

## Low Income and Impoverished Families Pay More Disproportionately for Child Care

KRISTIN SMITH AND KRISTI GOZJOLKO

Working families across the nation are feeling squeezed by the recession.<sup>1</sup> The Obama administration plans to offer aid to struggling families with new initiatives, including tax credits for child care. While paying for child care has been a challenge for families since long before the recession, low-income families and those living in poverty have paid disproportionately more for these services, which allow their children to be safely cared for while they work or look for work.

Across the nation, states are simultaneously struggling to balance their budgets, and many are cutting services for families.<sup>2</sup> While many states have cut spending for child care programs, more families are in economic distress and thus may qualify for a child care subsidy.<sup>3</sup> The end result is that more families may be eligible for services that are being reduced, which could lead states to implement child care waiting lists. As of early 2009, nineteen states reported waiting lists for their child care subsidy program, up from seventeen states a year earlier.<sup>4</sup>

This policy brief examines the share of income spent on child care among families with a child under age 6 and an employed mother who makes child care payments.<sup>5</sup> We use the most recent child care data available from the 2004 Survey of Income and Program Participation (SIPP) Wave 4 Child Care Topical Module collected in the spring of 2005. The results reveal that even prior to the recession there was an unmet need for child care assistance in rural and urban America alike.

**TABLE 1. MONTHLY CHILD CARE COSTS, FAMILY INCOME, AND PERCENT OF FAMILY INCOME SPENT ON CHILD CARE, SPRING 2005**

	Average monthly child care costs	Average monthly family income	Percent of family income spent on child care
Total	\$476	\$6,159	8
Rural	\$376	\$4,777	9
Urban	\$495	\$6,378	8

### Key findings:

- Working families with young children living in poverty pay 32 percent of their monthly family income on child care, nearly five times more than families at 200 percent of poverty or higher.
- Low-income families with an employed mother pay 18 percent of their family income on child care.
- Among low-income families, those that received child care subsidies spent a lower proportion of their family income on child care.

### Child Care is a Considerable Expense for Poor and Low-Income Families

Families with children under age 6 with an employed mother spent 8 percent of their monthly family income on child care in 2005 (see Table 1). Rural families pay less per month for child care on average than urban families (\$378 compared with \$495). Rural families also earn less per month than urban families (\$4,777 compared with \$6,378). As a result, rural and urban families spend a similar proportion of their family income on child care.

Child care costs hit families with fewer economic resources harder. Families with young children living in poverty devote 32 percent of their monthly family income to child care, two times the share paid by families living just above the poverty level and nearly five times the percentage paid by families living at 200 percent of poverty or higher (see Figure 1). Low-income families, those living at or below 200 percent of poverty, spent 18 percent of family income on child care (see Table 2).

**TABLE 2. PERCENT OF MONTHLY FAMILY INCOME SPENT ON CHILD CARE, SPRING 2005**

	Percent of monthly family income spent on child care		
	Total	Rural	Urban
<b>Total</b>	8	9	8
<b>Low income status</b>			
At or below 200 percent of poverty	18	17	18
Above 200 percent of poverty	7	7	8
<b>Monthly family income</b>			
Less than \$1,500	30	24	32
\$1,500 to \$2,999	18	16	18
\$3,000 to \$4,499	12	11	12
\$4,500 or more	7	7	7
<b>Mother's education</b>			
Less than high school	12	16	11
High school or some college	10	10	10
College graduate	7	6	7
<b>Child care subsidy receipt<sup>a</sup></b>			
Receive subsidy	14	16	13
Do not receive subsidy	19	17	20

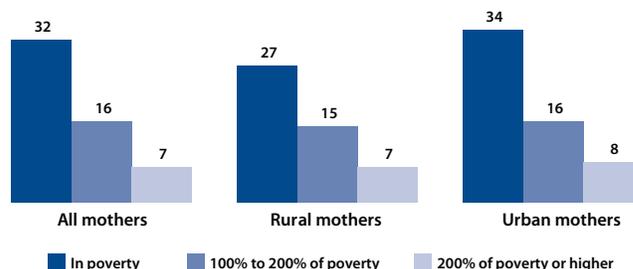
a. Includes families living at or below 200 percent of poverty.

