



## CONSEQUENCES • CHILD CARE AND EDUCATION

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### IMPACT ON ALICE • CHILD CARE

Types of child care differ greatly in terms of cost and quality:

- **Family-based care:** Child care provided in a home setting for one or more unrelated children. Most states have regulatory guidelines for family child care homes based on the number and ages of children they serve as well as the number of hours their business operates. This type of care is unregulated in some states; is regulated to certain standards in many others; and, in a few states, is even licensed or included in state educational quality rating systems. But in most states, family-based child care is not held to the same standards for health, safety, and current or future learning outcomes as center-based care.<sup>8</sup>
- **Center-based care:** Child care provided in nonresidential group settings, including public or private schools, churches, preschools, day care centers, or nursery schools. Center-based care is usually licensed, and many are accredited by state or nonprofit early childhood organizations.<sup>9</sup>
- **Preschool:** Programs that provide early education and care to children before they enter kindergarten, typically from ages two-and-a-half to five years. Preschools may be publicly or privately operated and may receive public funds. They may be housed in schools, faith-based settings, or commercial spaces.

#### PUBLIC PRESCHOOLS

Public preschool programs have been found to improve learning, especially for economically disadvantaged children.<sup>10</sup> Between 2016 and 2017, state-funded preschool programs collectively served over 1.5 million children nationwide.<sup>11</sup> However, the programs vary in terms of quality, and even these programs are not always affordable to ALICE because of costs of transportation and before- and after-school care.<sup>12</sup>

Several factors impact child care options:

- **Affordability:** Quality child care is very costly, and increases with the number of children in a family. In 2016, 32 percent of parents with difficulties finding child care said cost was the primary challenge:<sup>13</sup>
- **Quality:** There is a huge variation in the quality of care, which impacts a child's ability to reach developmental milestones.
- **Assistance:** Eligibility for state child care assistance is tied to income, and many ALICE families do not qualify.
- **Availability:** Child care center hours often fall short of the coverage needed by working parents.
- **Proximity:** Just over half of low-income parents of children under age six reported that they have good choices for child care in their community, compared to almost 70 percent of high-income parents.<sup>14</sup>

Nationally, child care attendance remains closely tied to income. In 2017, 3- to 5-year-olds in families with income above \$75,000 were 30 percent more likely to be enrolled in pre-K or preschool programs than those with income of less than \$30,000. There are also differences by race/ethnicity, with Hispanic children less likely to be enrolled in center-based care compared to other groups.<sup>15</sup>

### Percent of Children Enrolled in Early Learning Programs by Household Income, U.S., 2017



Sources: *Child Trends' original analysis of data from the Current Population Survey, October Supplement, 1994-2017 Appendix 2*; *Child Trends. (2014). Early childhood program enrollment*

## What do families do if they cannot access child care or preschool?

Quality child care or preschool function as cornerstones to a child’s healthy development, as well as to a family’s income stability and growth. Yet many ALICE families struggle to obtain this essential need, for reasons including affordability, quality, assistance, and availability. Here are strategies that different ALICE families try:

### ▼ Seek Less Costly Care

One option is to choose a home-based care center, with a lower average cost compared to center-based care. Nationally in 2017, the average cost of home-based care was \$8,729 annually for a toddler, compared with \$10,096 for center-based care.<sup>16</sup> However, home-based care centers may have different regulatory requirements and can vary greatly in terms of quality.



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**Lack of school readiness:** Families who choose low-cost informal, home-based care may not receive the same level of academic preparation as children in center-based care programs, which equip children with higher levels of math and reading skills as they enter kindergarten.<sup>17</sup>

**Health and safety risks:** Children in non-accredited facilities tend to have more respiratory and other infections and more playground injuries than children

in accredited care settings. In 2015, an estimated 90 percent of injuries sustained at child care facilities could have been prevented through better safety awareness and prevention.<sup>19</sup>

#### EDUCATIONAL QUALITY OF CHILD CARE

Nationally, 11 million children younger than age five are in some form of organized child care, including home-based and center-based care. However, a mere 10 percent of these arrangements met all educational quality guidelines in 2016.<sup>18</sup>

## ▼ Pay More than Family Budget Allows

Another choice may be to pay more than is affordable for child care, in order to access higher-quality care or extended coverage (“wraparound care”). This choice can solve the immediate need of accessing quality care, but can also have a long-term ripple effect across many aspects of family life:



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**Less money available for other necessities:** ALICE families who spend more on child care have less money to spend in other areas of their budget. For instance, a family may be pushed to spend less on food, or move to a less desirable area to save on housing costs in order to continue paying for child care. Not having enough healthy food or living in a less desirable area may in turn lead to increased health risks, and greater health care costs.<sup>20</sup>



