

Leaving Welfare for Employment: The Role of Care Subsidies for White Hispanic and African American Families

EXECUTIVE SUMMARY

INTRODUCTION

Child care acquired the national spotlight with the passing into federal law of the 1996 Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA). This was a major federal effort at welfare reform to change “welfare as we know it” With PRWORA, it became the law that recipients of Temporary Assistance to Needy Families (TANF) must combine family with employment responsibilities. For TANF families -- mostly single mothers with young children, employment was no longer a choice. For many of these families, some type of alternative child care was required while the mothers were employed.

Critical to the success of PRWORA and TANF are child care subsidies. Child care subsidies were designed to support welfare reform in two major ways. For TANF recipients, child care subsidies help provide welfare parents with the time, space and supplemental funding to acquire the social and human capital for seeking and acquiring employment. Child care subsidies help parents receiving TANF pay for child care while they are engaged in training, education or work programs. These subsidies are critical for helping parents make the transition off welfare. Second, child care subsidies are provided to qualified low income parents immediately after they leave TANF. These subsidies, often administered by another administrative system called Child Care Information Services (CCIS), are designed to support low income parents to continue employment activities that will permit them to avoid returning to welfare in the future.

In June 2004, the William Penn Foundation and the Claniel Foundation awarded two years of funding to our team of researchers at Temple University to examine the success of child care subsidies as a tool for welfare reform by studying welfare leavers’ experiences with child care subsidies. The goal of the project was to provide policy relevant information that could be quickly incorporated into the Pennsylvania policy domain.

Our research focused on the utilization of child care subsidies by former welfare recipients at the precise moment when they were supposed to be making the transition from welfare to work. The concept of transition was central to this research. Welfare leavers transition off welfare. Simultaneously they transition from one type of child care subsidy system to another. This research examined both types of transitions, the transition off welfare, hopefully, to employment and the transition off the welfare child care subsidy system to one that supports subsidies for working low income families.

In this report, we describe our findings and recommendations from two major components of this project. The first component examined welfare leavers’ utilization of

child care subsidies upon leaving the TANF system, the transition process, barriers to subsidies, and the factors that influence the acquisition and utilization of child care subsidies. This component examined the ability of welfare recipients to acquire those subsidies deemed important to permit continued labor force participation upon leaving the welfare rolls.

The second component of this research examined the impact of child care subsidies on welfare leavers' ability to sustain employment.¹ In addition, it considered stability and change in child care usage, subsidy usage, and employment over a six to eight month period.

We considered differences in subsidy use and employment outcomes as a function of welfare receivers' race and ethnicity. Race and ethnicity are structural factors in U.S. society that play a large role in determining rewards, opportunities and outcomes. Race and ethnicity are dimensions of inequality both between and within different classes. Therefore, we compared subsidy use, barriers to subsidy use and labor force opportunities by race and ethnicity for these recent welfare leavers. Also, because race and ethnicity are cultural factors that may be related to differential attitudes, preferences and behaviors, we examined how these cultural factors could have influenced differences in subsidy receipt in these groups.

In the final section of this report, we present recommendations that can be used by the Commonwealth of Pennsylvania to improve the success of child care subsidies as a tool for welfare reform.

STUDY DESIGN, METHODS AND DATA COLLECTION

This study was a longitudinal examination of welfare leavers, their transition from TANF to the CCIS child care subsidy system, their use of child care subsidies, and the subsequent impact of subsidy use on employment. The design was comparative with the goal of assessing differences in the welfare transition process and subsidy utilization for three groups: White, African American and Hispanic welfare leavers.

Welfare leavers were interviewed on the telephone at Time 1 to examine factors relating to their transition off of TANF. These same welfare leavers were then interviewed again on the telephone at Time 2 six to eight months later to measure employment outcomes. This research links experiences with welfare, the transition off welfare, child care subsidy utilization and employment.

¹ Yet another component examines child care preferences of our sample using the factorial survey technique. The findings from this component can be found in a separate report: *Racial and Ethnic Differences in Child Care Preferences: A Factorial Survey Analysis* (April, 2007). The factorial survey technique is used to determine what factors contribute to people's overall assessments of complex multidimensional phenomena. Computer generated descriptions of different child care settings were generated where the items associated with each child care characteristic are uncorrelated. Respondents rated complete descriptions of child care setting. Multivariate techniques were used to determine what child care items explain the variation in preference structures. This method was used to assess differences in child care preferences by race and ethnicity.