In another example, families earning less than \$1,500 per month spent 30 percent of family income on child care, while those earning \$4,500 or more per month spent only 7 percent (see Table 2).

This pattern of a greater cost burden on poorer families is evident in both rural and urban America. However, the burden is more pronounced in urban than rural families. This discrepancy stems from the higher child care costs in urban areas (see Figure 2). Even so, the child care cost burden among rural families living in poverty is high—more than one-quarter of their family income goes to child care expenses.

Low-income rural and urban families spent a similar percentage of their family income on child care, a substantially larger share than families with greater economic resources (see Table 2).

**FIGURE 1. PERCENT OF MONTHLY FAMILY INCOME SPENT ON CHILD CARE BY MOTHER'S POVERTY STATUS, SPRING 2005**



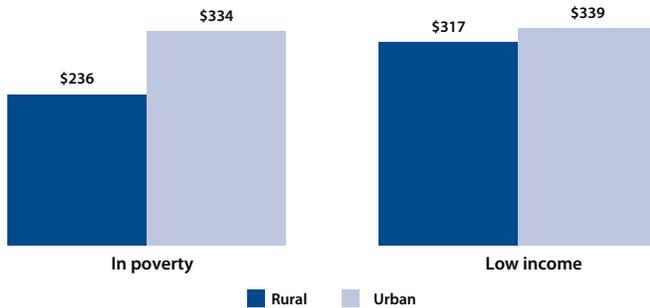
## Rural Families with Less Education Shoulder Larger Child Care Cost Burdens

Employed mothers with less than a high school degree pay a higher proportion of their family income on child care than their counterparts with college degrees (see Table 2). This gap is more pronounced in rural than urban areas. Further, rural families with less maternal education shoulder a larger child care cost burden than corresponding urban families (16 percent compared with 11 percent). Lower family income in rural areas is the driving factor in this greater burden, given that child care costs are similar in rural and urban areas among these families.

## Child Care Subsidies Ease Cost Burden

Low-income families receiving child care subsidies spent a lower proportion of their family income on child care—14 percent compared with 19 percent of total family income among those not receiving a subsidy (see Table 2). Urban areas are driving this gap. In rural areas, low-income families spent a comparable share of their total family income on child care regardless of whether they received a child care subsidy. Low-income rural families receiving child care subsidies pay a lower amount per month on child care, but the reduction is smaller than that seen for urban families, likely because child care costs are lower in rural areas (see Figure 3).

**FIGURE 2. MONTHLY CHILD CARE COSTS FOR POOR AND LOW-INCOME FAMILIES, SPRING 2005**



## Policy Implications

As the Obama administration and Congress contemplate ways to assist struggling families, measures that reduce the amount families pay for child care can go a long way to help families make ends meet. In 2010, Congress will debate whether to reauthorize the Child Care and Development Block Grant (CCDBG), which funds state child care assistance programs. Even prior to the recession, there was a gap between the number of children eligible for child care assistance and the number served. In 2000, only one in seven children eligible for federal child care assistance received it.<sup>6</sup> Families in poverty spent one-third of their income on child care, nearly five times the amount spent by families living at 200 percent of poverty or higher. Likewise, low-income families spent 18 percent of their family income on child care, twice the amount paid by families with greater economic resources. With the recession hitting families hard, child care assistance has become even more important for working families. Funding for child care assistance should be included in any efforts to help families during this recession.

