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Struggling to Pay the Bills: Using Mixed-Methods to Understand Families' Financial Stress and Child Care Costs

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Abstract

Purpose: This study examines parents' financial stress associated with obtaining care for young children while employed in unstable low-wage jobs. The child care subsidy program aims to both improve child care quality and support employment and we expect that a substantial infusion of resources into this program would reduce parents' financial stress.

Methodology/Approach: We use a mixed-methods research design to study parents' financial costs of child care, how predictable the cost of child care is to a parent, and what strategies parents employ to manage child care costs.

Findings: We find that parents perceive the subsidy program essential to their ability to manage the needs of their children and working. Yet, receiving subsidies does not appear to alleviate parents' financial stress because child care costs continue to consume a large share of the family's income and subsidy policies make it difficult for parents to predict their portion of the costs. Parents manage the large and unpredictable expense of child care by decreasing other expenditures and increasing debt.

Practical implications: Changing subsidy policies so they better fit the reality of these families' lives could result in more substantive stress reduction. States can reduce unpredictability by reducing and stabilizing participants' child care cost burden and revising eligibility policy.

Originality/value of paper: This research project fills an important gap in our knowledge about financial stress of low-income working families, provides insights into the role subsidy program participation plays in these parents' lives, and informs discussion of subsidy policy.

Key Words: child care costs, financial stress, mixed-methods, child care subsidy program, low-income families

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"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 suppose to do." (Mary)

State-operated child care subsidy programs are designed to serve very low-income working parents like Mary, predominately single mother headed households. These programs aim to improve the quality of child care for low-income families and decrease the number of families for whom child care is a barrier to work (Office of Child Care, 2011). Many, like Mary, report that a child care subsidy makes it possible for them to work at all. Child care subsidies represent a substantial influx of resources for participating low-income parents but, despite the additional resources, parents may not experience a reduction in financial stress. Multiple life conditions lead to high levels of financial stress for these families. In addition to the need to find and pay for good child care for their young children, parents contend with the unstable and stressful work conditions typical of the low-wage labor market: high rates of job loss, multiple jobs, low wages, variable schedules and hours, nonstandard hours, and inadequate employment benefits.

Federal and state spending on child care subsidies totaled $12.4 billion in 2009 (Matthews, 2011). Using federal Child Care and Development Fund (CCDF) and state resources, states shape their subsidy program using four key policy levers: who qualifies for the program (eligibility rules), the amount providers will be paid (maximum payment rate), how often parents must reapply (redetermination period), and the amount the parent must contribute toward their child care costs (copay). Copays depend primarily on household size and income, and states determine how large an income change requires a copay revision. Some states such as Oregon allow providers to charge parents the amount of provider fees not covered by the state payment rate. Parents may have to pay that amount plus their copay and other provider fees (e.g., registration or diaper fees).

In October 2007, the state of Oregon made substantial changes to its child care subsidy policy. Prior to that date, Oregon subsidy policies were ranked among the least generous of any state (Shulman & Blank, 2006). Through an over $40 million investment by the Oregon Legislature in 2007, Oregon policies rose to among the most generous among states (Schulman & Blank, 2008). A primary intention of the 2007 change to Oregon's child care subsidy policy was to diminish the cost burden of child care for low-wage working parents. The changes in policies included: almost doubling the maximum provider payment rates, reducing copays from a maximum of 68% to 20% of household income, increasing eligibility from 150% to 185% of the federal poverty level, and increasing redetermination periods from three to six months.

This paper relies on data from a sequential mixed-methods research design to study the population of Oregon child care subsidy parents. The research project includes three studies beginning with a qualitative study that explores the impact of subsidy participation on parents. Findings from that study shape the questions addressed through the other two studies, a telephone survey and analysis of administrative data. In the Qualitative Study we find that, despite generous subsidy rates and reduced copay amounts, parents experience substantial and fluctuating financial burden associated with child care. In addition to reporting subsidy receipt as vital to managing their family life, they report that their copay continually increases or fluctuates dramatically. Despite the perceived value of the program and the substantial financial benefit the subsidy provides, our findings confirm the findings of other researchers that subsidy receipt does not result in the expected reduction in financial child care cost burden (Danziger, Ananat, &

Browning, 2004; Forry, 2009; Herbst, 2008). In addition, we find that subsidy participation increases unpredictability in the parent share of the total child care cost and thus may actually increase financial stress. This research project fills an important gap in our knowledge about financial stress of low-income parents by increasing understanding of their child care cost burden, the impact of subsidy receipt on cost burden, as well as the strategies that parents use to manage child care costs. This reported experience provides insights into the role subsidy program participation plays in the lives of low-income working families, holds promise of providing important insights into parents' behavior, and informs discussion of subsidy policy.

Literature Review

In both Oregon and the nation research has shown that child care consumes 9% of the household income of families with children under 13; low-income households spend a larger share of their income on child care, 16% nationally and 29% in Oregon (Giannarelli & Barsimantov, 2000; Weber & Vorpagel, 2011). Research has also shown that parents receiving a subsidy still carry a substantial child care cost burden (Danziger et al., 2004; Forry, 2009; Herbst, 2008). Danziger and colleagues (2004) used data from a multi-wave survey of welfare recipients in an urban Midwest county in which interviewers conducted in-home, face-to-face interviews with 529 women who were income-eligible for a child care subsidy and had a child under age 13. Interestingly, among subsidy recipients who had out-of-pocket child care costs, subsidy receiving parents paid almost as much as parents who did not take up the subsidy ($60 per week on average or 31% of income versus $69 per week on average or 40% of income in 1997 dollars). Subsidy users were less likely to have stopped using formal child care and had more stable employment.