Names and contact information for welfare leavers at Time 1 were obtained from lists of recent welfare leavers provided by the Pennsylvania Department of Public Welfare. Names were selected from three strata: White welfare leavers, African American welfare leavers, and Hispanic welfare leavers. The final sample of 658 welfare leavers included 228 African Americans, 215 White and 215 Hispanic parents. The overall response rate was 66% and similar across the three groups.

At Time 2, we re-contacted interested families to ask about their employment six to eight months after our initial interview. In this second phase of the research, there were 237 participants: 100 African Americans, 76 White and 61 Hispanic parents. We observed no differences between the families who returned to participate in the Time 2 study and those who did not.

We refer to the part of the study at Time 1 as the “Child Care Subsidy Utilization Study.” We refer to the part of the study at Time 2 as the “Employment Outcomes Study.” In the next two sections of this report, we describe the questions and findings separately for these two related studies.

TIME 1: THE CHILD CARE SUBSIDY UTILIZATION STUDY

The purpose of the Child Care Subsidy Utilization Study was to determine why recent welfare leavers were not taking child care subsidies for which they were eligible. Specific issues addressed included parents’ beliefs and attitudes about subsidy usage, their perceptions as to whether they needed child care subsidies and the procedural difficulties they encountered when applying for and maintaining them.

STUDY QUESTIONS

Our analysis of welfare leavers and child care subsidy use addressed several sets of questions. The first set addresses child care subsidy eligibility. Were most welfare leavers eligible for child care subsidies upon leaving the TANF system? Did those welfare leavers that were eligible for subsidies use them? How many families used subsidized care compared to non-subsidized care? How many families did not use any form of child care, subsidized or non-subsidized? How does child care and subsidy use vary by the race and ethnic identify of welfare leavers?

The second set of questions addressed these same issues among only those welfare leavers who were *eligible* for subsidies. How are subsidy eligible child care subsidy users different from subsidy eligible families who do not use subsidies? These groups were compared on family and demographic characteristics; use of different forms of public assistance; education, employment and job training experiences; problems obtaining employment; sources of income, income levels and child care support; respondent and child health; housing and transportation; child care use while on TANF; current child care use; prior experiences with the TANF welfare system; and attitudes towards welfare, child care, and child care subsidies. This set of analyses focused on

whether barriers to subsidy use are related to characteristics of families, their experiences and familiarity with public assistance programs; their economic and employment situations; health problems; prior experiences with subsidized child care, and attitudes towards public assistance and child care more generally.

The third set of questions addressed the transition process for welfare leavers who were eligible for subsidy from the TANF to the CCIS system to examine the different experiences of welfare leavers. We specifically examined the differences in these experiences by child care and subsidy use as well as by race and ethnicity. What are the differences in the transfer process for people who obtained child care subsidies and for people who did not? How did people find out about the CCIS system? Did they know they were eligible for child care subsidies and if not, why not? Did the CCIS application process produce problems for applicants? Focusing on differences in subsidy use and by race and ethnicity, this set of analyses addressed whether barriers to subsidy use exist in the transfer process from TANF to CCIS.

THE CHILD CARE SUBSIDY UTILIZATION STUDY: FINDINGS AND DISCUSSION

The Distribution of Child Care and Subsidy Use

Although child care subsidies are considered to be an important tool for supporting welfare reform, most welfare leavers were not eligible to receive these subsidies because they were not employed at the time they left the TANF system. Subsidy ineligibility was linked to child care use. Welfare leavers not eligible to receive subsidy did not use any form of regular child care. In addition, many subsidy eligible welfare leavers neither obtained nor used child care subsidies or regular child care.

