



A Step Up, But Not Out

Tracking the Poverty and Income Impacts of Child Care Subsidies

family

child care

advocacy

research



The welfare system was transformed during the past decade starting with the Clinton-era reforms. Across the country and within Los Angeles County, welfare caseloads have declined. But the broader goal of helping families escape poverty remains elusive. Providing access to subsidized child care was a critical component of the broad reform strategy to help families enter the labor force and move toward economic self-sufficiency. While child care subsidies *per se* are not charged with reducing poverty, they should be considered as part of an array of supports that are integral to the success of anti-poverty initiatives.

Crystal Stairs, Inc. plays a central role in helping eligible families access child care in the South Los Angeles area and in the surrounding cities of Lawndale, Hawthorne, Gardena and Inglewood. Between 2000 and 2005, Crystal Stairs made payments totaling \$500 million to over 15,600 child care providers caring for over 42,600 children.

For the first time, data from all of these records was analyzed to better understand how child care subsidies impact the poverty levels and incomes of families participating in these programs.

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Child Care Subsidies Can Be the Difference that Allows Families to Survive Above the Poverty Level

Child care subsidies are an effective income supplement. They enhance a family’s standard of living, and add to the incentive to work by effectively making work pay.

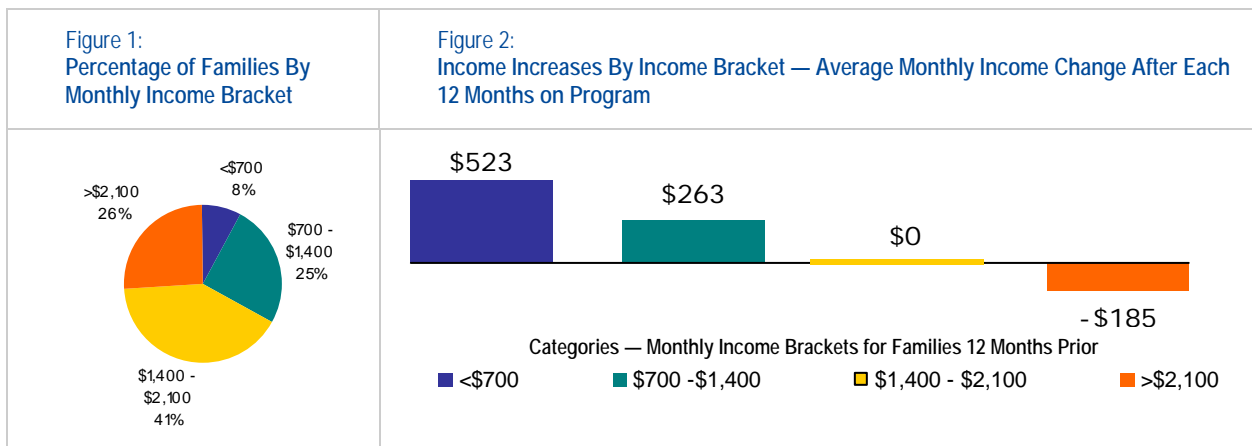
- Before enrollment, 57% of Crystal Stairs families were at or below the poverty level. Child care subsidies decreased the percentage of families in poverty by ten to thirty percentage points.
- Child care subsidies increased the percentage of families receiving a living wage by fifteen to thirty-five percentage points.
- Child care subsidies act in much the same way as the Earned Income Tax Credit, providing an immediate increase to a family’s standard of living while reinforcing the benefits of work.

“Typically, parents were employed with near poverty level incomes and for many, the child care subsidy was the difference that allowed families to survive above the poverty level.”

Child Care Subsidies Alone Do Not Increase Family Income

Ultimately, the success of moving families out of poverty depends not only on entering the workforce, but on parents being successful there – an issue that is beyond the scope of child care subsidies. Measuring success in the workplace as continued income growth paints a mixed picture of how families are faring.

- Families with very low incomes receiving child care subsidies tend to see the largest increases in their incomes.
- Families with slightly higher incomes typically see no change or a slight decline in incomes; 41% of families — those earning a gross monthly income between \$1,400-\$2,100 saw no change in their incomes at all.