Using data from the 2002 National Survey of American Families (NSAF), Herbst (2008) modeled subsidy eligibility using state rules and compared subsidy users to a full low-income sample and to female-headed households who matched the model for state eligibility but did not take a subsidy. Among those with children under age 5 who paid for child care, Herbst found moderate differences between child care costs of subsidy receivers versus those who did not report use of a subsidy ($74 per week on average or 31% of household income versus $61 per week or 38% of household income in 2002 dollars[1]). Brooks and colleagues (2002) found that subsidy users in two counties in Georgia paid half the out-of-pocket child care costs as did the parents on the subsidy wait list in the same counties ($25 per week versus $47 per week although date of data collection was not reported, the expenditures represented 11% and 20% of average income respectively). Weinraub and colleagues (2005) also found low-income African American families in Philadelphia who used a subsidy spent about half as much out-of-pocket on child care as those who were not receiving a subsidy ($43 versus $90 in 2003 dollars).

Forry (2009) addressed the question of the extent to which subsidy use reduced child care costs using both qualitative and quantitative data to measure the amount of help received and also parent perspectives regarding the impact of subsidy receipt on family finances. Her data came from her own Wait List Study of 40 parents in a mid-Atlantic metropolitan county and from the Fragile Families and Child Well-Being study, a national longitudinal study following a cohort of children from predominantly low-income single parents. In the Wait List Study, Forry found that although subsidy use reduced financial costs of participating families by $36 per week,[2] subsidy participants still had an average cost burden of $88 per week compared to $124 per week in 2005 dollars for non-recipients of subsidies. This represents a 16% cost burden for subsidy families in the Wait List sample compared to a 26% burden for nonsubsidy users. The

Fragile Families data set captured child care costs per child rather than per family as in the other data sets, but found the use of the subsidy reduced the cost burden by half (8% of household income per child compared to 16% for nonsubsidy users).

Forry (2009) was able to assess parent perceptions of the value of the subsidy among 28 of the Wait List Study families. Half of the families who obtained a subsidy said that the subsidy positively affected their family finances. Among those who did not perceive a benefit, some were disappointed by the size and some had switched from free care to paid care with a copay. Most parents were disappointed by what they defined as a small subsidy amount, but receipt of a subsidy was significantly associated with the perception that the subsidy provided access to formal care, which was preferred by these parents.

Although the amounts spent per week captured in these studies are not comparable due to differences in time, location, and age of child, the pattern of relationships between costs of child care subsidy recipients and similar households who did not use a subsidy is of interest. The child care costs of subsidy receiving parents, on average, is substantial for their income with estimates ranging from 11% to 31% of household income. This is less than the child care costs of similar low-income families who pay for care without a subsidy. The lower estimate (11%) is in Georgia and may reflect child care prices lower than those in the rest of the nation (NACCRRA, 2011). While these studies have demonstrated the financial strain on families of child care costs, even while using subsidies, none have examined the impact of fluctuation in these costs on families' financial situation and stress.

Other studies have found subsidy use associated with unpredictability of child care. Lowe and Weisner (2004) worked extensively with 38 families to understand child care choices and subsidy use. Families were either in the control or treatment group associated with New Hope, an experimental anti-poverty program in Milwaukee, Wisconsin. Families reported that subsidy loss was detrimental to child and family well being, a finding also reported by Knox and colleagues (2003) based on an ethnographic study with 116 single parents who lived in very low resource neighborhoods in Cleveland, Milwaukee, and Philadelphia. Among four themes that emerged from New Hope parents' own reports of child care decision making, one relates to the predictability and stability of child care. Unpredictability in parent cost burden has effects similar to subsidy loss – it can cause parents to end an arrangement because they cannot afford their share of the cost. Families reported that a subsidy that comes and goes might not be worth taking because it could lead to more disruption for the child and the family. The stability or predictability of the child care cost is likely to affect the amount of stress parents experience.

Methods

In order to understand parents' financial stress in the context of low-wage employment, this paper addressed three specific research questions: (a) what is the amount of child care cost burden for subsidy parents? (b) how predictable is the child care cost burden of a parent using a child care subsidy? and (c) what strategies do subsidy parents employ to manage child care costs? The mixed-method research design used in this research project was based on data gathered from both qualitative and quantitative sources. The qualitative data were collected through in-depth interviews, and the quantitative data came from a telephone survey and administrative data sources. Our use of qualitative and quantitative research methods has been sequential and integrated, each building from the findings of the previous study, and provides a more complete picture of parents' experiences and decisions than any single study (Figure 1).

Figure 1 here

One of the key ways this research project integrated the three components – Qualitative, Telephone Survey, Administrative Data – was through the use of the same population of families who participated in Oregon's child care subsidy program. The population of interest included 41,401 unique parents who entered the subsidy program between October 2005 and September 2009. The source of these data was administrative records provided by the Oregon Department of Human Services (DHS). From this dataset a stratified random sample was drawn for the Qualitative study, and that study included in-depth interviews with 44 parents. To determine how typical the patterns found in the in-depth interviews were for a larger group of parents with subsidy experience, another stratified random sample was drawn from the whole population for a Telephone Survey. This resulted in interviews being conducted with 580 parents. Finally, the Administrative Data study used the entire population of subsidy participants (n=41,401) to provide a longitudinal view of child care costs and fluctuation patterns for these families. Thus, all the participants in the Qualitative and Telephone Survey studies were randomly selected from the larger subsidy population, with each study adding to our understanding of the experience of the same group of subsidy participants. We describe the three components of this methodological approach in greater detail below.

Qualitative Study

In order to study parental decision making about child care subsidies, the sample design for the Qualitative study focused on parents who had substantial experience with the subsidy program and who had young children. The following criteria were used initially to narrow the population of subsidy recipients: (a) parents who received a child care subsidy in September 2008 as well as in July, August, or September 2007, (b) received a subsidy for 23 months or longer, and (c) had young children. The sample was stratified by type of care to ensure that users of all care types would be included and then randomly sorted within each grouping. The first 20 names for each care type were chosen and contacted via postcards provided by DHS. The postcards were mailed in sealed envelopes to recipients inviting them to participate in the study. We followed up the mail contact with phone calls in which we solicited their participation in the study. Interviews were conducted between February and December 2009 (for detailed methods on the sample design and sample see Scott, Leymon, & Abelson, 2011).

