

The Use of Child Care Subsidies in Wisconsin.

(PAA Proposal, September 23, 2004)

Steven Cook,
Institute for Research on Poverty, University of Wisconsin-Madison

An important component of welfare reform nationwide has been an increase in the funding available for child care subsidies for low-income families, with the goal of reducing the constraints on employment posed by the difficulty of arranging care for children while parents are working. Even with this increased availability, the take-up rate for child care benefits appear quite low, with well below half of apparently-eligible parents receiving subsidies. In this paper, I will attempt to answer the questions of how household socioeconomic and demographic characteristics relate to the probability of child care subsidy receipt, and how does the receipt of this subsidy affect subsequent employment outcomes. As such, this research will follow previous analyses by Meyers and Heintze (1999), Meyers, Heintze and Wolf (2002), and Blau and Tekin (2003).

The present research will further the work of these previous analyses in several ways. The work of Meyers, Heintze and Wolf uses data from 1995 before the passage of the Personal Responsibility and Work Opportunity Reconciliation Act which substantially increased the availability of subsidies and which dramatically changed the institutional demands on welfare parents to find employment. These changes will have no doubt changed the process of learning about and deciding upon child care benefits, as well as the relationship between public assistance receipt and employment; the present paper will be able to evaluate the nature of these relationships under the welfare reform regime.

Blau and Tekin's work also uses data from after PRWORA, but they use data only from a household survey, which uses measures of child care subsidy, employment and welfare receipt from a single point in time. For this research, I have access to state administrative records on the usage of most public assistance programs (TANF, Food Stamps, Medicaid, along with child care subsidies), along with data on child support receipt, UI records on employment and earnings, and state tax records from before the beginning of Wisconsin's TANF program in 1997 to the present¹ This will allow me to track the likelihood and effect of continuing versus momentary child care subsidy usage, along with allowing me to estimate the interrelated effects of various assistance programs. In addition of two-wave survey of 2500 single mothers will provide additional detail on the exact nature of child care usage and other characteristics not available in administrative data.

The specific set of data I intend to use is the population of approximately 16,000 single mothers who entered Wisconsin's TANF program (Wisconsin Works, or W-2) in the first 10 months after the start of the program (September 1997-October 1998). This sample was originally drawn for the Wisconsin Child Support Demonstration Evaluation (see Meyer and Cancian, 2001; 2003) and corresponds to the population from which the sample for the survey waves in 1999 and 2000 were drawn. I will compare results from

¹ State tax records are only available through 2001.

this set of early W-2 entrants with those from a group of later entrants to evaluate whether my findings may be time specific, although no survey data will be available for this later group.

While this dataset does provide an enormous amount of data about welfare and work experience it does have a couple of limitations with respect to this particular project. First of all, it is limited to Wisconsin, which is unique in having an extremely well-funded child care subsidy program and a TANF program which not similar to most other states. Second of all, the sample is limited to TANF recipients, whose experience may be dissimilar to those families who would qualify for child care subsidies but who were not eligible for, or chose not to participate in, W-2. These limitations are similar to those faced by previous researchers, however, and I believe that still much can be learned from this analysis on this set of data.

In methodology, I intend to follow the approach of the previous researchers in the field mentioned above, who modeled the receipt of child care subsidies and then used an instrumental variables approach in a two-stage least squares model of employment to control for the selection into child care benefits. The selection of appropriate instrumental variables will depend on further analysis, but I anticipate that county-level controls used by Blau and Tekin will also prove effective here. Covariates in the models will include measures of mothers' and households' demographic and socioeconomic characteristics, such as age, race, number and ages of children, education, previous earnings, previous participation in various assistance programs, and county-level economic and labor force characteristics. In models using the survey sample, I will include measures of the presence of other adults in the household, the availability of family child care, car ownership, and the nature of mother's previous employment.

At the time this proposal was submitted, all of the variables referred to in the methodology section above have been constructed, and I am ready to proceed with model estimation. The most difficult of the remaining tasks will be to confirm the appropriateness of county level controls as instrumental variables, or failing that, to select new instrumental variables.

References:

Blau, David and Erdal Tekin. 2003. "The Determinants and Consequences of Child Care Subsidies for Single Mothers." NBER Working Paper 9665. Cambridge, MA: National Bureau of Economic Research, April.

Meyer, Daniel R., and Maria Cancian, eds. 2001. *W-2 Child Support Demonstration Evaluation, Phase I: Final Report*. Report to the Wisconsin Department of Workforce Development, Madison, WI: Institute for Research on Poverty.

Meyer, Daniel R., and Maria Cancian, eds. 2003. *W-2 Child Support Demonstration Evaluation, Phase II: Final Report*. Report to the Wisconsin Department of Workforce Development, Madison, WI: Institute for Research on Poverty.

Meyers, Marcia K., Theresa Heintze, and Douglas A. Wolf. 2002. "Child Care Subsidies and Employment of Welfare Recipients." *Demography* 39(1): 165-179.

Meyers, Marcia K. and Theresa Heintze. 1999. "The Performance of the Child Care Subsidy System." *Social Service Review* 73(1): 37-64.