

Oregon's Parents Receiving Subsidized Child Care: Where Do They Work?

A joint research project by Adult and Family Services (AFS) and the Oregon
Employment Department.

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Executive Summary:

- **Oregon's work force:** The largest proportion of Oregon workers are employed in the service industry (28.47%), followed by retail trade (22.38%) and manufacturing (19.17%).
- **Oregon's working poor:** The poorest fifth of Oregon's workforce follows a similar pattern. The largest proportion of these lowest income workers are employed in services (45.8%), followed by retail trade (19.49%), and Agricultural, Forest and Fishing (9.93%).
- According to the data in this study, the low income parents receiving child care subsidies are doing better than the poorest fifth of Oregon's workforce, but not as well as the Oregon labor force as a whole.
- The similarities and differences between these groups of Oregon workers offer opportunities for further study and for developing strategies to increase employment in industries where workers can advance and enhance their family's financial well-being.
- The majority of program participants worked for the "Eating and Drinking" industry.
- The two firms that hired the most participants were department stores.
- There was little difference in industry penetration patterns between participants who had received ADC benefits within the previous 12 months and other recipients.
- Those participants never having received ADC or not having received benefits in the past 12 months, on average, earned higher wages than the participants just moving off welfare.
- In general, the AFS clients most heavily penetrated the "Eating and Drinking" industry but individual firms in the Department Stores and Grocery Stores industries hired the most clients.

- Using the AFS estimate of \$612 as the cost of full time childcare for two children , the average quarterly earnings of all participants exceeded the cost of childcare. Without subsidy, this could mean child care costs as high as 74% of earnings. A more accurate reflection of child care costs in relationship to earnings can be obtained by calculating the amount of child care cost paid by the parent in the form of the co-payment. The average co-payment for child care (the portion paid by the parent with the balance of the cost being covered by the subsidy) is \$107 per month, making child care costs 13% of earnings.
- There was little difference in the industries employing those ERDC recipients with the highest wage earnings and the industries employing the rest of the ERDC recipients in the sample.
- The kinds of industries employing parents receiving child care subsidies differ significantly from those of Oregon's Labor Force as a whole and from the poorest fifth of Oregon's Labor Force.
- This study found results nearly identical to a Florida study which looked at welfare clients receiving child care subsidies in Florida.

The Data:

- Data Set: Used 7,276 records on 6,322 individuals. The data combined AFS eligibility questions with UI Tax wage records. After dropping all missing observations of wage or firm id, there were 5,325 individuals who received wages.
- The 5,325 individuals who had complete information, worked for 3,492 unique firms covering 478 different industries defined at the 4 digit level and 76 different industries at the 2 digit level.

Introduction

In August, 1996 the United States Congress passed comprehensive welfare reform legislation. The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PWROA) abolished the entitlement programs known as Aid to Dependent Children and Families and created, under Title I of PWROA, a new program called Temporary Assistance to Needy Families (TANF). Under TANF the states were given broad discretion to administer programs designed to promote the employment of low income families and established a five year lifetime limit on the receipt of public assistance. The PWROA also established increasing levels of participation in education, training and work search programs in order for states to receive federal funds under the act. The emphasis is now on seeking and finding employment, not on basic financial assistance.

The State of Oregon, under its Job Opportunities and Basic Skills (JOBS) program had already begun an aggressive campaign of promoting these goals. Through programs to promote workforce attachment, short-term training and the provision of health insurance and child care subsidies, Oregon has achieved a 40% reduction in its Aid to Dependent Children (ADC) caseload over the last four years. Parents moving off ADC remain eligible for child care subsidy through the ERDC program after their eligibility for ADC has ended.

The unanswered question, however, remains: what happens to those parents moving off assistance into employment? There is evidence that these parents are definitely doing better financially than they were when receiving ADC but little was known about what their prospects are for further improvement in their economic status. Eligibility for ADC in Oregon stops at 75% of the federal poverty level. As employment raises them above eligibility for ADC and they receive child care assistance, food stamps, the Earned Income Tax Credit (EITC) and other supports, they move closer to self-sufficiency. What are their chances to move above the poverty level?

