Outside Forces Affecting Child Care Markets: Insights into Market Dynamics
A market is the collection of buyers and sellers that, through their potential interactions, determine the price of a product or set of products.

In child care and early education, market describes how some parents and child care providers connect with one another.
Not All Providers Charge Fees and Not All Fees are Market-Based

- Majority of relatives do not charge a fee
- Head Start and some other publicly funded programs do not charge a fee
- Among those that do charge parents, only some charge market prices
  - Market prices established through arm’s length transactions
  - Prior relationships between parent and provider likely to affect price
- Access to free care and nonmarket prices constrains price
Market operates as a set of submarkets differentiated by:
- Age of child
- Type of care
- Schedule
- Geographic location

Market prices reflect differences between submarkets

Recession effects likely to vary across submarkets
Housing prices were found to be strongly correlated with child care prices.

- **Minnesota** – Fair market rent and average earnings were positively associated with child care prices (Davis & Li, 2005).
- **Wisconsin** – Child care prices were found to be highly correlated with median gross rent across ages and type of provider (>0.71). Also significantly correlated with prices was percent urban and median family income (approximately 0.70 across ages and type of care).
- **Oregon** – Child care prices were most highly correlated with median housing costs (0.85) and mean gross rent (0.83). These patterns continue but to a lesser extent for household income, urban/rural classification, population, and percent urban.
- **Illinois** – Housing costs (median rent, median home value, median real estate taxes) were highly correlated (>0.80) with prices for both centers and family child care.
- **California** – Factors highly correlated with child care prices were median home value (>0.52), mean gross rent (>0.48), median real estate taxes (>0.46), and median household income.

For all of these states, income was correlated but the association was weaker (>0.42)
Market Forces—Providers (Supply-Side)

- Average wages (+)
- Housing Prices (+)
- Regulation (mixed)
- Average quality (+)
- Public spending (+)
Market Forces—Parents (Demand-Side)

- Population of children (+)
- Family structure
  - Average number of children per family (-)
  - Single parent (-)
- Income (+ but complex)
  - Household or
  - Female earnings
- Employment level (+)
- Urbanization (+)
System Fueled Predominantly by Demand-Based Funding

- **Major demand-based public funding**—$13.4 billion
  - Subsidy—CCDF, TANF, & State estimated at $10 billion (USDHHS, 2009; Schulman & Blank, 2008)
  - Child and Dependent Care Tax Credit and DCAP estimated at $3.4 billion (U.S. DHHS, 2005)

- **Major supply-based public funding**—$9.4 billion
  - Head Start/Early Head Start estimated at $6.9 billion (USDHSS, 2008)
  - Universal pre-kindergarten estimated at $2.5 billion (Barnett, Hustedt, Robin, & Schulman, 2004)

- **Parent fees estimated** $43.9 billion (Johnson, 2005)
Community-level socio-economic factors:
• Household income stable or declining
• Employment level declining

Public expenditures
• Supply-based
• Demand-based

Recession effects likely to vary by:
• Community
• Within community by child care submarket


