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Oregon's Employment-Related Child-Care Subsidy Program: An Investment That Makes Employment Work for Low-Wage Families

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A recent study documents that Oregon's Department of Human Services (DHS) Employment-Related Day Care program (ERDC) supports employment and enables parents to meet the needs of their children. Five major findings emerged from interviews with ERDC participants:

- Without a child-care subsidy, parents could not afford to work, as most of their wages would be required to cover child-care expenses.
- Subsidies allow parents to contend with the unstable work conditions typical of the low-wage labor market and thereby sustain employment.
- Subsidies allow parents to pursue better, more stable child-care arrangements.
- Despite the generosity of Oregon's child-care subsidy policy, parents struggle with the fluctuating and difficult cost burden associated with child care.

- Child-care providers attest that the changes to Oregon's policy in 2007 made enormous and positive differences to their businesses.

In the following pages we elaborate on the findings above. These findings are based on the stories reported in forty-four in-depth interviews, conducted between February and December 2009, with recipients of child-care subsidies in rural and urban parts of western Oregon, and fifteen brief interviews with some of their child-care providers. Note that the accounts we include here scarcely do justice to the complexity of the stories told in our interviews with parents, nor do they convey adequately the challenges faced by low-wage working families, the hardship they experience, and the innovative strategies they employ to make the best life possible for their children. We applaud their courage and their determination, and we thank them (all named with pseudonyms here) for taking the time to speak with us about their private lives.



Study Background

In order to more fully understand the impact of the child-care subsidy policies on the employment and child-care decisions of participating families, the Oregon Employment Department and DHS collaborated with researchers from the University of Oregon and Oregon State University to interview parents and their child-care providers. In-depth, qualitative interviews with forty-four randomly selected recipients of ERDC subsidies and fifteen of their child-care providers were completed in winter and fall 2009, and a telephone survey of another 580 parents was completed in spring 2010. In the in-depth interviews, we asked parents to reconstruct their experiences with employment and child-care arrangements between January 2007 and the time of the interview. "The study period" refers to that almost three-year period. Findings in this brief are based only on the qualitative data.

Key Findings from Qualitative Interviews

Child-care subsidies make work possible.

Our respondents reported that without a subsidy they could not afford to work—most of their wages would be required to cover child-care expenses.

“I could work, but I’d be living out of a box, or my car. Because how do you pay rent and pay your daycare?”

—Mary (three children)

Mary (three children): *“I could work, but I’d be living out of a box, or my car. Because how do you pay rent and pay your daycare? [If you have two kids] you’re looking at \$1,100 to 1,200 a month in child care. How do you do that and work, especially as a single mom? . . . If I didn’t have [a child-care subsidy] we’d be living in a cardboard box. So I’m glad that we do. So then I can work and do what I’m supposed to do.”*

Mimi (four children): *“I would be out of a job. It’s everything to me. Without that, I would not be successful at all. I am so grateful for that program, you have no idea. Me and my kids, [before] we were barely even staying alive.”*

Rachel (three children): *[Without assistance for child care] “I wouldn’t be able to work. I’d have to quit my job, and then I’d be back at the same. It’d be, like, I can’t work because I can’t pay child care. [My provider] makes something like \$1,500 a month off of my boys. I could not pay \$1,500. I don’t make that much a month, so I’d have to stop working.”*

Lacy (two children): *I’m grateful for the help because if I didn’t have that help, I don’t even see how people can afford it. [My costs] are, like, \$1,500. Wow. I mean that’s, like, my paycheck right there. Plus more. I wouldn’t be able to live.”*

Martha (two children): *“There’s no way if [I] didn’t have state-care babysitting I could afford \$600–700, \$800 a month with two kids. I barely make \$900 a month right now with \$324 in child support. That’s included in the \$900 a month. How could I do that and keep up on diapers and things I need?”*

Subsidies allow parents to contend with the unstable work conditions typical of the low-wage labor market and sustain employment.

The parents we interviewed faced stressful work conditions typical of the low-wage labor market: unemployment at rates higher than the state average (which was a staggering 11 percent at the time of the interview); multiple jobs during the study period; low wages averaged \$10.83 per hour and \$1,300 gross per month; variable

schedules and hours; nonstandard hours; and inadequate employment benefits such as health insurance and paid time off.