There has been growing interest to understand the kinds of employment available to these families and to develop strategies that can help them achieve true self-sufficiency. Employment in so-called "dead-end" occupations, for example, is considered less likely to contribute to longer term self-sufficiency than is employment in areas with opportunities for advancement. As states explore the possibilities for public/private partnership and develop strategies to work with employers in key industries and develop on-the-job training that can help entry level workers progress, there is a need for better understanding the skills needed and strategies that can help achieve these goals.

The purpose of this exploratory study is to identify the sources of employment for two groups of low-income employed parents: 1) those transitioning from public assistance, and 2) those who never received public assistance or who have not received public assistance during the past year. The Oregon child care subsidy program is called Employment Related Day Care(ERDC). This study looks at the industries employing parents enrolled in ERDC-TRS(transitional benefits for parents who received ADC during the previous year) and ERDC-BAS (child care benefits for parents never receiving ADC or not having received ADC in the previous 12 months). These parents are in different stages of progress towards financial independence.

This study looks at the employment patterns, the industry in which the parent received the most wages in the quarter studied, and the average quarterly wages of parents employed in that industry. The study also looks at differences and similarities between different geographic areas in the state. In order to compare these parents to others in the workforce not receiving a child care subsidy, the study compares the parents in the study to the Oregon Labor Force as a whole and to the poorest fifth of Oregon's Labor Force.

The Study

The sample:

Data for this study were obtained by matching client records from Adult & Family Services (AFS), the state agency administering the child care subsidies for low-income working parents with UI wage records from the Oregon Employment Department. In order to find the industry in which the parent was employed, AFS matched ERDC client records to the Unemployment Insurance (UI) Tax wage records. The two agencies do a quarterly match of AFS client records with UI wage records. AFS matched the records, stripped the data of identifying information, and provided the Labor Market Information section of the Employment Department with the dataset to conduct this study. The dataset had complete information on 5,325 employed AFS clients receiving child care assistance through the ERDC program. All data were from the 1996 quarter 1 (January-March) UI wage records.

Sources of data for the study:

- AFS client ERDC client records
- Unemployment Insurance wage records, Oregon Employment Department
- Oregon Population Survey for 1994, Oregon Progress Board

Definitions:

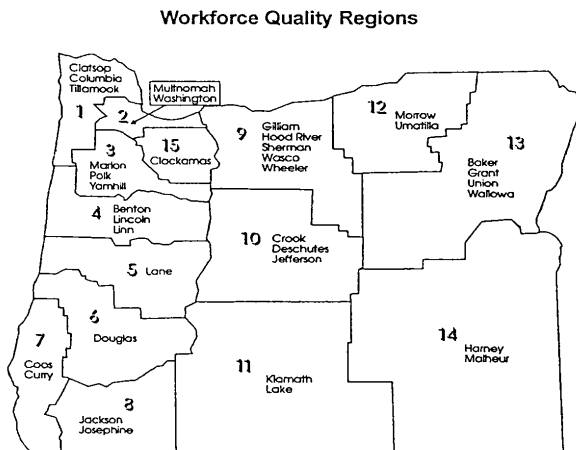
Major Category: The two digit Standard Industrial Code (SIC) of the firm that paid the AFS client the most money during the quarter.

Average Quarterly Wages: the sum of all wages paid to the AFS client during the quarter.

Estimated Weekly Wages: Average Quarterly Wages divided by 13 (weeks).

Estimated Annual Wages: Quarterly Wages multiplied by 4 (quarters).

Workforce Quality Regions(WQR): Geographic grouping of Oregon counties used for purposes of planning and service delivery of workforce programs. This geographic grouping also corresponds to the districts used by AFS for delivery of its services and to the Service Delivery Areas (SDA) used by child care resource and referral (CCR&R) agencies to provide information on child care to parents. The following map shows the geographic boundaries of the WQR's.



Limitations of this study:

This study was conducted from a one-time match of ERDC and UI wage records. It does not provide longitudinal data on the same client, so it is not possible to study progress in earnings over time.

The data were stripped of client identifying information in order to comply with confidentiality requirements. Therefore it is impossible, for example, to identify clients who had earnings from more than one industry. For purposes of the

study, the firm that paid the AFS client the most money during the quarter was selected for analysis. Many clients held jobs in more than one industrial area.