Using open-ended, conversational interviews, we designed the protocol to identify unexpected factors shaping stability in child care and employment or experiences with the child care subsidy program. Specifically, the qualitative portion of the study aimed to explore a number of complicated factors related to subsidy receipt, including: child care arrangements; resources available for child care (including, financial, social networks, and formal and informal care options); basis for decisions regarding care; stability of care arrangements; satisfaction with care arrangements; logistics of subsidy use and experiences with DHS; employment circumstances and conditions; if employment changed, the factors driving those changes; the factors behind changes in subsidy receipt; management of child care and employment.

Interviewers met respondents in a location convenient to them, most typically their home, and interviewed face to face in a semi-structured interview process. Interviewers were trained to obtain consent and clearly instruct interviewees that they were free to refuse to answer any question and end the interview at any time, with no penalty. Parents were given the $25.00 gift certificate to compensate for their time at the beginning of the interview in order to reduce the possibility of coercion to complete the interview. We also explained that we would assign a pseudonym in order to maintain confidentiality. Interviews lasted one to two hours. They were transcribed verbatim. We interviewed 44 subsidy recipients in the spring and fall of 2009. We also obtained permission from 27 respondents to review their DHS subsidy records on copays and subsidy payments to providers from January 2005-January 2007.

The interviews were coded using Alas TI, a qualitative data management software program. In coding, the data were categorized according to themes that emerged from the literature and were consistent with our main lines of questioning. We paid close attention to the emergence of themes or categories in the interviews that were surprising or new in some way, and we developed codes for those themes, too. Based on emergent codes or themes, we developed new interview questions to add to the protocol in subsequent interviews (hence we pursued the surprising issue of fluctuating cost burden, the impact of the cost burden, and how families managed their child care costs). For this paper, when we completed all interviews we recoded them with particular attention to the cost burden of child care. Parents were asked to provide specific information about their copay amount. State subsidy records of copay amounts for the 27 respondents who granted us permission to view these records were compared to parent reports.

Telephone Survey

The overall focus of the sampling design for the Telephone Survey was to study stable participants of the child care subsidy program. Restricting the study to parents with stable subsidy participation enabled us to: (a) be consistent with the characteristics of the Qualitative Study participants, and (b) ensure that parents had sufficient experience with the subsidy program to be able to describe impact of participation. Thus, the sample included parents who received a child care subsidy in December, received a subsidy 7 of 12 months between January – December 2009, and had at least one child under the age of 5 as of December 2009. In order to ensure that all types of care were adequately represented in the study, we stratified the sample by type of care. The study captured both current and former subsidy users to explore what parents do for child care after exiting. A four-month gap between the benefit month from which we pulled the sample (December 2009) and when the interviews took place (May 2010), ensured that some parents had left the subsidy program by the time of the interview. The Northwest Survey Center was provided an electronic list of 4,551 low income parents in Oregon who fit the sample design criteria. The survey center contacted 2,036 stratified, randomly selected household telephone numbers out of the population provided.

The telephone survey instrument was adapted from the instrument developed and tested for the Design Study of the National Survey of Child Care Supply and Demand (now called National Study of Early Care and Education (NSECE)). We modified the NSECE instrument in order to test the findings of the Qualitative Study and to address policy questions that previous studies could not examine because of reliance on administrative data. The instrument included sections on who lives in the household, complete schedules for a full week of parent's current employment and child care arrangements for up to four children under age 13, predictability of child care costs, family management strategies, stress, and demographics.

Total Design Method (TDM) principles were used to design and implement the phone survey (Dillman, Smyth, & Christian, 2009). A pre-test was conducted with an initial sample of 100 cases. The survey center then mailed 2,036 prior notification letters to respondents in Oregon via first class mail in May 2010, explaining the purpose of the survey and including a $1 incentive. Interviewers asked to speak with the respondent who received a child care subsidy in December 2009. The average interview length for the survey was about 25 minutes. All respondents who completed the survey received an additional incentive of $15. The final sample included 580 completed interviews; 461 were currently receiving a child care subsidy, 118 were not receiving a subsidy and one elected not to answer the question. The adjusted response rate was 33.9% with a cooperation rate of 96.1%. Although parents were hard to reach, they readily completed the survey when we did reach them. We also asked for parent consent to access their child care related government program records. Ninety-one percent of parents who completed the telephone survey provided permission to access their subsidy records, thus their telephone survey data was linked with their child care subsidy records held by DHS.

Descriptive statistical analyses were used to analyze child care costs and strategies to manage cost fluctuation in the cross-sectional Telephone Survey. The telephone interview data included parent reports of costs, the copay plus other costs such as fees. Respondents were asked how much they paid out-of-pocket for child care, in the month prior to their interview, for all their children under the age of 13. They were also asked to report the amount of their copay for the same time period. Household income was a categorical variable reflecting income after taxes from all sources for the month prior to their interview data. We used the midpoint of each household income interval to create a continuous household income variable when calculating cost burden as a percent of household income. Participants were also asked to report what strategies they employed to manage increases in child care costs. The categories for this survey question were gathered from the responses provided from the Qualitative study participants. Also included in the survey instrument was Cohen and colleagues (1983) four-item Perceived Stress Scale (PSS) that is used as a brief measure of general stress perceptions. Items were designed to detect how unpredictable, uncontrollable, and overloaded respondents find their lives. Responses were measured on a five-point scale and were summed across the four items. The findings focused on those participants who were receiving a subsidy at the time of their interview, but having a sample that included both subsidy recipients and non-recipients supported comparisons that were critical to understanding subsidy program impacts. Sample weights were used when analyzing the Telephone Survey data.

Administrative Data

The Administrative Data study enabled us to test findings from the qualitative and telephone interview studies by using data from the entire population of parents who participated in the subsidy program over four years. Forty-eight months of data were obtained from two Oregon data systems for the study period from October 2005 through September 2009: child care subsidy program and the Client Maintenance System. The population of interest included 41,402 families with at least one child who entered the child care subsidy program during the study period, and received a subsidy for at least one month. All the children (n = 89,100) from each family were included in the study population.