Although the subsidies could not alleviate these unstable and difficult work conditions, they did enable parents to better contend with them. Whether they experienced regular spells of unemployment due to seasonal jobs, or cycled in and out of employment due to layoffs, particularly in the recessionary times in which we conducted the interviews, the parents we interviewed counted on being able to reapply for a subsidy in order to become employed again. The subsidies were critical to their employment stability, although that stability often entailed multiple jobs over time. Suzanne’s story illustrates:

Suzanne, who had three children, ages eleven, nine, and six, worked a seasonal job picking vegetables. Her schedule was 7:00 a.m.–3:00 p.m., Monday through Friday. She had cycled on and off the child-care subsidy program for five years with this arrangement. Suzanne dropped her children at her mother’s house, where she cared for other kids, or their grandmother came to the kids’ house if Suzanne had to work a late shift. The grandmother provided care in summer, too. Because Suzanne had been a reliable employee, she was slowly gaining seniority and she was hoping to be in line soon for “regular employment,” by which she meant full-year. On the importance of the subsidy to her work, she says, *“I don’t know how I could go to work if they cut that. I mean it’s hard enough to come up with the copay, but to have to come up with the whole thing? And it wouldn’t be fair to make my mom watch them for my copay amount . . . I couldn’t work without their assistance. If I didn’t have [it], I couldn’t work. And I’d probably start losing a lot of things because I can’t pay bills, and you can’t draw unemployment very long . . . but I would go completely under, I think, without this program.”*

Subsidies allow parents to pursue better, more stable child care.

Research consistently shows that whether children are in single or multiple arrangements, the stability and quality of child care is critical to the healthy development and emotional well-being of children. Yet low-income parents often do not have access to stable or high-quality care. When they do, not only can it benefit the child, but it can also help parents maintain stable employment.



Child-care subsidies do not guarantee that child care will be stable. Even with a subsidy, the majority of parents in our sample (57 percent) experienced changes in child-care arrangements over the course of the study period. Sometimes job changes drove changes in care. Other times, dissatisfaction with the arrangement or provider unavailability led to changes in care. But because they had a subsidy, parents were able to pursue different arrangements, which they hoped would be more satisfactory and stable. Parents reported that their need for flexible and nonstandard hours sometimes forced them to choose unsatisfactory providers and then move their kids when problems arose. Shania's story illustrates:

Shania, whose three children were ten, eight, and four, worked for the same large food store throughout the study period, but she experienced major changes in her schedule: she worked 5:00 a.m.–2:00 p.m. seven days a week with random days off, then noon–9:00 p.m. or 3:00 p.m.–9:00 p.m. When we interviewed her, she was training to be a manager, which required her to work all shifts. She needed very flexible child care. In the study period, Shania had two providers with whom she was dissatisfied (the first was “abusive” and the second was imposing her religious perspectives on the kids). Her work schedule made it very difficult to find providers. In the current situation, her children were at the babysitter's house after school, where she picked them up after work (anywhere between 4:00 p.m. and 9:00 p.m.). This babysitter also cared for them when Shania worked weekends or when they didn't have school. She reported that it was very difficult to find high-quality care by someone who could meet her needs for flexibility and availability: *“And times, like the availability, is harder, too, because a lot of places, they'll only watch kids . . . on weekends, some will watch them only up until 6:00 o'clock at night, you know. So it's really, really hard to find somewhere that is weekends and open late hours.”* She was ultimately very satisfied with her children's care. This case demonstrates how the subsidy allows a recipient to pursue other options when she is dissatisfied, but constrained still by work schedules that require flexible providers.

We found that when parents lost child-care subsidies, the entire family suffered. Often child-care arrangements fell apart and employment was jeopardized. Julia's story illustrates the critical importance of the child-care subsidy in maintaining stability in employment and child-care arrangements.

Julia, the mother of three children (two school-age and one preschool age), was self-employed, cleaning apartments for landlords between tenants. She had built up a decent clientele and was getting enough jobs to make ends meet (she reported that she made \$12,000 last year). Her mother took care of her children: *“I started working, three years. I started at first arranging my schedule around my kids' school hours, which worked. But then, I was losing jobs by doing it that way. And then it got to the point where I would pick my kids up from the bus stop and I would take them with me to work, but I ended up working two or three hours longer. [Interviewer: “Cleaning up after them?”] Yeah, and then one time . . . we walked into a place and somebody had broken in, and I'm like, ‘This isn't a safe place for you guys,’ so that was when I talked to my mom, and we've been good in the child care for two years.”*