These data provide information about all wage earners in the state. When comparing low-income working parents receiving a child care subsidy to all Oregon workers, however, we must consider that we have no way of knowing if those wage earners are parents. Included with all wage earners are parents whose earnings raises them above the eligibility limits for a child care subsidy. Technically, families are eligible for child care up to 75% of the state's median income (approximately \$25,000 for a family of four) , limited funds for child care subsidies have resulted in co-payments that drive most families off the subsidy program at slightly above the federal poverty level.

Oregon's work force: The largest proportion of all Oregon workers are employed in the service industry (28.5%), followed by retail trade (22.4%) and manufacturing (19.2%). The poorest fifth of Oregon's workforce is also employed in the service industry, but in different proportions. Nearly forty six percent of these lowest income workers are employed in services (45.8%), followed by retail trade (19.5%), and Agricultural, Forest and Fishing (9.9%). The average quarterly earnings for these three industries are shown in Figure 3. According to the data in this study, the low income parents receiving child care subsidies are doing better than the poorest fifth of Oregon's workforce, but not as well as the Oregon labor force as a whole.

Results

Employment and Wages:

Four industries employed twenty-five percent of the parents receiving child care subsidies: Eating places, department stores, grocery stores and temporary help agencies. The remaining six of the top ten industries employed an additional 20%. This means that approximately 44% of the parents receiving child care subsidies are employed by employers in ten industrial codes (see Table 1.) By far, the industry employing the most of these parents is eating places (SIC 5812).

Table 1

- Top ten 4 digit SIC's, number employed, and average wages.

Table 1

Major	Industry	Number	Ave.	Estimated Weekly
5812	Eating Places	767 (33%)	\$1,979	\$152
5311	Department Stores	300 (13%)	\$2,495	\$192
5411	Grocery Stores	235 (10%)	\$2,489	\$191
7363	Temp Help Supply	230 (10%)	\$1,949	\$150
7011	Hotels and Motels	181 (8%)	\$2,010	\$155
8361	Residential Care	178 (8%)	\$2,850	\$219
8051	Nursing Care Facilities	139 (6%)	\$2,728	\$209
8062	General Medical Services	114 (5%)	\$3,455	\$266
8052	Intermediate Care Facilities	103 (4%)	\$2,557	\$197
8322	Individual/Family Social	81 (3%)	\$2,740	\$211
	Total	2328		

Eating places are defined as establishments primarily engaged in the retail sale of prepared food and drinks. Examples of firms in this industry include: Cafes, Cafeterias, Coffee shops, Fast food restaurants, etc. The industry which hired the second most clients was Department Stores (SIC5311). Department Stores are defined as retail stores generally carrying a general line of apparel, such as suits, coats, dresses, and furnishings.

By consolidating SIC's to the two digit level, it is possible to look at the broader category of industry and include a greater diversity of employers and employment opportunities.. For example, SIC 80 (Health Services) includes nursing facilities, medical clinics, hospitals etc. The wages paid, for example, in a nursing home may vary significantly from those paid in a medical clinic. By looking at average wages within a two digit SIC, it is possible to look at opportunities for advancement within the broader field. The estimated weekly wage for SIC 8052 (Intermediate Care Facilities) were \$197 compared to \$230 for Health Services (SIC80). Estimated weekly wage for Eating Places (SIC 5812) was \$152 and for Eating and Drinking (SIC 58) was \$152. Indicating perhaps less upward movement in wages in that industry as compared for Health Services.

There are differences as well between the industries employing those parents in the top fifth of wage earners and the population as a whole. It is not possible to determine from these data the reasons for these differences. It may be that the parent is employed more hours or is employed at a higher rate. There is some indication (see Table 2 and Table 3) that those parents with higher quarterly earnings are employed in industries with higher wages and more opportunities for advancement. Note, for example, that 16% of all clients were employed in the Eating and Drinking industry where only 7.5% of the top fifth of wage earners were employed in the Eating and Drinking Industry.

Table 2

- Top ten two digit SIC's, number employed, and average wages for all clients.