- The majority of welfare leavers in our sample (52%, n = 342) were not subsidy eligible because they were not employed at the time they left the TANF system. A major reason why many welfare leavers did not use child care subsidies is because they were not eligible to receive them.
- The majority of subsidy ineligible welfare leavers were not using regular child care. Of those who were *ineligible* for child care subsidies, more than three quarters (76%) did not use any form of child care at the time of the survey.
- Being eligible for subsidies did not mean that welfare leavers actually received them; almost half of those eligible for subsidies did not receive a subsidy.
- Like subsidy ineligible welfare leavers, the majority of subsidy eligible welfare leavers who did not use a child care subsidy also did not use child care. In all, most subsidy eligible welfare leavers who did not obtain a subsidy did not use child care.

- Child care subsidy eligibility varied somewhat by race and ethnicity. African American welfare leavers were more likely to be eligible for subsidies (55%) compared to either White (43%) or Hispanic (45%) welfare leavers.
- Among those eligible for subsidy, African American welfare leavers were more likely to use child care subsidies (78%) compared to eligible White (50%) and Hispanic (45%) welfare leavers. White (50%) and Hispanic welfare leavers (50%) were more similar to each other in their rate of not using subsidies than they were to African American welfare leavers.
- Hispanic welfare leavers were more heavily represented among non-subsidy users (41%) than either White (15%) or African American (23%) welfare leavers.
- African American welfare leavers were the most heavily represented group among subsidy users. African American welfare leavers (54%) were more likely to use child care subsidies than White welfare leavers (26%) or Hispanic welfare leavers (23%).

Differences among Subsidy Eligible Subsidy Users and Non-Users

- Subsidy users were more likely to be never-married (85%) than non-users (77%). Non subsidy users were more likely to live with their spouses or partners (93% and 16% respectively) than subsidy users (67% and 7% respectively).
- Prior family welfare use was not related to child care subsidy use. Proportionately equal numbers of subsidy users and non-users came from families who had previously received welfare.
- Education was not a big divider between child care subsidy users and non-users. Subsidy users and non-users' educational levels were comparable.
- Subsidy use and employment were clearly related. Fully 93% of subsidy users were employed compared to 66% of non-subsidy users. This is not unexpected, since employment is a precondition for subsidy use.
- Hours of employment did not appear to be a barrier to subsidy use as much as the sheer attainment of employment itself. The number of hours worked per week, on average was over 30 hours. At the time of this survey, the work requirement to maintain a child care subsidy was 25 hours per week.
- Subsidy users were more likely to work the same work days and times per week than non-users.
- Non-subsidy users were more likely to work irregular hours compared to subsidy users, indicating that working irregular hours may be a barrier to subsidy use.

- More non-subsidy users received economic support and income from relatives or friends (27%) than subsidy users (14%).
- Child care subsidy users were more likely to receive food stamps (83%) and child support (36%) than eligible non-subsidy users (73% and 23% for food stamps and child support respectively). The difference in child support receipt may reflect the former subsidy eligibility requirement that families receiving child care subsidies must have a court child support order.
- Subsidy users had considerably higher incomes than non-users. On average, subsidy users earned more money (mean = \$1,076 per month) than non-subsidy users (mean = \$667 per month). Accounting for all income sources, subsidy users made, on average, \$450 more per month than non-subsidy users.
- Both subsidy users and non-users were poor; most lived below the 2006 federal poverty line.
- Non-subsidy users (20%) were more likely to report being treated for mental health problems than subsidy users (9%).
- Subsidy users and non-users reported similar experiences while receiving TANF. Most people in both groups felt that they were treated with dignity and respect and that their TANF caseworkers answered questions clearly. Overall, how respondents felt they were treated while on welfare did not appear to be related to child care subsidy use later on.
- Subsidy users (66%) used child care more while on TANF than non-subsidy users (50%).
- Child care subsidy users were much more likely to have received child care assistance while on TANF (80%) compared to non-subsidy users (34%).
- While on TANF, subsidy users were more likely to use registered or licensed care while on TANF (57%) non-subsidy users (39%).
- While on TANF, more subsidy users used center care (48%) and less relative care (41%) than non-subsidy users (24% and 61% for center and relative care respectively).
- After leaving TANF, subsidy users were more likely to use center care (56%) than non-subsidy users (20%). They were also more likely to use registered or licensed care (68%) than non-subsidy users (8%). Subsidy use was clearly related to using both center as well as licensed care.
- Subsidy users and non-subsidy users expressed similar attitudes about welfare and child care subsidies.

