

## Child Care Arrangements in California

Child care policies in California reflect tension between two goals—supporting working parents and promoting child development. As resources shrink during California’s budget crisis, these two goals may come increasingly into conflict. The 2003–2004 state budget reduced child care subsidies for working families (most of these subsidies are targeted toward families transitioning from welfare to work). At the same time, recent pressures to improve school outcomes have turned public attention to the role of early childhood programs in preparing children for school and have led to a number of initiatives calling for universal preschool for all preschool-age children.

To help policymakers better understand the issues involved, Margaret O’Brien-Strain, Laura Moyé, and Freya Lund Sonenstein examine the current state of child care in California and the nation in *Arranging and Paying for Child Care*. In the first part of the study, they explore the general use of child care for children ages 0–5. They find that government assistance in providing child care is a critical resource for low-income families and that, if current welfare reform efforts restrict child care subsidies, many families will suffer severe financial hardship.

In the second part of the study, the authors shift their attention to the other side of the policy debate—child care’s role in promoting early childhood education. They look specifically at preschool enrollment for children ages 3 and 4, at the demographic factors associated with preschool attendance, and at the policy implications of expanding preschool access through universal preschool programs. They find that the potential cost of universal preschool varies widely depending on different eligibility and enrollment criteria. At the high end, full-year, full-day universal preschool could cost as much as \$5 billion annually.

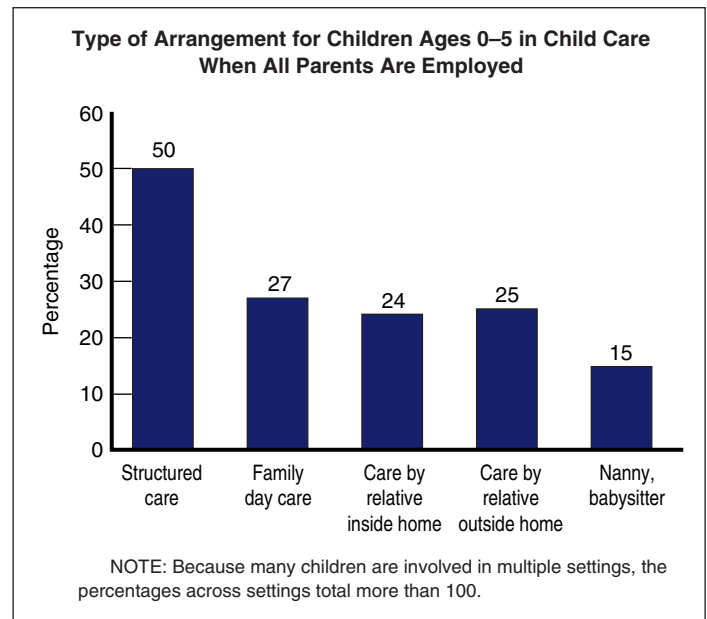
### Child Care for Children Ages 0–5

The first part of the study considers a broad range of child care settings used by both working and nonworking

parents: structured care in programs such as child care centers, nursery schools, and Head Start programs; family day care provided to a group of children in the provider’s home; care by relatives in the child’s home or the relative’s home; and nanny or babysitter arrangements where an unrelated caregiver regularly provides child care in the child’s home. Several of the study’s key findings across these care settings are presented in the figure.

*California families are less likely than families elsewhere in the United States to use child care.* Nonetheless, the demand is high: Most children of working parents (83 percent) regularly spend time in nonparental care, averaging 35 hours per week.

*Children from lower-income families and with less-educated parents are less likely to be placed in care.* Because Hispanic families are disproportionately poor and less educated, their children are less likely to be placed in care.



*Structured care is the most common setting for children under age 6. However, care by relatives accounts for nearly as many children as structured care.*

*Families that pay for child care while parents are working pay an average of \$373 per month out-of-pocket, representing about 10 percent of family earnings. Poor families that pay for care commit an average of 24 percent of earnings, compared to about 7 percent for families with income above the state median.*

*About 28 percent of all working parents pay no out-of-pocket costs for child care. In such cases, child care is provided free by relatives, paid by employers or absent parents, or subsidized by the government (through either subsidy vouchers, state-supported preschools and kindergarten, the Head Start program, or other government or social service assistance, including dependent care tax credit).*

## ***Preschool Enrollment and Universal Preschool***

Although child care subsidies were dramatically increased in the late 1990s as an underpinning for welfare reform, current policy trends are focusing more on the role of child care as early childhood education. Recent research has found that intensive early childhood education programs have positive effects on cognitive and school outcomes. As a result, a call for universal preschool has been gaining ground. Indeed, voluntary universal preschool for children ages 3 and 4 was recommended as part of California's new Master Plan for Education.

The cost of care for universal preschool depends on a number of factors, and in the second part of their study, the authors analyze alternative assumptions and explore the range of costs implied by different scenarios. Some of the key findings on preschool participation and universal preschool follow.

*Children age 4 in California are much less likely than those in the rest of the nation to attend preschool. Only 50 percent of these children in California are enrolled in preschool, compared to 63 percent in the rest of the United States.*

*As with child care use overall, children with less-educated mothers or from lower-income families are less likely to attend preschool. In addition, families with more familial support—from stay-at-home mothers, other adults in the home, or other available relatives—are less likely to use child care.*

Together, these factors help create a particular gap in the preschool enrollment of Hispanic children: Only 35 percent of Hispanic children ages 3 and 4 attend preschool, compared to 45 percent of non-Hispanic children.

*Full-year, full-day universal preschool care could cost as much as \$5 billion annually. This does not include the cost of implementing and administering the program.*

## ***Conclusions***

Under state fiscal constraints, it is difficult to maintain the existing balance between child care policies intended to support working parents and policies to promote developmentally enriched child care. At present, child care subsidies represent an important resource for low-income families that need child care to enable the parents to work. These families spend a disproportionate share of their income on child care, and reducing subsidies or eligibility for subsidies will increase the costs of work for them. In the same vein, if welfare reauthorization further increases work requirements for welfare recipients, additional resources will be needed to assist affected families. Reducing subsidies or increasing work requirements may force some parents currently using structured care settings to switch to free care by relatives or other more informal arrangements less likely to promote child development.

Another concern about early childhood education is the low participation in preschool or other structured care settings by Hispanic children and children of parents with low educational attainment. To improve school readiness for these populations, additional efforts may be needed to increase awareness of the advantages of formal programs. However, even with outreach, access to Head Start and state preschool programs needs to be addressed: Many families that are eligible for preschool do not receive government assistance because the pool of subsidy funds is not sufficient to cover all eligible children.

These and many other important issues need to be carefully considered as policymakers, in an era of fiscal austerity, weigh the tradeoffs involved in supporting working parents and in providing early childhood education.

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*This research brief summarizes a report by Margaret O'Brien-Strain, Laura Moyé, and Freya Sonenstein, Arranging and Paying for Child Care (2003, 96 pp., \$10.00, ISBN 1-58213-047-7). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet ([www.ppic.org](http://www.ppic.org)). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.*

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