We analyzed the predictability of the parent share of child care costs using multiple years of data by analyzing the amount of fluctuation parents experienced. We used descriptive statistical analyses and merged monthly records into longitudinal data analysis files over the four year (2005-2009) time period. Using the longitudinal data we examined four phenomena relevant to fluctuation: copay amount (the amount of child care cost for which the parent is responsible), provider payment (the amount paid to each child care provider for that family), hours billed (the number of child care hours the provider reported giving children in the family), and household income. In order to capture fluctuation we measured differences over time using spells of subsidy receipt. This study defined a subsidy spell as a period of receipt of subsidized child care services (measured in months) which ended when there was a full calendar month in which no child in the family received subsidized care. The data reflected months in which subsidized child care services were actually received, not when payment occurred, so that an interruption of even one month indicated a break in the continuity of subsidized child care. There were 61,070 total spells with a median spell length of five months. The vast majority of parents had multiple spells. We created three measures of changes: within spells, between spells, and month-to-month changes. Each spell was the unit of analysis for the within spell measure and comparisons were created that measured the size difference of a particular variable (copay, household income, hours billed, payments made to providers) between the start and end month of any given spell. A similar measure was created for between spells that compared the difference of a given variable from the last month of a spell to the first month of the next spell. The unit of analysis for the month-to-month measure was each month-to-month change. For each measure we analyzed the percent with change and the mean size of change.

Comparability of Samples

Table 1 compares the demographic characteristics of parents in each of the three studies. The purpose of these comparisons is to give a sense of how the Qualitative and Telephone Survey samples drawn from the population of subsidy recipients compare to the entire population of subsidy participants in the Administrative Data. By design the respondents from the Qualitative and Telephone Survey represent more stable subsidy recipients. We see few differences between the universe of subsidy recipients and the samples drawn from that universe for the in-person and telephone interviews other than those expected due to the sampling strategies used. As found in prior research (Grobe, Weber, & Davis, 2008), respondents with more stable subsidy use have more children, higher incomes, and more education. They are also less likely to be on Temporary Assistance for Needy Families (TANF). Due to a 2007 change in how race/ethnicity was captured in the subsidy program data, race/ethnicity data are not comparable across the samples.

Table 1 here

Results

Financial Costs of Child Care Experienced by Parents

In the Telephone Survey, parents were asked to report all the costs incurred with using child care within the last month of their interview date. Similar to previous studies, our findings confirmed that the vast majority (82.8%) of subsidy recipients incur child care costs while on subsidy, and that for half of them, these costs included more than their copay (Table 2). In fact, the costs for subsidy parents were almost as high as that of parents not currently receiving a subsidy ($215.68 versus $251.25) (Table 2). Child care costs represented, on average, 17.2% of household income for subsidy participants and 27.3% for subsidy leavers. For these parents, even those using subsidies, child care costs far exceeded Oregon's goal that parents spend 10% or less of household income on child care.

Table 2 here

For subsidy parents who incurred child care costs, these out-of-pocket costs often included more than the required copay. Almost all (96.8%) working subsidy parents with child care costs were paying a copay. In addition to the copay, half (50.8%) of working subsidy parents paid the difference between what the state paid and what the provider charged, and almost a third (31.7%) paid other fees such as diapers, food, or registration fees. Fewer than a quarter (22.5%) paid hours of care beyond those DHS approved.

Although we do not know the full child care costs for families in the Qualitative and Administrative Data studies, access to DHS subsidy records allowed us to compare their copay amounts with those reported by the Telephone Survey respondents. The copay from the twenty-seven qualitative respondents with subsidy records ranged from $25 to $435 between January

2007 and September 2009. The mean copay over the time period for these individuals ranged from \$18.57 to \$244.80 (including the months when respondents received a subsidy but paid no copay); the mean copay for the full sample of twenty-seven respondents was \$107.44. The mean copay for the entire population of subsidy recipients who entered the program between 2005-2009 over their months of subsidy use was \$100.68 (std. dev.=111.88), with a range from \$0-\$1154. The data from all three studies painted a consistent picture of substantial child care costs for subsidy participants.

Overall, these results illustrated that subsidy parents' experienced substantial financial burden in paying for child care out of pocket. Child care costs were almost as high when on the subsidy program as when not receiving a subsidy (subsidy leavers). Although parents may be incurring similar costs whether receiving subsidy or not, there was a large difference between the two groups in the total costs of child care (Table 3). The total child care costs for subsidy participants averaged \$764.63 compared to \$226.16 for subsidy leavers. Total costs differed because the two groups purchased different types of care. Without a subsidy parents' only choice was free or low-cost care and many found this by patching together multiple caregivers pulled from their social networks. While subsidy receipt only partially reduced child care costs, it made formal care accessible and thus greatly increased child care options for parents. Although 44% percent of families on a subsidy used centers and other regulated child care providers, only 11% percent of subsidy leavers were using these types of providers. Participation in the subsidy program increased parent child care options, and increased their ability to find care that they believed met their children's needs.

Table 3 here

Fluctuation of the Costs of Child Care

Child care costs that are a sizeable fraction of the household budget create financial stress for families. The predictability of these costs also impacts families and the stress of having to juggle changes in expenses and resources.

Parents on subsidy had sizeable child care costs and they also reported that these costs were unpredictable. Parents interviewed in the Qualitative Study reported frequent changes in child care copay amounts while on the subsidy program. In particular, despite the policy change in October 2007 to reduce copays substantially, many reported copays increased or fluctuated dramatically. Their responses to a query about their copay amounts reflected the fluctuation many experienced:

> Alice reported: Oh gosh, I have no idea. [My copay] changes. I mean it would literally change every six months, if not less than that. It's usually always anywhere between $50 and up to $300 I think is the most. Maybe it got up to $350 sometimes.
>
> Tammy said: Right now my co-pay is, I think $138, for a few months now. And then before that, it was like $158, and it's been right below $200. It goes up and down, because every six months I think it is, they redo it. [I was] kind of bummed out about it, but I was still thankful that it wasn't over $1,000. But it was like, Oh man. You know, so, Now let's see, OK, I got to make this much more [to cover the higher copay].