- Non-subsidy users expressed attitudes about child care consistent with not sending children to more institutional child care settings than subsidy users. Non-subsidy users tended to believe more than subsidy users that children are best cared for in a home setting, that children are best cared for by a relative, and that a good child care provider should act more like a parent than a teacher. Subsidy users believed more than non-subsidy users that children do best in a child care center and that religion is a part of the child care experience

Differences among African American, White and Hispanic Subsidy Eligible Welfare Leavers

Do differences between subsidy users and non-users vary by race and ethnicity? That is, are there differences between African American, Hispanic and White subsidy eligible welfare leavers that correspond with the differences between subsidy users and non-users more generally?

The answer to this question is largely no. Differences in particular characteristics were largely differences between African Americans and the rest of the sample. When African American subsidy eligible welfare leavers exhibited differences from the other racial and ethnic groups, Hispanic and White subsidy eligible welfare leavers tended to be more similar to each other.

- African Americans were more likely to have never been married (90%) compared to White (81%) or Hispanic (71%) subsidy eligible respondents.
- African American (64%) and Hispanic (63%) subsidy eligible respondents were more likely to have been in families as children that received welfare compared to White respondents (31%).
- African American respondents had higher levels of education than either White or Hispanic respondents. African Americans had higher rates of high school graduation and GED acquisition (63%, 50% and 50% for African American, White and Hispanic respondents respectively) and lower rates of not finishing high school (17%, 3% and 34% for African American, White and Hispanic respondents respectively).
- African American respondents were more likely to have received a housing subsidy (33%) than either White (7%) or Hispanic (6%) respondents.
- African Americans had lower reported rates of mental illness (7%) than either White (23%) or Hispanic (11%) respondents.
- African Americans' child care use and subsidy use while on TANF differed from those of White and Hispanic respondents. African American respondents were more likely to have used child care while receiving TANF (71%, 52% and 51%

for African American, White and Hispanic respondents respectively). They were also more likely to receive child care subsidies while on TANF (54%, 39% and 40% for African American, White and Hispanic respondents respectively).

- African Americans, after leaving TANF, were more likely to use center care (46%, 36% and 24% for African American, White and Hispanic respondents respectively) and to use registered or licensed care more generally (56%, 39% and 31% for African American, White and Hispanic respondents respectively).
- Attitudes toward either welfare, child care subsidies or child care more generally did not vary by race or ethnicity.

The Transition from TANF to the CCIS System

A combination of factors was related to whether or not families transitioned to using CCIS child care subsidies after TANF. Factors related to transition to CCIS included reports of caseworker communications about child care subsidies to the welfare leavers, welfare leavers' knowledge of the rules governing subsidy eligibility, perceptions of hassles and obstacles to obtaining subsidies, experiences with aspects of the subsidy delivery process, and the belief that help paying for care was not needed.

- Getting information from case managers appeared to be a small reason why some welfare leavers connected to the CCIS system while others did not.
- The majority of subsidy eligible non-users who thought they were ineligible for subsidy reported that they would apply for a subsidy if they knew they were eligible. This suggests that communications about subsidy eligibility is a crucial way to link welfare leavers to subsidy. If people knew they were eligible, they would be more likely to try to access the subsidy system.
- Some non-users knew they were subsidy eligible but reported that they would not apply for one. The most common reasons for not applying included hearing that there was a wait list for subsidy (26%), not being able to take time to go to the CCIS office (28%) or inconvenient office hours (19%). Some welfare leavers reported that they no longer wanted any form of government assistance (13%).
- A significant number said that they would not use a subsidy because they thought it would force them to use either center care (24%) or registered family day care (18%). Apparently, they believed that subsidy use would preclude them using their preferred type of care. This, however, is not the case in Pennsylvania.
- Few subsidy eligible non-subsidy users reported that the subsidy application process per se, other than going to the office, would deter them from applying for subsidy.