Major	Industry	Number of	Ave. Quarterly	Estimated Weekly
58	Eating and Drinking	835 (24%)	\$1,982	\$152
80	Health Services	535 (16%)	\$2,991	\$230
73	Business Services	452 (13%)	\$2,229	\$171
83	Social Services	406 (12%)	\$2,671	\$205
53	General Merchandise	326 (10%)	\$2,476	\$190
54	Food Stores	264 (8%)	\$2,456	\$189
70	Hotels and Lodging	186 (5%)	\$2,025	\$156
59	Misc. Retail	144 (4%)	\$2,351	\$181
72	Personal Services	139 (4%)	\$2,431	\$187
60	Depository Institutions	125 (4%)	\$3,256	\$250
	Total	3412		

At the two digit SIC level, the vast majority of clients were employed in industry 58 (Eating and Drinking Places). The two digit industry which hired the second most clients was SIC 80 (Health Services). Health services are establishments primarily engaged in furnishing medical, surgical, and other health services to persons. Establishments of associations or groups, such as Health Maintenance Organizations(HMO's) are included.

Table 3

- Top ten 2 digit SIC's, number employed, and average wages for the top fifth of AFS wage earners.

Major Category	Industry	Number of Clients	Avg. Quarterly	Estimated
80	Health Services	138	\$4,575	\$352
83	Social Services	79	\$4,310	\$332
73	Business Services	67	\$4,384	\$337
50	Wholesale Trade, Durable Goods	49	\$4,549	\$350
53	General Merchandise Stores	47	\$4,370	\$336
58	Eating and Drinking	42	\$4,235	\$326
60	Depository Institutions	40	\$4,604	\$354
24	Lumber & Wood Products, Except	34	\$4,685	\$360
55	Automotive Dealers & Service	29	\$4,784	\$368
54	Food stores	28	\$4,392	\$338

The industry penetration pattern of the top fifth best paid clients followed approximately the same pattern as the overall population with the exception as noted above that fewer of these parents were employed in Eating and Drinking. Notable exceptions are industries 50(Wholesale Trade) and 24 (Lumber & Wood Products). These industries averaged \$350 and \$360 per week respectively.

Employers with most parents on subsidies

The single employer who hired the most clients was a department store. Following is a table showing the employer ranking, number of clients hired and what industry the firm is in. Since the "Eating and Drinking" industry hired more than any other industry and it appears that the firm taking greatest advantage of these clients belongs to the "Department Stores" industry this suggests that there are lots of "Eating and Drinking" firms hiring a few clients and a few Department Stores hiring a lot of clients.

Table 4

- Industries most frequently employing parents receiving child care subsidy

Ranking	Number of Clients	SIC	Industry Name
1	98	5311	Department Stores
2	72	5311	Department Stores
3	45	5411	Grocery Stores
4	39	9441	Administration of Social, Human Resource and Income Maintenance Programs
5	30	6021	National Commercial Banks
6	29	6021	National Commercial Banks
7	29	7363	Temp Help Supply Services
8	25	7231	Beauty Shops
9	25	7363	Temp Help Supply Services
10	24	5311	Department Stores

Geographic employment patterns: Oregon is a diverse state geographically, with the largest proportion of the state residing in the Willamette Valley. Workforce Quality Regions #2, #3, #4, #5 and #15 make up the Willamette Valley and over two-thirds of the clients in this study live in these areas. Table 5 shows the distribution of parents in the study by WQR.

Table 5

- Number and Percentage of Total Sample According to Workforce Quality Region.

WQC Region	Number Employed (% of Total)	Average Quarterly Wage
01	183(3.5%)	\$2,497
02	1569(29.5%)	\$2,911
03	686(12.9%)	\$2,691
04	337(6.3%)	\$2,623
05	630(11.8%)	\$2,432
06	207(3.9%)	\$2,377
07	154(2.9%)	\$2,277
08	500(9.4%)	\$2,433
09	79(1.5%)	\$2,438
10	225(4.2%)	\$2,170
11	149(2.8%)	\$2,290
12	119(2.2%)	\$2,491
13	94(1.8%)	\$2,170
14	43(1.1%)	\$2,332
15	350(6.5%)	\$2,914