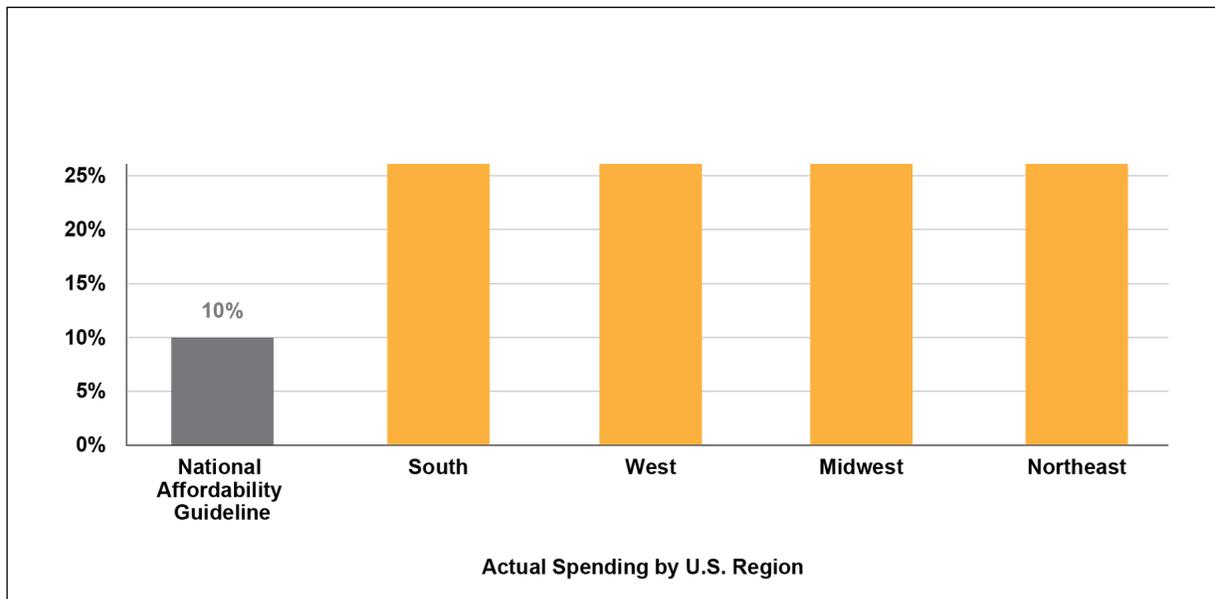
**Lack of savings:** ALICE families who pay more than they can afford for child care are often not able to save for their child’s and family’s future — for instance, for higher education or an unforeseen emergency.

**Increased debt:** ALICE families with access to credit may borrow — often at high rates — to pay child care costs, assuming that if they continue working they will have enough income to pay off the debt.<sup>21</sup>

### AFFORDABILITY GUIDELINE

Many ALICE families pay more for child care than they can afford. The national affordability guideline for household spending on child care is 10 percent of annual income, but as the figure below shows, families across the country typically spend far more.

Average Percent of Income Spent on Child Care, U.S., 2017



Sources: Child Care Aware. (2018). *The US and the high cost of child care: 2018*; U.S. Department of Health and Human Services. (2013). *Child Care and Development Fund (CCDF) program: Proposed Rule*. Federal Register, 78(97)

## ▼ Find a Publicly Funded Preschool

A public preschool can offer significant cost savings and improve learning outcomes.<sup>22</sup> However, there are downsides to this option, related to funding, quality, and scheduling.



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**Underfunded and under-resourced public preschool programs:** ALICE and poverty-level families seeking public preschool may not have access. Only 3 percent of 3-year-olds and 33 percent of 4-year-olds nationwide were served by state-funded preschool programs.

**Variable quality:** Even for ALICE families who are eligible, finding a quality public preschool can be difficult. Only five state programs met all 10 of the National Institute for Early Education Research quality benchmarks; while nine state programs met fewer than half. Inconsistent quality in preschool programs particularly affects families who live in low-income or rural areas, which are less likely to have high-quality preschool facilities.<sup>23</sup>

**Persistent gaps in care:** ALICE families usually need wraparound care before and after school hours, or summer care, which most publicly funded preschool programs do not provide.<sup>24</sup>

## FUNDING VARIES ACROSS STATES

State spending for early-learning programs ranged from \$1,000 to \$12,000 per student, with the majority of states spending between \$5,000 and \$7,000.<sup>25</sup>

## ▼ Seek Assistance

You could seek state child care assistance, provided you meet eligibility requirements. Eligibility for child care is tied to family income: in most states, it is approximately 200 percent of the Federal Poverty Level (FPL), and as high as 250 percent in some states.<sup>26</sup>



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**Long wait.** With underfunded child voucher programs in many states, families may be forced to put work plans on hold until assistance is available. Nationally in 2017, 20 states had waiting lists or freezes on accepting new children.<sup>28</sup>

**Trading income growth for assistance.** ALICE families who receive a child care subsidy have to keep their income low enough to retain eligibility. This pushes parents to forgo working extra hours at their job, or decline a raise or job offer in order to keep their income at or below the eligibility threshold.<sup>29</sup> The “benefits cliff” or “income cliff effect” occurs when a household loses all their public benefits once it earns above the eligibility level.

## CHILD CARE ASSISTANCE

Of all children who qualify for child care assistance, only one in six receive it.<sup>27</sup>

**Loss of work-related child care benefits:** In many states, child care assistance for low-income families requires documentation of work schedules, income, and care hours that match a consistent number of working hours. This requirement can prevent workers with volatile hours and inconsistent income from qualifying for subsidies.<sup>30</sup>

## ▼ Find Alternate Means of Care

There are a number of alternatives to formal child care, such as staying home with your child or children, or asking a relative, friend, or neighbor to care for them. The advantages to these options include saving money and flexibility of coverage. However, informal child care situations may have less-than-optimal, long-term repercussions.

**Lack of school readiness:** While care by a stay-at-home adult may be the best option for some ALICE families, children who don't attend preschool or other early education programs may not develop the pre-academic skills necessary for success in kindergarten and beyond. These educational gaps tend to be much more costly and difficult to close as children advance through elementary, middle, and high school.<sup>31</sup>

**Possible loss of family income:** If one adult in an ALICE household has to stay home to care for children, there are impacts on income stability, future earning potential, and saving for future needs. Nationwide, it is estimated that families who do not have access to affordable child care and paid family leave lose a combined \$28.9 billion in wages over their lifetimes.<sup>32</sup>

## LIFETIME EARNINGS DEFICIT

It would cost a 26-year-old mother \$467,000 in lifetime earnings to take five years off from a median-paying job to care for her children full time — an amount equal to a 19 percent reduction in lifetime income.<sup>33</sup>

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