- Essentially, there were two types of barriers to subsidy. One was the friction of space (getting from here to there) which reduced the probability of applying for a subsidy. Second, misinformation operated as a barrier when people believed erroneously that the subsidy system will limit their preferred type of care.
- Eligible non-subsidy users reported more problems with the application process than subsidy users. Overall, reported problems were largely rooted in the CCIS subsidy application requirements (e.g., paperwork) or with money (coming up with co-payments, wait for CCIS payments).
- Hispanic non-subsidy users were more likely than either African or White non-subsidy users to report that they were not using subsidies because they thought did not believe they were eligible, would only need care for a short amount of time, the co-payments were too high, or they had had a bad experience with public assistance.
- African American non-subsidy users were more likely than either Hispanic or White non-subsidy users to report that they didn't apply for subsidy because they heard there was a wait list for subsidy.
- White non-subsidy users than either Hispanic or African American non-users were more likely to report that they would not use a subsidy because they would not want to use a child care center

Predicting Child Care Subsidy Use

Many factors -- such as welfare experiences, social and demographic characteristics, child care use, public assistance receipt, and race and ethnicity were linked to subsidy use. To understand the unique effects of each of these characteristics on child care subsidy use, we employed a multivariate approach. This approach allowed us to statistically control for correlated factors while isolating the effect of specific factors on selected outcomes.

The findings point to several features that connect welfare experiences, economic supports, and welfare policies as well as race and ethnicity.

- Race and ethnicity are key features that explain subsidy use. Race was the most important predictor of child care subsidy use. All else equal, African American welfare leavers, compared to White or Hispanic welfare leavers, were more likely to receive a child care subsidy. This effect suggests that there is an interplay of cultural factors tied to race and ethnicity that influence the use of child care subsidies.
- Receiving economic support from family and friends had a negative effect on receiving a subsidy. All else equal, subsidy eligible welfare leavers were less likely to receive a child care subsidy if they received income from relatives or

friends. Perhaps these welfare leavers who received economic help from family or friends preferred to rely on private forms of support rather than public forms such as child care subsidies. Alternatively, perhaps those parents who were not getting subsidies were forced to rely on private forms of support.

- Mental health had a significant and negative influence on child care subsidy receipt. All else equal, subsidy eligible welfare leavers were less likely to receive a child care subsidy if they reported being treated for mental health problems in the last six months. This finding suggests that although these mothers were healthy enough to find and maintain employment, managing subsidized care may have been too overwhelming for these already stressed parents.
- Working the same day each week increased the probability of receiving a child care subsidy. All else equal, subsidy eligible welfare leavers were more likely to receive a child care subsidy if they worked the same days each week. That working the same days each week predicted child care subsidy use may reflect the fact that parents with predictable, regular employment are most likely to rely on subsidized child care. The direction of effects here is open to question. Does regular employment encourage mothers to seek subsidized care? Or, do the parameters of subsidized care encourage mothers to seek jobs with regular weekly hours? It is likely, however, that mothers with regular work hours were more likely to use center care, and this is the care used most commonly by families on child care subsidies.
- Welfare leavers were somewhat more likely to use a child care subsidy if they were receiving food stamps. Welfare leavers were also somewhat more likely to use a child care subsidy if they received a child care subsidy while on TANF.

TIME 2: THE EMPLOYMENT OUTCOMES STUDY

The purpose of the Employment Outcome Study (EOS) was to examine stability and change in child care and subsidy use and to measure the effects of child care subsidy usage on welfare leavers' employment several months after leaving TANF. In particular, we wanted to know whether parents who were using child care subsidies were more likely than other parents to be employed and to have more employment success eight to ten months after leaving TANF.

STUDY QUESTIONS

This component addressed several questions concerning the stability and change in child care and subsidy use over time. First, was child care usage stable over the six to eight months of our study? Second, to what extent did families who used child care subsidies continue to use child care subsidies at Time 2? And third, to what extent was employment stable over time? This information about stability over time can inform policy on continuity of subsidy use and the nature of change in low income families.

Our main question in this study concerned the effects of child care subsidy usage over time on parent employment. In particular, were families using child care subsidies at Time 1 more likely to be employed and have more employment success at Time 2 than other families who did not use child care subsidies at Time 1?

THE EMPLOYMENT OUTCOMES STUDY: FINDINGS AND DISCUSSION

Child Care Usage

Our longitudinal findings concerning child care usage and subsidized child care usage over time showed both continuity and change.