Working Families Receiving Child Care Subsidies are Growing Poorer

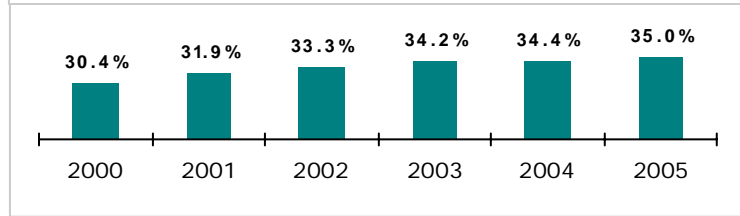
Between 2000 and 2005, Crystal Stairs’ working families have become slightly poorer and have seen their incomes grow at slower rates.

We do not know if this is because poorer families were entering the program or because many of our families continue to work in low-skill, low-wage service sector jobs with few opportunities for career-building and advancement.

We do know that the increase in poverty for working families on the program is not the result of successful families “incoming out.” -

Only 3% of those families that left the program did so because their incomes exceeded 75% of the state median income – the maximum allowed in the program.

Figure 3:
Percentage of Crystal Stairs Working Families In Poverty 2000-2005



These findings, though disappointing, are not surprising. Countywide, labor market conditions show that wages for low-skilled workers have been stagnant over the last decade.

Tracking Poverty Levels of Families at the Agency and State Level Could Lead to the Identification of More Successful Programs

For those responsible for the implementation of the child care support programs, this analysis indicates a need to pay closer attention to the broader anti-poverty efforts of which child care subsidies are a component. Specifically, we recommend the following:

- **Track Poverty:** Utilize data collected by Alternative Payment agencies and the State of California to track poverty levels and income changes for families participating in the program.
- **Report Analysis:** Create “Poverty and Income Impact Reports” that would highlight the trends identified in this analysis and, hopefully, prompt additional efforts to find ways of increasing the earning potential of parents.
- **Inform Policymakers:** Make the data more widely available to help keep policy makers and implementers alike focused on the broader goal of helping families escape poverty – not just leave welfare.





The Broader Goal — Helping Families Escape Poverty

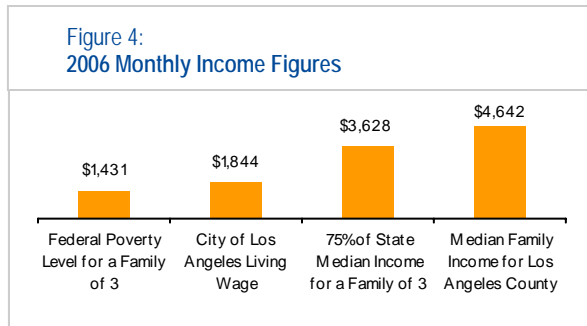
While child care subsidies are an income supplement and do substantially increase the standard of living for families, they are not sufficient to help parents advance in the workforce.

The issue of stagnating or declining wages for workers near the poverty level is beyond the capacity of the child care subsidy system to address alone. However, the child care subsidy system remains a key component to the broader anti-poverty efforts in our communities and has a unique set of data that could be shared with other anti-poverty organizations and public and private agencies involved in poverty-alleviation efforts.

Putting Poverty in Perspective

A family of three at the poverty level has less than one-third of the income of a typical family in Los Angeles and spends more than 50% of that income on housing.

At enrollment, 57% of Crystal Stairs families are in poverty; 35% of Crystal Stairs' working families continue to live in poverty.



About the Data

Crystal Stairs' database is organized in such a way that a separate record exists for each month that a family is on the program. The core data file contains information such as family size, income, initial program enrollment date, service recertification dates, funding source, and need status (e.g. working, training, seeking work). These records can be linked to payment and provider records to add information such as the amount of money paid for child care in any given month.

Over 1 million linked records were extracted from the database; each record reflected a separate payment processed by Crystal Stairs between January 2000 and December 2005. This data represented the experiences of 21,888 unique families. No confidential information such as parent names, children's names, addresses, or telephone numbers were extracted.

Crystal Stairs

Founded in 1980, Crystal Stairs® is one of the largest nonprofit child care and development corporations in California. Guided by our mission -- improving the lives of families through child care services, research and advocacy -- thousands of families and children benefit from our services every day.

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For additional information about Crystal Stairs programs and services, please visit www.crystalstairs.org

Child Care Results

Child Care Results specializes in helping child care organizations get the most value from their data. Through careful analysis, we give decision makers the critical insights they need to make informed decisions.

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