According to the subsidy records of those in the Qualitative Study who provided permission, parents' perceptions of copay fluctuations were largely accurate and for the majority of copays did not stay down between October 2007, when the policy change to lower copays was enacted, and the end of 2009. For most of the parents we interviewed in person, the copay fluctuated substantially or increased and remained higher than it was in October 2007. For 33%

(9 of 27 parents), the copay increased between three and twelve months after October 2007 and stayed higher than it had been, or continued going up over time. Respondents primarily remembered the subsequent increases rather than the momentary drop (even if those increases were due to increased family income). For 11% (3 of 27), either the copay was already low or it decreased in October 2007, and it stayed low. For those who experienced a permanent drop in their copay in October 2007, we surmised that this went unnoticed in the context of the poverty these families were experiencing and the extreme difficulties they have making ends meet.

Parents reported not being aware of the 2007 policy change and, in fact, DHS had not informed them of the policy changes. Findings from the subsidy records helped to clarify this enigmatic finding that despite a dramatic policy change that lowered copays, recipients not only did not remember copays decreasing but rather perceived the opposite—that their copays had been going up over time or went up and down. Between October 2007 and the end of the study period, we found that for 55% of parents (15 of 27) the copay fluctuated. Parents could not know that the copays they were assigned were far smaller than they would have been if the policy had not changed. Fluctuating and usually increasing copays were their experience and they did not know that the increases would have been greater but for the policy change.

To assess whether the copay fluctuation reported by the parents in the Qualitative sample was typical of the experience of all subsidy users, the Administrative Data study analyzed how predictable child care costs were for all parents using child care subsidies between 2005 through 2009. We looked not only at changes in copays but also changes in household income, hours of care billed, and provider payments in order to get a better sense of how these amounts, and the variation in them, might be related.

Different ways of measuring changes provided a new perspective on parents' experiences in the child care subsidy program. We first looked to see if there were substantial changes in copay from one month to the next during a spell of subsidy participation.[3] Based on this analysis, month-to-month changes in copay were relatively infrequent. Nearly 80% of the time, there was no change in copay from one month to the next (Table 4). Similarly, household income (as reported to the subsidy program) changed less than 20% of the time from one month to the next while parents were receiving subsidy. However, changes in hours of care and provider payments were much more common from one month to the next.

Table 4 here

While month-to-month changes in copay were not very common, analysis of changes within a spell of subsidy receipt presented a different picture, and was more in accord with parental reports of frequent copay changes. Within about half of spells, copays changed at least once, and household income also tended to be higher at the end of a spell compared to the beginning (Table 4). Further, in about half of the spells where families experienced a copay change, the difference between the highest and lowest change within a spell exceeded $100. Table 5 presents the mean size changes within a spell for copay and household income. The average decrease in copay within a spell was -$42.82 and the average increase in copay amount was $67.19. Larger variations in mean sizes were found for household income. Changes in provider payments and hours billed were extremely common – nearly all (93%) spells had changes in these (Table 4). We also found more changes in copay (and income) between spells than within spells. More than half of the time, there was a copay change between the end of one spell and the beginning of the next (Table 4). Income changes were common. The administrative data analysis confirmed that many parents experienced fluctuation in cost burden within and between spells of subsidy receipt.

Table 5 here

Although a primary intention of the 2007 changes in Oregon's child care subsidy policy was to lessen the cost burden of child care for low-wage working parents, parents still experienced substantial and changing costs. This unpredictability may have added to the stress these families already faced and constrained families who could not manage these fluctuating costs.

Within the Qualitative Study, parents described the burden of fluctuations in the copay poignantly. When the cost went up, even by $50, it caused stress, worry and fear about not being able to pay other bills. When the cost went down (for the rare few), respondents talked about the opportunity to make a larger payment on another bill, diminish their debt, or buy their kids a night out. Often the benefit of a decrease in their copay was the opportunity to catch up on accumulated debts.

Jill reported that her copay changed frequently and that she was not able to predict this change. According to subsidy records her copay remained at the same level for 3 to 6 months, and then changed, sometimes dramatically. In November 2008 her copay was $37 and in December 2008 it was $161. She explained the emotional toll of this unpredictability, "I don't think I've been able to breathe the whole time. Because it's constantly, 'What are they going to take away? What are they going to charge?...Pardon my emotionality. You know, but that's very much the reality."

Tabitha reported that her copay changed based on her fluctuating income, but these fluctuations affected her and her family. When asked about the impact of a copay increase she said, “It gets very stressed, you know, and overwhelming, overwhelming feeling that everything’s out of your control. You know, you kind of like, doing everything you can by the book and things like that come up.” She understood why her copay fluctuated, but still had to scramble in the months her copay was higher.

Camelia described the consequence of having worked as much overtime as she could a few years ago, after getting out of a bad marriage that left her in a lot of debt. After finding out that child care hours for overtime had to be paid for out of pocket—“so you end up having to pay whatever you paid, or got paid in overtime into the overtime for the babysitter”—and then having her copay go up because of her increased income, she tried to avoid overtime: “Once they start seeing that overtime, the co-pay will probably go back up if they see that I’m making more money. So I try, I’m trying to keep it at 40, below 42 hours and stuff like that. Because I don’t want, that’s probably why it went down, because I haven’t, I’ve been doing that 41 hours, maybe 42, but I haven’t been going like 50 hours a week like I used to and stuff like that. I think that’s why [the copay] went down a lot.” In her cost-benefit analysis, the increased income wasn’t substantial enough after paying for the increased copay to make it worth the additional hours at work.

That the copays varied over time was also difficult for respondents, even if the amount changed predictably at the time of redetermination. Many knew that their copay would vary with household size and with their income, and tried to plan accordingly, but the increase was still burdensome. Some found that the variance was not predictable, which made it even more difficult to manage—several recipients reported that the frequent changes made it difficult to maintain a budget and caused emotional distress.