As expected, region 2 had most of the ERDC employment. Region 2 includes most of Portland and surrounding areas. Region 15, the other metropolitan region and Region 2 account for 36% of the parents in the study. Region 8 (Jackson and Josephine counties) has nearly 10% of the total. The lowest numbers of parents in the study were in Eastern Oregon (13% for all six regions). Despite geographic and economic differences between the Regions, the principal industry of employment (at the four digit level) in all workforce quality regions was 5812 (Eating and Drinking establishments). Further, the next most frequent areas of employment were remarkably similar: department stores, hotels and motels, grocery stores.

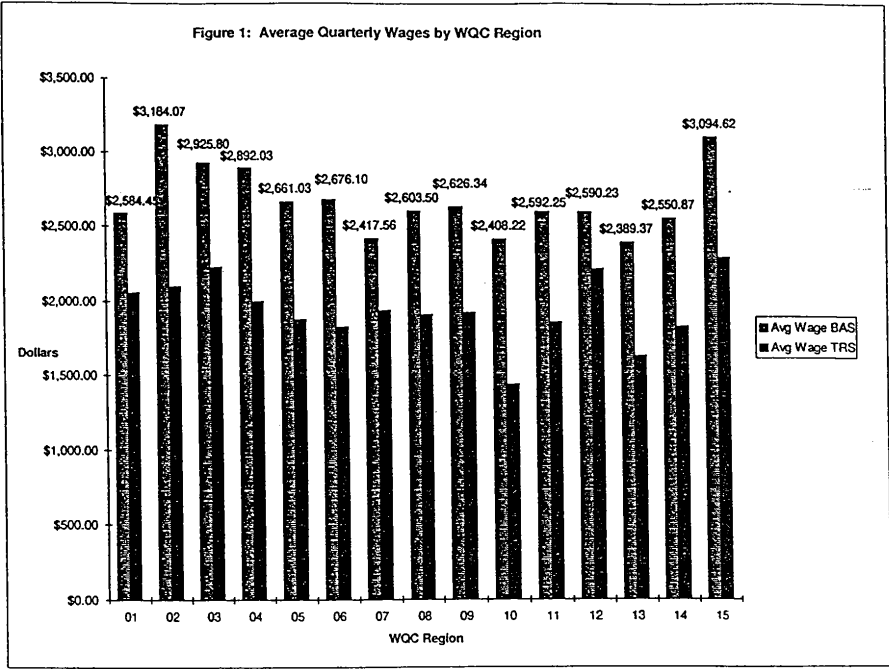
Differences over Time: Data in this study came from two different subsidy programs. Transitional child care benefits are those paid for parents who are just moving off of welfare assistance. Since these parents are more newly into the job market, it might be expected to see differences in their employment patterns and earnings. Both programs had similar industry penetration patterns. Table 7 shows the distribution of the top 5 industries (four digit SIC) by program type. SIC 5812 (Eating and Drinking Places) led the list in both programs.

Table 7

• Distribution by Industry Type for ERDC Basic and Transitional Recipients

BASIC	SIC	SIC name	Number of clients (percentage of total)
BAS	5812	Eating and Drinking Places	528(45.5%)
BAS	5311	Department Stores	215(18.5%)
BAS	5411	Grocery Stores	170(14.6%)
BAS	7011	Hotels and Motels	124(10.6%)
BAS	8361	Residential Care	123(10.6%)
			TOTAL:1160
TRANS	sic	sicname	Number of clients
TRS	5812	Eating and Drinking Places	239(42.9%)
TRS	7363	Temp Help Supply	111(19.9%)
TRS	5311	Department Stores	85(15.2%)
TRS	5411	Grocery Stores	65(11.7%)
TRS	7011	Hotels and Motels	57(10.2%)
			TOTAL: 557

Of parents in the study, 3,859 were receiving Basic assistance while 1,466 received Transitional benefits. The average earnings of Basic participants was \$2,861 a quarter while Transitional participants earned \$2,011 a quarter. The average earnings of both groups showed similar patterns in all workforce quality regions. A higher percentage of transitional parents were employed in the Temporary Help Supply industry while the BAS clients had a higher percentage of workers in the Residential Care industry. Figure One is a graph of average quarterly wages by workforce quality region for TRS and BAS participants.