Julia needed extremely flexible hours as she worked on demand and often worked evenings, weekends, and days. Her mother was willing to come to her house whenever she was needed; she took care of the kids twenty to fifty hours per week. In our first interview with her, Julia remarked that if she lost her subsidy, she was confident that her mother would still care for her kids. When we spoke with her a few months later, she reported that she had lost her subsidy because she was self-employed. Her mother stopped providing the care because she could not afford to do so without pay. Since, Julia has struggled to find care. When she could, she paid friends and her mother for care out of her pocket. She left her older child alone, something she said she would never do when we first interviewed her because she has an ex-boyfriend who has stalked her. She split her younger kids up to be cared for by different friends when necessary. She often could not take a cleaning job because there was no one available to care for her children. The loss of her subsidy meant that Julia's employment was at risk and her children were no longer in stable, safe arrangements. For her, this was a devastating blow to her previously stable life as a low-wage, self-employed worker and to her self-esteem: *“I built this business. Something I built out of nothing. I didn't have a dime to my name . . . This is more than work. This is who I am. I may clean for a living and a lot of people look down on this, but I don't get child care and I don't get child support.”*

When parents lost subsidies, the entire family suffered. Often child-care arrangements fell apart and employment was jeopardized.



Despite the generosity of Oregon's child-care subsidy policy, parents struggle with the fluctuating and difficult cost burden associated with child care.

Even with the 2007 improvements to the Oregon Employment-Related Day Care program, the copays parents were obligated to pay fluctuated and were difficult for them to manage. Most of the parents we interviewed experienced either consistently increased costs associated with their copay, or they found their copays changed and made it difficult for them to plan their monthly expenses. Given how low their income was, they found it difficult to manage the financial burden associated with child care, despite the generosity of the program. Parents managed the costs through a variety of complex strategies, including bill juggling, creating a payment plan approved by the provider, relying on tax refunds to pay back bills, credit card debt and payday loans, risking medical hardship, clothing hardship, and relying on network support.

Angela, the mother of two children (ages seven and two), had worked evenings and weekends for four years in a facility for adults with developmental disabilities when we interviewed her in winter 2009. Her work schedule made it difficult to find child care in a center, hence she relied for a period of time on her daughter's paternal grandmother, and when she became dissatisfied with this arrangement, she hired a friend she knew from her workplace to provide care for her children in Angela's home. The provider charged more than the subsidy rate, so in addition to her copay, Angela paid the difference between the subsidy and the cost of the child care. With an hourly wage of \$9.70 and around thirty hours of work per week, Angela could not afford her monthly child-care bill, so she and the provider made an arrangement in which Angela regularly paid a portion of the bill and made up the difference when she received her tax refund: "We work out the difference between what [the provider] charges and what the state pays, and I'll usually do half of it every month and the whole copay . . . When I do my taxes, I pay off. Let's say I don't pay \$100 a month: when taxes come back I pay them that \$1,200 I didn't pay during the year."

Most respondents reported that they did not receive a break in the amount they had to pay their child-care provider. Most centers were not flexible, and parents reported that they felt

especially obligated to make sure family and friends received the income from providing child care because the provider relied on this source of income to pay their own bills—it was the child-care provider's job, respondents pointed out. Thus, almost everyone with whom we spoke described elaborate strategies to manage their expenses and pay for child care.

Child-care providers attest that the changes to Oregon's policy in 2007 made enormous and positive differences to their businesses.

Child-care providers were aware of, and grateful for, the policy changes implemented in October 2007. Higher subsidy rates allowed providers to stabilize their businesses; improve their often precarious economic position; invest in and improve their businesses; take more subsidy recipients or keep subsidy recipients they were considering dropping due to low subsidy rates that didn't meet costs prior to the change in policy. They expressed their satisfaction with the program as a support for their businesses but also as a means by which they could serve very low-income families: "There's actually nothing more rewarding than that, more fulfilling as a teacher and as an educator, knowing that you are making a huge difference in a child's life. And by the state opening up their doors and giving us, [giving] parents the option of where they want to go, it has opened up parents' options as well. Parents are actually feeling more comfortable, they're actually doing better jobs at work, they're better employees because they're not as stressed as [they might be were they asking], 'Who's watching my child today?' 'Are they okay?' 'Are they learning anything, are they getting into trouble?' That family stress somewhat dissipates to almost nothing, and therefore the child is more relaxed, the parent becomes a better employee, everybody wins—and they're giving back to their community by working and being a productive member of society. So [the current ERDC program] is a win-win situation for everybody all the way around."

ERDC is critically important in helping low-wage workers maintain employment. Without a child-care subsidy, these families are at risk of losing employment and relying on welfare. While working low-wage jobs, families cannot afford the market cost of child care. Loss of a child-care subsidy introduces instability into the lives of families who are managing to make ends meet in the jobs available to them.

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