The Cost and Quality of Child Care in the U.S.: Problems and Policy Solutions

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Outline of My Comments

Three topics
- Trends in the cost of child care in the U.S.
- State of knowledge regarding child care quality
- Policies to improve quality

Main takeaways
- For many families, costs have risen only modestly
- Quality tends to be mediocre at best, and has shown few signs of improvement over the past few decades
- Severe information problems exist
- Policies such as Quality Rating and Improvement Systems (QRIS) seem promising for increasing quality
## Families’ Child Care Expenses: 1990 vs. 2011

### Median weekly child care expenditures per hour of maternal work

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>1990</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All families</td>
<td>$2.27</td>
<td>$2.59</td>
<td>14%</td>
</tr>
<tr>
<td>Families with children ages 0-5</td>
<td>$2.67</td>
<td>$3.45</td>
<td>29%</td>
</tr>
<tr>
<td>Families with children ages 6-14</td>
<td>$1.34</td>
<td>$1.24</td>
<td>-8%</td>
</tr>
</tbody>
</table>

## Families’ Child Care Expenses: 1990 vs. 2011

Median weekly child care expenditures per hour of maternal work: **families with children ages 0 to 5**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>1990</th>
<th>2011</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Low-education mothers</td>
<td>$2.29</td>
<td>$2.49</td>
<td>9%</td>
</tr>
<tr>
<td>High-education mothers</td>
<td>$2.99</td>
<td>$3.73</td>
<td>25%</td>
</tr>
<tr>
<td>Low-income families</td>
<td>$2.23</td>
<td>$2.46</td>
<td>10%</td>
</tr>
<tr>
<td>Middle-income families</td>
<td>$2.45</td>
<td>$2.90</td>
<td>29%</td>
</tr>
<tr>
<td>High-income families</td>
<td>$3.34</td>
<td>$4.93</td>
<td>48%</td>
</tr>
<tr>
<td>Center care; low-education mothers</td>
<td>$2.53</td>
<td>$2.07</td>
<td>-18%</td>
</tr>
<tr>
<td>Center care; high-education mothers</td>
<td>$2.94</td>
<td>$3.62</td>
<td>23%</td>
</tr>
</tbody>
</table>

What’s Happening?

- Why have child care expenses increased only modestly for many families?
- Fewer families are actually paying for child care
  - Percent paying in 1990: 37%
  - Percent paying in 2011: 27%
- Public investments in heavily subsidized early childhood programs may help to defray the daycare costs of low-income families
- Demand for child care has been stagnant for over a decade
  - Mothers’ labor force participation rate
  - Child care participation rate
- Market price of child care has been flat for over a decade
Market Price of Child Care, 2000-2015

Real Quarterly Earnings of Child Care Industry Employees, by Level of Education

- Less than High School
- High School
- Some College
- BA Degree+
Child Care Quality

- Very good “case studies” highlighting the quality problem
  - Jonathan Cohn’s “The Hell of American Day Care”
  - Jackie Mader’s reporting in Mississippi for The Hechinger Report

- Academic research on quality
  - NICHD Study of Early Child Care: 42% of settings are “poor” or “fair” and 12% of children receive “positive caregiving”
  - National Research Council: 10%-20% of environments are “inadequate” and pose serious risks to child development

- Conditions are often worse for low-income children
  - 16% of those in the bottom SES quintile attend a preschool program rated to be “good” or better
Quality concerns extend to state pre-kindergarten programs
- Thought to be among the best available early education settings
- Tennessee: 85% of classrooms score below “good” on quality
- Georgia: 98% of classrooms are below “good”

Educational attainment of child care workers
- One ingredient in the production of child care quality
- We have this information available over many years
Educational Attainment, 1992-2014

Fraction of Center-Based Child Care Workers with Various Degrees

- High School or Less
- Some College
- College or More

Data provides insights into the educational attainment levels of center-based child care workers from 1992 to 2014.
Why Care About Child Care Quality?

- Academic achievement gap emerges before kindergarten
  - Low-income children: reading/math test scores 0.4 SDs below average
  - High-income children: reading/math test scores 0.6 SDs above average

- This gap persists throughout childhood and into adulthood

- Classroom quality has modest positive effects
  - A 1 SD increase in classroom quality leads to a 0.14 SD increase in test scores

- Enrollment in high-quality programs can close the income-based gap in achievement
  - 1 year of Tulsa or Boston preschool: 27 to 41% reduction
  - 2 years of Abbott (New Jersey) preschool: 30 to 40% reduction
The Problem? Information Asymmetry

- Child care is a very difficult “product” for parents to evaluate
  - Cost, accessibility, reliability, hours of operation, etc.
  - Quality is the most difficult attribute to evaluate (multi-dimensional)

- Parents find it difficult to discern low- from high-quality care
  - Parents overwhelmingly claim they value high-quality care
    → 81% say “learning activities” are “very important” to decision

- When parents cannot make informed decisions, they will not purchase high-quality care in the optimal amount

- Child care providers therefore have little incentive to supply it

- This forces high-quality providers out of the market, leaving those willing to offer lower-quality services
It is common for families to consider just one provider when conducting a child care search
- 37% consider one provider

Friends and family are the predominant sources of information
- 54% of poor families rely mainly on F&F
- 68% of wealthy families rely mainly on F&F