Strategies Parents Employ to Manage Child Care Costs

Both the Qualitative and Telephone Survey studies explored how parents managed child care costs. The themes that emerged from the Qualitative Study were used as the response categories for the Telephone Survey to test the relevancy of these categories with a larger sample of subsidy parents. Below, we start by reporting the findings from the Qualitative Study.

Subsidy recipients were consistently clear that neglecting to pay a copay was not an option. Whether paying a relative, neighbor, or a licensed provider, respondents were aware that the provider's income depended on their responsible payment of this bill. Only two respondents mentioned the practice of a provider waiving the copay. Overall, respondents seemed to perform a juggling act, employing various strategies when necessary to manage all their expenses on a very low income. Suzanne's story exemplifies parents' experiences:

Like many respondents, Suzanne's copay varied over time, and went up substantially over time from $25 to $192. She explained this as a strategy to make her be "more self-sufficient." She said the increased copay was difficult, but "you make it work." For her that meant establishing a payment plan with her mother, but she (like most respondents) felt obligated to make payment. Her mother counted on it. Suzanne, like most respondents, employed multiple strategies for making ends meet: juggling bills, paying less on some; paying the minimum on credit cards and carrying debt; living literally paycheck to paycheck; using tax refunds to catch up with her debt to her mother; not purchasing the clothing she felt her children needed; and not getting them everything they needed for school.

Of the 44 parents interviewed, 39 discussed some kind of strategy for managing increased cost burden and the most common strategy mentioned was making payment plans to providers. Twenty-three respondents mentioned payment plans that usually consisted of an informal or formal payment agreement with the provider to pay in two parts during the month, pay in later months or use a tax refund to pay in a lump sum. Two mentioned that they paid their balance by performing odd jobs for the provider or using food stamps to buy food for the provider.

Nineteen respondents mentioned bill juggling, paying less on some bills in order to meet the copay. “I usually just either try to cut back on paying a bill or just don’t pay it entirely.”

Fifteen mentioned going without luxuries, or denying themselves and their children entertainment. “We’re having to cutback, mostly entertainment stuff.” They used to go for drives, to $1 movies, or to parks. “Now, we’re sticking close to the apartment.”

Twenty-two respondents reported that they relied on tax refunds to cover debts with providers or catch up with other bills. Providers seem to be remarkably flexible, willing to wait until spring each year to get a lump sum for services. Absolutely everyone said that they paid something each month but for most it was a struggle to keep up with this bill and many fell behind. For example, one respondent (Angela) explained when asked about a copay increase, “I knew it was going to go up some just not that much. And, yeah, I ended up chasing my hind end. I was always chasing the previous month’s copay by at least $50 every month. Until taxes came in and I was able to get caught back up.”

Ten of the 44 participants mentioned relying on network support to manage increased cost burden. Twenty eight respondents seemed to have substantial network support (friends, family members who lived close by and were active in helping them out) beyond their regular provider. Seventeen respondents noted this assistance in the form of child care to cover overtime at work or child care hours not covered by their subsidy, provider illness, time to run errands or doctor’s appointments, or during parent illness. Fourteen mentioned some kind of financial assistance from these networks. This was mostly in the form of small loans to cover child care copays and other bills that were paid back over time or in a lump when they received their tax return. Financial assistance was also given in the form of reduced rent or no rent by living in a family or friend's home. Family and friends also seemed generous in providing food, clothing, and other supplies to respondents in times of need. Two respondents also mentioned child care trades within their networks.

Ten respondents reported clothing hardships, especially for the parents. For example, when asked if there was anything that she had to go without after her copayment went up one mother said, "Shoes. A coat that zips up. I own three pairs of pants. Every article of clothing I own can fit into two backpacks, because I can't afford. If I get any fatter or any skinnier, I can't afford to wear clothes."

Medical hardships were spontaneously mentioned by 22 of the 44 respondents, however only three directly stated that increased child care cost burden was connected to medical hardships such as unpurchased medications, teeth not fixed, and other problems not attended to. The medical hardships the parents discussed, even if not always in relation to child care cost burden, were chronic and serious, including migraine headaches, cancer and multiple sclerosis. Nineteen respondents mentioned that one or more of their children experienced some kind of chronic or serious health issue such as asthma, a developmental disability, or serious illness such as cancer. Healthcare assistance through programs such as the Oregon Health Plan was crucial in managing expenses related to these medical issues, however many parents were not covered although their children were. The absence of health care coverage resulted in significant hardships related to medical expenses. Three respondents reported that their wages had been garnished at some point for unpaid medical expenses. Finally, four mentioned relying on credit cards or payday loans to make ends meet.

Findings from the Telephone Survey of 461 subsidy recipients confirmed those from the

Qualitative Study. For those subsidy parents who indicated an increase in their child care costs, we asked what strategies they employed to manage this increase. Cutting expenditures (entertainment, clothing, medical care, barter, etc.) was a strategy frequently mentioned (Table 6). The majority (69.3%) spent less money on entertainment, 59.5% postponed buying clothes, almost 17% indicated they postponed medical or dental care, and 10.6% took care of friends or relatives children in exchange for care for their own child. Another strategy was to increase and juggle debt, for example by paying less on other bills (50.7%), relying on tax returns (44.3%), increasing debt to providers (33.7%), borrowing from relatives (21.6%), increasing credit card use (18.5%), or seeking payday loans (11.2%). A third strategy was to increase income with longer hours or additional shifts (28.9%). The majority (76%) of these subsidy participants used multiple methods for managing an increase in child care costs.

Table 6 here

When they stopped receiving subsidy assistance, subsidy leavers did all the things that recipients of subsidies did to manage child care costs, but they employed some additional strategies. They relied on family and friends to look after their child rather than using formal child care as most did while receiving a subsidy. They also moved in with friends and relatives after losing their home, increased hours or shifts to have more money for child care, or reduced hours or shifts because they could not afford child care.