The 2009 American Recovery and Reinvestment Act (ARRA) provided additional funding for the CCDBG and in turn helped some states avert cuts to their child care programs. For example, states used the funds to maintain services for children and families already receiving assistance and to avoid waiting lists.<sup>7</sup> Some states are still spending their ARRA child care assistance funds, yet many states face new shortfalls in 2010 that will not be offset by the investments in ARRA.

In hard times, affordable, high-quality child care takes on growing importance, as many families, particularly those with low incomes, struggle to make ends meet. Child care subsidies are an important work support because they

**FIGURE 3. MONTHLY CHILD CARE COSTS BY RECEIPT OF CHILD CARE SUBSIDY AMONG LOW-INCOME FAMILIES, SPRING 2005**



reduce the amount low-income families pay for child care. The high cost of child care can be a barrier to seeking or maintaining employment for these families. Child care is particularly salient for rural families with young children because both rural single and married mothers with children under age 6 are more likely to be employed than their urban counterparts and because rural families have fewer child care options.<sup>8</sup>

Rural and urban families both benefit from child care assistance. Child care is a considerable expense for poor and low-income working families in rural and urban America. Many low-income families depend on child care subsidies as a work support. As more families become eligible for subsidies, increased investment in child care assistance is essential to help families maintain and seek employment.

## Data Used

This brief uses data from the SIPP collected in the spring of 2005 by the U.S. Census Bureau. Following U.S. Census Bureau methodology, the percentage of monthly family income spent on child care is calculated as a ratio of average monthly child care payments (prorated from weekly averages) to average monthly family income. Low-income families include those living at or below 200 percent of the federal poverty level. Comparisons presented in the text are statistically significant at the 0.05 level.

## Endnotes

1. The percentage of families living in poverty rose in 2008 to 10.3 percent, and median family income declined by 3.6 percent to \$50,303. See Carmen Walt, Bernadette Proctor, and Jessica Smith, "Income, Poverty, and Health Insurance Coverage in the United States: 2008" (Washington, DC: U.S. Census Bureau, 2009).
2. Nicholas Johnson, Phil Oliff, and Erica Williams, "An Update on State Budget Cuts" (Washington, DC: Center on Budget and Policy Priorities, November 2009).
3. In 2008, CCDBG served 1.6 million children per month, a decrease of 106,300 children from 2007. For more details, see Hannah Matthews, "Child Care and Development Block Grant Participation in 2008" (Washington, DC: Center for Law and Social Policy, December 2009).
4. Karen Schulman and Helen Blank, "State Child Care Assistance Policies in 2009: Most States Hold the Line, But Some Lose Ground in Hard Times" (Washington, DC: National Women's Law Center, September 2009).
5. We focus our analysis on children under age 6 because of the greater use of child care among this age group. However, low-income children under age 12 are eligible for child care subsidy assistance.
6. Jennifer Mezey, Mark Greenberg, and Rachel Schumacher, "The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000" (Washington, DC: Center for Law and Social Policy, 2002).
7. Schulman and Blank, "State Child Care Assistance Policies in 2009."
8. Kristin Smith, *Working Hard for the Money: Trends in Women's Employment 1970–2007*, A Carsey Institute Report on Rural America (Durham, NH: Carsey Institute, University of New Hampshire, 2008); Rachel Gordon and Lindsay Chase-Landsdale, "Availability of child care in the United States: A description and analysis of data sources," *Demography* 38 (2001): 299–316.

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## ABOUT THE AUTHORS

Kristin Smith is a family demographer at the Carsey Institute and a research assistant professor of sociology at the University of New Hampshire ([kristin.smith@unh.edu](mailto:kristin.smith@unh.edu)).

Kristi Gozjolko is a Carsey Institute research assistant and doctoral candidate at the University of New Hampshire ([klq23@cisunix.unh.edu](mailto:klq23@cisunix.unh.edu)).



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Huddleston Hall  
73 Main Street  
Durham, NH 03824

(603) 862-2821

[www.carseyinstitute.unh.edu](http://www.carseyinstitute.unh.edu)