.

## **Employment**

Only about half of the people were working for pay at both time periods, and about the same number of people lost their jobs over time as obtained jobs. Of those working for pay at Time 1, 71.1% continued to work for pay at Time 2, and 73.4% of those who were not working for pay at Time 1 were again not working for pay at Time 2.

Of greater interest to us are the people who did change status. While 28.9% of those who had been working at Time 1 were no longer working at Time 2, 26.6% of those who had not been working at Time 1 were working at Time 2. Thus, while the overall employment rate for the sample stayed the same, slightly more than one quarter either lost their jobs or obtained jobs.

## **Subsidized Child Care Usage and Employment Outcomes**

Welfare leavers who used subsidized child care at Time 1 were significantly more likely to be employed at Time 2. Of those families eligible for subsidies, 69% of families using child care subsidies were employed six to eight months later; only 56% of those using non-subsidized child care were employed. Having a child care subsidy at Time 1 increased the odds of being employed at Time 2 by 148%. Because of the small number of subjects and the intercorrelations between subsidy use and races, we were unable to demonstrate any interaction between subsidy usage and race, suggesting that, at least in this study, African Americans were no more likely to benefit from subsidies than others.

Thus, these longitudinal data suggest that child care subsidies may contribute both to continuing use of child care and greater employment over time, even under the most conservative of tests -- among those families who are initially eligible for subsidized care.

## **CHAPTER 4**

### **Discussion and Conclusions**

Using information from a sample of African American, Hispanic and White welfare leavers living in the Philadelphia metropolitan region between 2003 and 2005, this study examined whether welfare leavers were able to acquire those child care subsidies deemed so important for their success in the labor market. In addition, this study followed many of these welfare leavers longitudinally to assess stability and change in subsidy use and employment and to assess the effects of subsidies on families subsequent employment and economic well-being.

The findings point to both positive and negative features associated with the process of providing child care subsidies when leaving TANF and its role in supporting employment.

Clearly the overwhelming number of welfare leavers who neither utilized child care subsidies, nor used child care at all, points to a critical fault line in the transition from welfare to the non-welfare based child care subsidy system. The vast majority of our sample did not transfer into the CCIS subsidy system because they were ineligible for subsidy and most of these families used no regular form of child care. Welfare leavers ineligible for subsidy neither used care nor were employed. If child care is indeed a crucial ingredient to successfully leaving welfare for work, the findings of this study do not bode well for the welfare reform to work. This study points to the failure of many welfare leavers to acquire subsidies that are intended to assist them in the acquisition and maintenance of employment.

On the positive side, this study points to the success of child care subsidies as a tool for welfare reform. Although most welfare leavers did not receive a child care subsidy, those who did receive child care subsidies were more likely to be employed and to earn more money than their non-subsidy-using counterparts. Also, six to eight months later, families who were using subsidized child care were 148% more likely than their non-subsidy using counterparts to be employed. That is, when acquired, child care subsidies appear to do what they are supposed to do – permit parents to seek, acquire and maintain employment while their children are in stable and affordable child care. This study may be one of the first to demonstrate the effect of subsidy usage on subsequent employment in a longitudinal study.

## **BARRIERS TO USING SUBSIDIES**

What are the barriers to child care subsidy use when leaving welfare? And, more importantly, what are the policy implications of our findings? We point to the importance of 1) subsidy eligibility 2) misinformation and information, 3) prior welfare experiences, and 4) race and ethnicity. These are the areas that need to be considered in making changes to remove barriers to obtaining subsidies and increasing the likelihood that families will become economically independent from the welfare system.

### **Subsidy Eligibility**

Child care subsidy eligibility is tied to employment. But most welfare leavers were not employed at the time they left the welfare rolls and were not using any regular form of child care. At the surface, it appears logical to connect the award of child care subsidies to people who have already succeeded in obtaining employment. But if so many welfare leavers do not obtain employment upon leaving the welfare system and do

not have support for child care, how can they succeed? It is precisely when they are leaving the welfare system that families are most vulnerable. If families do not successfully transition to the child care subsidy system upon leaving the welfare system, it is less likely that they will gain access to subsidies later if and when they obtain employment.

### **Misinformation about Subsidy Procedures**

Misinformation concerning subsidy procedures and regulations also exists. People reported that they did not use subsidies because they were confused about application procedures, they believed there were waiting lists for obtaining a subsidy, they feared high co-payments, and they were reluctant to use center care. But it is not clear that these particular welfare leavers were subject to either waiting lists or unaffordable co-payments. It is also not clear that they had a realistic understanding of the subsidy application process. In fact, child care subsidy regulations do not require that families use child care center care, and recent TANF leavers are not subject to waiting lists. TANF leavers need to know this information too.

Misinformation acts as a critical barrier to subsidy application and subsidy usage; people who have misinformation may be less likely to consider child care subsidies as an option, and they may make other plans in their stead. Many people who reported not needing child care subsidies may not have needed them because, not including child care subsidies in their planning, they made other, possibly less desirable child care arrangements. Had they known they were eligible for child care subsidies, or that there was no waiting list for people in their situation, or that child care centers were not the

only form of child care that could be subsidized, they might not have made other arrangements.