In sum, participants in both studies cut expenditures and increased debt when faced with rising child care costs. The reported reliance on payment plans, tax refunds, and bill juggling confirmed the importance of these strategies. Network support was an important strategy for parents in both studies but for subsidy leavers, members of their social networks provided the care they could no longer access through the formal child care system.

Further support for the finding that subsidy participation did not alleviate parents' financial stress was found in reported levels of general stress (Table 7). We used Cohen and colleagues (1983) perceived stress scale to measure general stress level of subsidy participants and leavers. We expected subsidy participants to report lower levels of stress than subsidy leavers because of the substantial financial benefit subsidy receipt entails. No significant differences were found in stress scores of the two groups even when breaking down the comparison groups further into those working and not working. Score differences were in the expected direction with working subsidy recipients having the lowest stress score.

Table 7 here

Summary and Implications

Child care consumes a substantial portion of the incomes of families who purchase it, averaging 9% nationally but up to 29% for low-income Oregonians (Giannarelli & Barsimantov, 2000; Weber & Vorpagel, 2011). In order to support employment and improve child care outcomes, the federal government partners with states to provide low-income working families child care assistance through state child care subsidy programs. Oregon made dramatic improvements in its subsidy program in 2007 and that change provides the context for this research project. Using a mixed-method research design we conducted three related studies on the impact of subsidy participation on family management of child care and employment.

Financial stress comes from multiple sources for the low-income families who participate in the child care subsidy program. Incomes are very low and child care costs average a little less than a fifth of incomes. Parents' primary ways of managing child care costs are reducing expenditures and increasing debt. Paying for child care increases the debt load for half of the interviewed subsidy participants and that has consequences for parents' ability to become self-sufficient. Parents also must contend with the unstable and stressful work conditions typical of the low-wage labor market: high rates of job loss, multiple jobs, variable schedules and hours, nonstandard hours, and inadequate employment benefits. Subsidies represent a substantial influx of resources for a participating family; the monthly value of the subsidy averages almost half of their income. Parents report they cannot imagine how they would manage paying for child care without this assistance. Subsidy receipt increases child care options as documented not only by parent reports but also by a comparison of child care used by parents receiving and not receiving a child care subsidy. Although 44% percent of families on a subsidy report using centers and other regulated child care providers, only 11% percent of subsidy leavers use these types of providers. Participation in the subsidy program increases parent child care options, increasing their ability to find care that they believe meets their children's needs.

Despite these substantial benefits, subsidy receipt does little to alleviate families' financial stress. Parent reports of child care costs help explain this finding. Like other researchers (Danziger et al., 2004; Forry, 2009; Herbst, 2008), we find that the child care cost burden of subsidy recipients is almost as great as that of parents without a subsidy, a mean of $216 versus $251 per month. The reason for the small difference is that without a subsidy parents rely on their social networks to patch together whatever they can with their limited dollars. Thus, although the total child care costs for a family on subsidy with the state payment to the provider included is $756, the total cost for a family not on subsidy is only $226. Subsidy receipt provides access to a range of child care and thus enables parents to select care they believe meets their children's needs but it only partially reduces child care costs. Families without social networks have few, if any, options without a subsidy. For those receiving a subsidy, child care consumes a lower but still substantial portion of household income, 17% versus 27% for those not receiving one.

Unpredictability of the cost burden related to subsidy program participation likely contributes to financial stress faced by these families. Other researchers report that parents perceive frequent subsidy loss as destabilizing their child care arrangements (Lowe & Weisner, 2004). In this research project, participants report unpredictable child care costs while receiving a subsidy, especially in copay increases – the portion of the provider fee that the state requires the parent to pay. Analyzing subsidy records confirms frequent changes in copays, hours billed, and provider payments. In order to manage child care costs, subsidy participants reduce expenditures, postpone other payments, and increase debt. Given that subsidy participants continue to carry a substantial cost burden and that they perceive their costs as unpredictable, it is not surprising that on a measure of general stress we find no significant difference between subsidy participants and subsidy leavers.

The lives of parents with low-wage jobs include multiple stressors such as low-income, unstable employment, and unpredictable and nonstandard work schedules. Each of these is likely to be a source of stress but is part of a broader economic system not easily altered. Parents overwhelmingly report that participation in the child care subsidy program helps them to manage these stressors. Results also document that subsidy participation increases parents' options in finding child care they believe to meet their child’s developmental needs. As valuable as the program is to these families, the current design of child care subsidy policy may contribute to the levels of unpredictability and disruptions they experience. Eligibility policies linked tightly to employment lead to disruptions for parents whose low-wage employment is marked by frequent job changes. Short redetermination periods mean that parents must frequently have their eligibility and copay reassessed. Those frequent assessments along with copays that change for relatively minor income changes create unpredictability for low-wage workers. Changing subsidy policies so they better fit the reality of these families' lives could result in more substantive stress reduction. States can reduce unpredictability by reducing and stabilizing participants’ child care cost burden and revising eligibility policy. States typically allow a limited number of days for a parent to obtain a new job after job loss and lengthening the period for job search is likely to increase stability for children, help parents regain employment and reduce family stress. Maximum payment rates high enough to cover provider fees, and copays that remain unchanged for longer time periods would both reduce and stabilize parents’ cost burden. Not only would such policy changes likely reduce financial stress, they hold great promise for stabilizing the child care arrangements of vulnerable children.

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Footnotes

[1] Herbst reported a monthly amount. We divided that number by 4.33 to ease comparisons with the weekly estimates reported in other studies.

[2] Forry reported findings in monthly units. We divided the number by 4.33 to ease comparison with the weekly estimates reported in other studies.

[3] Because the unit of analysis is months, longer spells (with more months) will be more heavily weighted in this analysis.