- Of those receiving subsidies at Time 1, 59% of those families receiving subsidies continued to receive subsidies at Time 2; 69% of those using no child care at Time 1 were again using no child care at Time 2.
- Receiving a subsidy at Time 1 to support child care made it more likely that families would continue to use child care; families who were using subsidized care at Time 1 were somewhat more likely than families with nonsubsidized care to have continued child care usage (74% vs. 68%).
- While there is some predictability over time for all families, there is also a lot of instability from one time to the next in child care usage and child care subsidy usage, even for families who are subsidy eligible. Only 53% of subsidy eligible families who used subsidies at Time 1 were still using subsidies at Time 2. Thirty percent of those receiving subsidies at Time 1 were no longer using child care at Time 2.

Employment

We found both continuity and change in employment over time.

- Seventy one percent of those working for pay at Time 1 continued to work for pay at Time 2, and 73% of those who were not working for pay at Time 1 continued to be not working for pay at Time 2.
- The overall employment rate for the sample stayed the same. But this overall measure disguises the fact that there were substantial employment changes. Slightly more than one quarter either lost their jobs or obtained jobs.

Subsidized Child Care Usage and Employment Outcomes

These longitudinal data suggest that child care subsidies may contribute both to continuing use of child care and greater employment over time, even under the most conservative of tests -- among those families who are initially eligible for subsidized care.

- Welfare leavers who used subsidized child care at Time 1 were significantly more likely to be employed at Time 2 than welfare leavers who were not using subsidized child care. Of those families eligible for subsidies, 69% of families using child care subsidies were employed six to eight months later; only 56% of those eligible for subsidies who were using non-subsidized child care were employed.
- Having a child care subsidy at Time 1 increased the odds of being employed at Time 2 by 148%.
- Perhaps because of the small number of subjects and the intercorrelations between subsidy use and races, we were unable to demonstrate any interaction between subsidy usage and race.

OVERALL DISCUSSION AND POLICY IMPLICATIONS

The findings point to both positive and negative features associated with the process of providing child care subsidies when leaving TANF and its potential role in supporting employment.

Clearly the overwhelming number of welfare leavers who neither utilized child care subsidies nor used child care at all points to a critical fault line in the transition from welfare to the non-welfare based child care subsidy system. The vast majority of our sample did not transfer into the CCIS subsidy system because they were not eligible for subsidy and most of these families used no regular form of child care. Welfare leavers ineligible for subsidy neither used care nor were employed. If child care is indeed a crucial ingredient to successfully leaving welfare for work, the findings of this study do not bode well for the welfare reform to work. This study points to the failure of many welfare leavers to acquire subsidies that are intended to assist them in the acquisition and maintenance of employment.

On the positive side, this study points to the success of child care subsidies as a tool for welfare reform. Although most welfare leavers did not receive a child care subsidy, those who did receive child care subsidies were more likely to be employed and to earn more money than their non-subsidy-using counterparts. That is, when acquired, child care subsidies appear to do what they are supposed to do – permit parents to seek, acquire and maintain employment while their children are in stable and affordable child care. We observed this to be true both at a single period of time and across two time periods. Families using child care subsidies at Time 1 were more likely to be employed at Time 2 as those not using subsidized care. Using child care subsidies at one point in time predicted a 148% increase in the odds of being employed six to eight months later.

What are the barriers to child care subsidy use when leaving welfare? More importantly, what are the policy implications of our findings? We point to the importance of 1) subsidy eligibility 2) misinformation and information, 3) prior welfare experiences, and 4) race and ethnicity.

Subsidy Eligibility

Child care subsidy eligibility is tied to employment. But most welfare leavers were not employed at the time they left the welfare rolls and were not using any regular form of child care. At the surface, it appears logical to connect the award of child care subsidies to people who have already succeeded in obtaining employment. But if so many welfare leavers do not obtain employment upon leaving the welfare system and at the same time, do not have support for child care, how can they succeed? It is precisely when they are leaving the welfare system that families are most vulnerable. If families do not successfully transition to the child care system upon leaving the welfare system, it would seem to be less likely that they will gain access to subsidies later if and when they obtain employment.