Parents are less likely to inquire about quality during a search
- Fees (39%), type of care (36%), hours of operation (35%)
- Program content (26%), curriculum (18%), licensing (7%), turnover (4%)

Parents may not be demanding child care consumers
- Quality of current program rated “perfect” or “excellent” by 74% of low-income parents
Direct Evidence: Parent Ratings of Quality

- Naci Mocan (2007): Cost, Quality, and Child Outcomes Study
  - Collected data on about 700 classrooms in 400 child care centers
  - Parents and developmental psychologists observed and measured the same attributes of the classroom and center
  - Parents overstate the quality of their child’s arrangement
    - Responsive communication: rated 19% higher
    - Small muscle activities: rated 15% higher
    - Imaginative play: rated 35% higher
    - Overall quality: rated 22% higher

- Bottom line: Asymmetric information is probably real, and it’s having an adverse effect on the child care market
If the problem is the availability and appropriate use of information, then policy reforms need to handle both

Aggressive consumer education campaign

- Informs parents about the benefits of high-quality care
- Changes parents’ preferences and in turn changes behavior
- Gives parents the tools to discern low- from high-quality care

Quality Rating and Improvement Systems (QRIS)

- Accountability-based tool to measure and improve quality
- Increase uniformity in quality across various child care settings
- Administered at the state-level
- 42 states currently operate a QRIS
Providers volunteer to be assessed in relation to a wide variety of characteristics
- Staff qualifications
- Staff-child ratios
- Classroom learning environment

Receive a summary rating in the form of stars/numerical value

Comes with technical assistance and financial support

Program quality ratings are disseminated to the public
- Most states operate a dedicated QRIS website
- Used to search for local child care options
  - Programs’ star-rating
  - Location, hours, fees, accreditations, etc.
  - Accept children receiving subsidies
Quality improvement occurs through three mechanisms

Creation of clear quality standards
- If standards are met, a program advances to the next quality tier

Financial incentives
- Program development grants
- Financial rewards for reaching higher levels of quality
- Staff bonuses and wage compensation

Reputational incentives
- Information on program quality is made publicly available
- Parents use this information to inform child care choices
- Generates competition between providers
- Encourages the lowest-quality providers to improve the most
What Do We Know About QRIS?

- **Provider participation rates**
  - In some states, participation is mandatory
  - MN: 38%; WI: 80%; NC: 89% (mature system); VA: 21% (new system)

- **Provider improvement over time**
  - MN: two-thirds improved at least 1 level over a 12 month period
  - IN: 20% advanced at least 1 level over a 6 month period

- **Parent awareness and use of QRIS**
  - Awareness rates in state-specific surveys: 17% in KY; 37% in IN; 87% in OK

- **Parent visits to QRIS websites**
  - Google Trends analysis of Google searches for state-specific QRIS names
    - I did this for 10 states
QRIS Awareness: Google Search Trends

Minnesota: Parent Aware

Wisconsin: Young Star
Effect of QRIS enactment on families’ child care decisions
- Exploit the differential timing in the introduction of QRIS across states
- Increases the demand for non-parental care (+2 hours/week)
- Advantaged families: more family- and center-based care
- Disadvantaged families: more relative care

Effect of QRIS on mothers’ employment
- Small increase overall: +1 hour/week
- Advantaged families: +1.2 hours/week
- Disadvantaged families: null effects

Key question: why are advantaged families more likely to use higher-quality formal arrangements, while disadvantaged families are more likely to use lower-quality informal care?

What Do We Know About QRIS?

- Effect of QRIS enactment on the child care labor market
  - Increase in the supply of high-skilled labor working in center care
  - Increase in the rate of firm-hiring and employees’ monthly earnings
  - Increase in turnover

- What happens when a state combines its QRIS with a child care wage supplement program?
  - Operating in 14 states
  - Example is Minnesota’s REETAIN Bonuses program
  - Outcomes are more favorable than when just a QRIS is place
    - Increases in monthly earnings are larger
    - Increases in supply are larger
    - Turnover decreases

- Wage supplement programs may be integral to the success of QRIS

QRIS Questions and Concerns

- QRIS knowledge base is in its early days of development.

- QRIS does not ensure that more children will attend high-quality child care.
  - Are high-quality programs available?
  - Are they affordable?

- Quality-driven competition may result in higher prices.
  - QRIS could price low-income families out of the formal market.
  - Unintended consequence: QRIS may lead some families to enroll in lower-quality child care.

- Do parents place sufficient value on quality (or the ratings)?
  - Program quality is not associated with parent satisfaction.
  - Parents may be using QRIS ratings as indicators of price, not quality.
Concluding Thoughts

- Longstanding tension between the twin goals of policy
  - Support parental employment
  - Improve developmental outcomes for children

- Policies can achieve one goal, but not always both
  - Good for employment: Child Care and Development Fund (CCDF)
  - Good for kids: Head Start/state pre-k programs

- QRIS injects quality standards into the child care market
  - Systems’ change, at-scale
  - Goal: to bring level of child care quality in line with Head Start/pre-k

- Next phase of child care policy reform should focus on costs
  - Shift from employment-based subsidies to quality-based
  - Generosity of subsidy could be a function of the QRIS rating