Table 1

Descriptive Comparisons Between Qualitative, Telephone Survey and Administrative Data Samples

Variable	Qualitative Study Respondents (N=44)			Telephone Survey Respondents (N=580)			Administrative Data Participants [a] (N=41,402)		
	Mean/ Frequency	Std. Dev	Range	Mean/ Frequency	Std. Dev	Range	Mean/ Frequency	Std. Dev	Range
Number of children in household	2.7			2.13	3.11	1-8	1.79	0.98	0-10
Number of children with child care subsidy in household	-			-			3.03	1.09	1-11
Children with special needs	30%			16.4%			-		
Single parent households	77%			86.8%			90.3%		
Respondent's Age (in years)	32			28.6	15.00	18-52	27.7	6.80	14-61

Table 1 (continued)

Descriptive Comparisons Between Qualitative, Telephone Survey and Administrative Data Samples

Parent with disabilities or health issues	55%	-			-		
Monthly household income	$1,300	$1,212	1755.1	250-3000	$796	782.9	0-5551
Employed (yes=1)	82%	69.7%			64.2%		
TANF (yes=1)	16%	30.3%			35.8%		
English is primary language (yes=1)	-	-			97%		
Parent's education level							
No formal schooling	-	-			<1%		
1-11 Grade completed	18%	13.9%			30.7%		
12 or GED	36%	34.7%			59.1%		
13-16 years of college	46%	51.0%			9.3%		
Credits toward post graduate deg.	-	0.4%			<1%		

Table 1 (continued)

Descriptive Comparisons Between Qualitative, Telephone Survey and Administrative Data Samples

Race/Ethnicity of family			
Black	11.4%	7.8%	9.0%
White	63.6%	72.1%	71.1%
Hispanic	15.9%	14.0%	8.7%
Asian/Pacific Islander	2.3%	2.3%	1.6%
Native American	4.5%	1.2%	1.8%
Biracial	2.3%	2.6%	1.3%
Unknown	-		6.5%
Urban/Rural Classification			
Metropolitan	-	77.1%	74.6%
Micropolitan	-	20.8%	21.6%
Noncore	-	2.1%	3.8%

[a] All New Entries to Subsidy Program 10/2005 – 9/2009. These recipients might not be first time subsidy users. The data reflect recipients first month of their first observed subsidy spell.

Table 2

Child Care Costs and Cost Burden for Subsidy Participants and Subsidy Leaver Participants Who Used Child Care

	Subsidy Participants *(N=438)*				**Subsidy Leavers** *(N=92)*			
	% of parents with child care costs	Amount of Cost Burden[a] (monthly)			% of parents with child care costs	Amount of Cost Burden (monthly)		
		Mean (Std. Dev)	*Range*	*Median*		*Mean (Std. Dev)*	*Range*	*Median*
All parents in this category	82.8%	$215.68 ($462.13)	$2-1100	$181	45.7%	$251.25 ($656.02)	$40-1080	$225
Cost burden as a percent of household income[b]		17.2% (40.7)		14.2%		27.3% (82.3)		17%

Data source: Telephone Survey

[a] Cost burden includes the parent copay and other child care costs such as fees.

[b] The midpoint of each household income interval was used to create a continuous household income variable.

Table 3

Total Child Care Costs for Subsidy Participants and Subsidy Leaver Participants Who Used Child Care[a]

	Subsidy Participants *(N=398)*		**Subsidy Leavers** *(N=85)*	
	Mean (Std. Dev)	*Median*	*Mean (Std. Dev)*	*Median*
Parent Expenditures	$182.03 ($172.74)	$150	$226.16 ($271.04)	$120
State Payment to Provider	$582.60 ($450.04)	$512	0	0
Total Child Care Costs	$764.63 ($475.58)	$699	$226.16 ($271.04)	$120

Data source: Telephone Survey and DHS subsidy records for participants in Telephone Survey.

[a] Sample sizes includes only those who gave permission to look at their DHS subsidy records.

Table 4

Frequency of Changes for Each Measure Using Administrative Data from 2005-2009, All Spells

	Month-to-Month	Within Spells	Between Spells
Copay	21.0%	56.3%	57.6%
Household Income	18.2%	49.7%	60.3%
Hours Billed	79.6%	93.4%	95.7%
Provider Payment	65.8%	92.2%	95.7%

Data source: Administrative Data

Table 5

Mean Size Changes Within Spells Using Administrative Data from 2005-2009, All Spells

	Copay Change Within Spells	Household Income Change Within Spells
Mean decrease	-$42.82	-$586.27
(std. dev)	(69.95)	(617.90)
Mean increase	$67.19	706.40
(std. dev)	(89.37)	(653.60)

Data source: Administrative Data

Table 6

Strategies for Managing Increased Child Care Costs for Subsidy Participants Who Used Child Care (N=438)

Strategies for Managing Increased Child Care Costs	**Percentage**
1. Spent less money on entertainment	69.3
2. Postponed buying clothes	59.5
3. Paid less on some other bills	50.7
4. Relied on tax returns to cover debts	44.3
5. Created a payment plan with provider	33.7
6. Worked longer hours or got additional shifts	28.9
7. Reduced food budget	24.2
8. Borrowed money from relatives or friends	21.6
9. Used credit cards	18.5
10. Postponed medical care, filling prescription drugs, or getting dental care	16.6
11. Used payday loans	11.2
12. Took care of friends or relatives children in exchange for care for their own child	10.6
13. Some other strategy	3.7

Data source: Telephone Survey

Table 7

General Perceived Stress Measure for Subsidy Participants and Subsidy Leavers

	Subsidy		**Subsidy Leavers**	
	Working (N=366)	*Not Working (N=95)*	*Working (n=44)*	*Not Working (N=74)*
Average Perceived Stress[a] *(National Average for Women = 4.7)*	5.20	5.21	5.59	5.29

Note: There were no significant differences between groups for perceived stress.

Data source: Telephone Survey

[a] *Perceived Stress Scale (Cohen, Kamarck, & Mermelstein, 1983) short version – 4 questions:* For the next set of questions please tell me how often you have felt or thought this way over the course of the last month [response categories: very often, fairly often, sometimes, almost never, never]: (1) how often have you felt that you were unable to control the important things in your life? (2) How often have you felt confident about your ability to handle your personal problems? (3) How often have you found that things were going your way? (4) How often have you felt difficulties were piling up so high that you could not overcome them?

Figure 1

Sequential Mixed-Method Research Design