Misinformation about Subsidy Procedures

Misinformation concerning subsidy procedures and regulations also exists. People reported that they did not use subsidies because they were confused about application procedures, they believed there were waiting lists for obtaining a subsidy, they feared high co-payments, and they were reluctant to use center care. But it is not clear that these particular welfare leavers were subject to either waiting lists or unaffordable co-payments. It is also not clear that they had a realistic understanding of the subsidy application process. In fact, child care subsidy regulations do not require that families use child care center care, and recent TANF leavers are not subject to waiting lists. TANF leavers need to know this information too.

Misinformation acts as a critical barrier to subsidy application and subsidy usage; people who have misinformation may be less likely to consider child care subsidies as an option, and they may make other plans in their stead. Many people who reported not needing child care subsidies may not have needed them because, not including child care subsidies in their planning, they made other, possibly less desirable child care arrangements. Had they known they were eligible for child care subsidies, or that there was no waiting list for people in their situation, or that child care centers were not the only form of child care that could be subsidized, they might not have made other arrangements.

Child Care Subsidy Use While on TANF

People's experiences while on TANF affected their subsequent use of child care subsidies upon leaving the welfare system. The most important experiences affecting subsidy and child care use were the use of child care subsidies while on TANF.

Welfare leavers were more likely to use child care subsidies if they received subsidized child care while on TANF. Why would use of subsidized care while on TANF positively predispose welfare leavers into using a child care subsidy upon leaving the TANF system? There are several likely reasons.

First, caseworkers in the TANF system were more likely to be informed about children in the family in need of care if the families were already using subsidized child care. Receiving subsidized care while on TANF ensured that children were in the system.

Second, families using subsidized care while on TANF may have been better informed about the availability of subsidies post TANF. Families receiving a child care subsidy while on TANF may have been more likely to inquire about subsidies when they were leaving TANF.

Third, families using subsidized care while on TANF may have had a more streamlined transfer process into the CCIS subsidy system. They may have been more likely to be automatically transferred, making the movement into the non-TANF child care system more seamless. And fourth, families using subsidized care while on TANF may have had positive experiences with child care that would lead them to continue to use child care (subsidized or not) after leaving TANF.

Having subsidized child care while on TANF was an important predictor of both subsequent subsidized and non-subsidized child care use. This suggests that getting people acclimated to the use of child care and child care subsidies could be made part of the TANF process to enable more child care and subsidy use upon leaving the TANF system.

Race and Ethnicity

Race and ethnicity were part of the explanation for using child care of any type and for using subsidized child care in particular. But the role of race and ethnicity is complex.

Cultural differences in views about child care may have affected subsidy use. Because our analyses showed that race had an independent effect on subsidy use over and above the welfare experiences, other factors may place a crucial role in the differential use of child care subsidies. Upon leaving the welfare system, African American subsidy eligible respondents used child care subsidies at higher rates than either Hispanic or White subsidy eligible. Some of the characteristics associated with subsidy use such as using a child care subsidy while on TANF or use of registered or licensed care were also positively associated with being African American and negative associated with being either White or Hispanic. But many of the differences among subsidy users and non-users did not correspond with race or ethnicity. African American's higher propensity to use subsidies is not explained by non-racial and ethnic differences between the three groups.

Subsidies and Employment

Welfare leavers did not continually use subsidies over time. From Time 1 to Time 2, many people went on or off of child care subsidy use, and many people either gained or lost employment. This fluctuation may have critical effects on family welfare and child outcome. Researchers need to examine not only the effects of single time usage of subsidies, but also the effects of cumulative subsidy use and patterns of subsidy use over time on family welfare and child development.

Our finding that subsidy use at Time 1 increased the likelihood of parental employment by 148% suggests that child care subsidies are a key support mechanism for welfare reform and demonstrates the critical importance of subsidy usage in supporting employment. At the same time, we found no effect of using child care subsidies at Time 1 on the amount of earned income. Thus, although child care subsidies were effective in promoting employment, we did not find that that subsidies increased attendance on the job, quality of life, quality of financial status or actual income. The link between child care subsidies, employment and family economic outcomes requires further exploration.

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