### **Child Care Subsidy Use While on TANF**

People's experiences while on TANF affected their subsequent use of child care subsidies upon leaving the welfare system. The most important experience affecting subsidy and child care use were the use of child care subsidies while on TANF.

Welfare leavers were more likely to use child care subsidies if they received subsidized child care while on TANF. Why would use of subsidized care while on TANF positively predispose welfare leavers into using a child care subsidy upon leaving the TANF system? There are several likely reasons.

First, caseworkers in the TANF system were more likely to be informed about children in the family in need of care if the families were already using subsidized child care. Receiving subsidized care while on TANF ensured that children were in the system.

Second, families using subsidized care while on TANF may have been better informed about the availability of subsidies post TANF. Families receiving a child care subsidy while on TANF may have been more likely to inquire about subsidies when they were leaving TANF.

Third, families using subsidized care while on TANF may have had a more streamlined transfer process into the CCIS subsidy system. They may have been more likely to be automatically transferred, making the movement into the non-TANF child care system more seamless. And fourth, families using subsidized care while on TANF

may have had positive experiences with child care that would lead them to continue to use child care (subsidized or not) after leaving TANF.

Having subsidized child care while on TANF was an important predictor of both subsequent subsidized and non-subsidized child care use. This suggests that getting people acclimated to the use of child care and child care subsidies could be made part of the TANF process to enable more child care and subsidy use upon leaving the TANF system.

### **Race and Ethnicity**

Race and ethnicity were part of the explanation for using child care of any type and for using subsidized child care in particular, but the role of race and ethnicity were not fully explained by this study.

Upon leaving the welfare system, African American subsidy eligible respondents used child care subsidies at higher rates than either Hispanic or White subsidy eligible. Cultural differences in views about child care may have contributed to these differences in subsidy use. Some of the characteristics we observed to be associated with subsidy use were also observed to be associated with being African American. For example, African American families were more likely to use a child care subsidy while on TANF and to use registered or licensed care; these characteristics were also associated with increased use of child care subsidies [and negatively associated with being either White or Hispanic]. However, because our analyses showed that race had an independent effect on subsidy use over and above the welfare experiences, other factors may place a crucial role in the differential use of child care subsidies. But few of the other differences between subsidy users and non-users corresponded with race or ethnicity. Thus, African

American families' higher propensity to use subsidies were not fully explained by non-racial and ethnic differences among the three groups.

### **EFFECTS OF CHILD CARE SUBSIDIES OVER TIME**

For a long time, policy makers have known that there is a great deal of “on and off” movement from welfare rolls. Families are on welfare for several months, and then they are off, and then they are back on again. Here, in this project, we observed that there is also instability from one time to the next in child care usage and child care subsidy usage, even among those families who were initially subsidy eligible.

One of the positive effects of using child care subsidies is that they may prolong the amount of time children are exposed to early educational settings and they may enable children to experience more predictable care in their early years. More predictable care may have positive effects on children's school readiness and ultimate school performance.

More importantly, the use of subsidized care increased the likelihood by 148% that welfare leavers would be employed six to eight months later. Increased employment and reduced dependence on public welfare programs have long been the stated goal of child care subsidies, but to date, researchers have had a difficult time demonstrating that child care subsidies do indeed promote parental employment. With this longitudinal project, by comparing already subsidy eligible families over time and comparing those who used the subsidies for which they were eligible to those who did not use the subsidies, we were able to show that parents using child care subsidies were more likely to be employed in subsequent months.

While there was some suggestion that subsidy use may have been more effective in influencing employment for African American families than for White or Hispanic families, the correlations between subsidy use and ethnicity precluded our finding any definitive effects of race or ethnicity on the influence of subsidies on employment.

Interestingly, while subsidies were able to affect the probability of employment, they did not appear to affect our measures of parental job attendance, tardiness, quality of life or, most importantly, income. While child care, child care subsidies and employment may make it possible for families to move off of welfare, they may do little to increase families' quality of life and economic well-being.

### **SUMMARY**

This report described findings and recommendations from two major components of a project designed to evaluate the effectiveness of child care subsidies as a tool of welfare reform. The first component examined welfare leavers' utilization of child care subsidies upon leaving the TANF system, the transition process, barriers to subsidies, and the factors that influence the acquisition and utilization of child care subsidies. Most importantly, this component helped us identify specific barriers to the use of child care subsidies in families leaving TANF. The barriers we identified were related to subsidy eligibility, misinformation and information, prior welfare experiences, and race and ethnicity.

The second component of this research examined stability and change in subsidies and employment and the effects of subsidies on employment several months later. This component demonstrated the critical impact of child care subsidies on welfare leavers'

ability to sustain employment, demonstrating the importance of child care subsidies as an element of welfare reform.

Throughout this project, we considered differences in subsidy use and employment outcomes as a function of welfare receivers' race and ethnicity. We showed that race and ethnicity are cultural factors that may be related to differential attitudes, preferences and behaviors which may have influenced subsidy use.

In the final section of this report, we presented information about welfare leavers' experiences that can be used by the Commonwealth of Pennsylvania to improve the success of child care subsidies as a tool for welfare reform.

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