Cost of child care:

An interesting comparison is the cost child care to the wages earned. Adult and Family Services estimates child care costs for a family with two children in full time child care at \$612 per month or \$1836 per quarter. Parents participating in the subsidy program do not pay that full cost, rather they pay a co-payment based on income and family size. Using the AFS average co-payment of \$107 per month for parents receiving child care subsidies and the estimated quarterly income of \$2472, these parents were paying 13% of their income for child care. The benchmark established by the Oregon Progress Board for affordability of child care is at 10% of household income.

Low-income Parents Receiving Subsidy as Compared to the Oregon workforce:

In general, the employment patterns of parents in this study differed little between programs but there were significant differences when compared to Oregon's laborforce as a whole. This study compared the employment patterns of the parents receiving child care assistance to Oregon's laborforce as a whole, as well as, the employment patterns of the poorest fifth of Oregon's laborforce. In either case, there were significant differences. The following graph illustrates the differences in the percent of people working in each industry. As you can see, Retail Trade, Services, and Government make up a higher percentage of the jobs for parents in this study than for the whole laborforce. The parents in this study also had a higher percentage of jobs in the following industries: Manufacturing, Transportation, Wholesale Trade, Retail Trade, and Government than did the poorest fifth of Oregon's laborforce.

Figure 2: Industry Mix of Oregon, ERDC clients, and the Poorest 1/5 of Oregon's Workforce

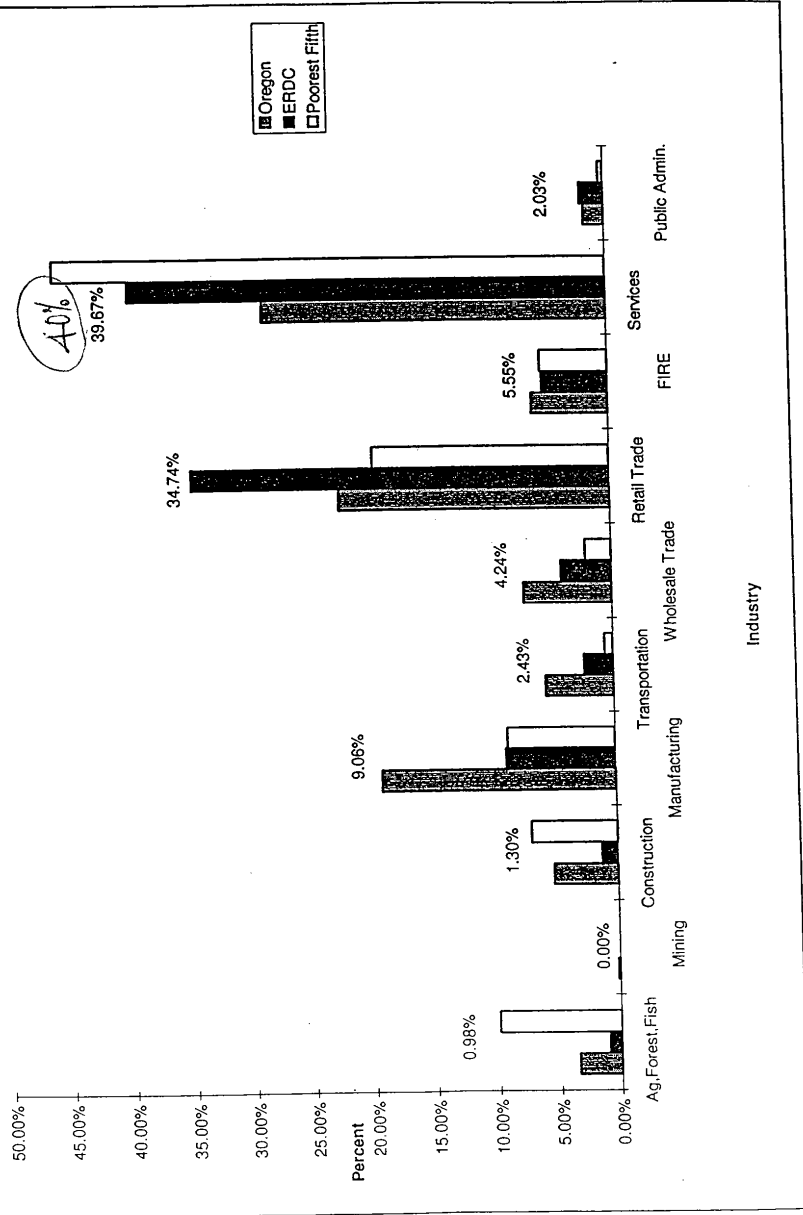
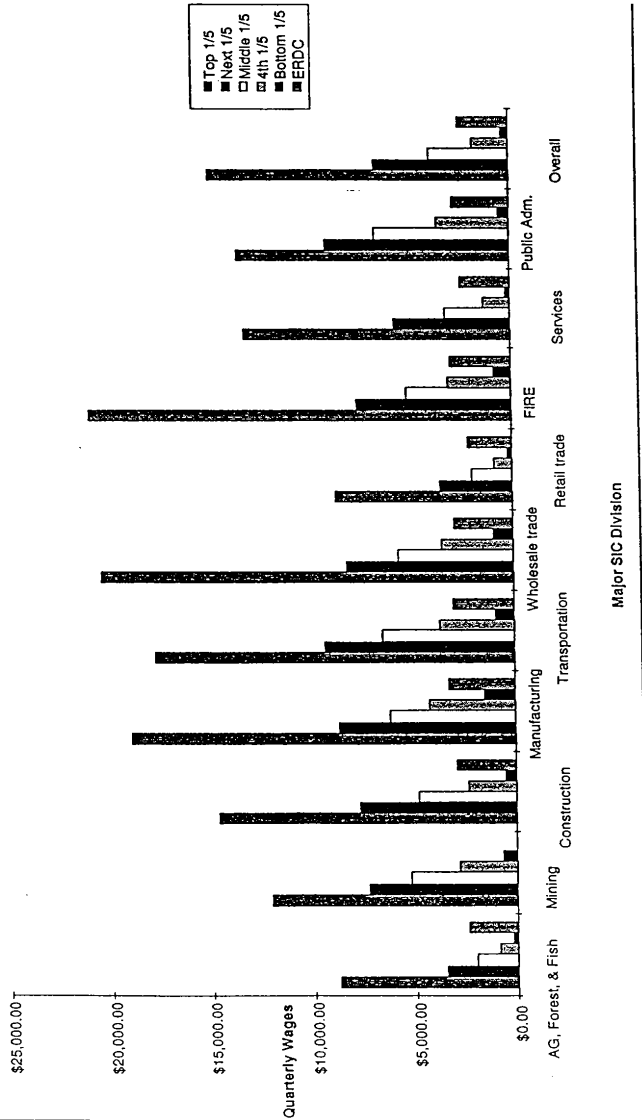


Figure 3: Quarterly Wages by Quintile of Each Major Industry Division Plus ERDC Clients



Conclusions and recommendations for further research.

- Low income parents receiving child care subsidies are doing better than the poorest fifth of Oregon's workforce, but not as well as the Oregon labor force as a whole.
- The similarities and differences between these groups of Oregon workers offer opportunities for further study and for developing strategies to increase employment in industries where workers can advance and enhance their family's financial well-being.
- A longitudinal study tracking ERDC clients earnings and employment patterns will greatly improve our ability to evaluate the effectiveness of the ERDC program in its efforts to move individuals towards self-sufficiency.
- Those participants who had never received ADC or who were off the program more than 12 months and those transitioning off ADC had nearly identical industry penetration patterns. Those transitioning of ADC, however, had lower earnings than the participants who had been off ADC more than 12 months or never received ADC.
- The industry mix of ERDC clients differs substantially from those of Oregon's Labor Force and the poorest fifth of Oregon's Labor Force. The differences between these groups offer opportunities for further study and for developing strategies to increase employment in industries where workers can advance and enhance their family's financial well-being.
- This study found results nearly identical to a Florida study which looked at welfare clients receiving child care subsidies.