

BRIEFING PAPER



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CHILD CARE
POLICY RESEARCH
partnership

Working in Minnesota:

Parents Employment and Earnings in the Child Care Assistance Program

A Report of the Minnesota Child Care Policy Research Partnership ■ July 2004

■ Marcie Jeffreys, Ph.D.
Elizabeth E. Davis, Ph.D.
University of Minnesota

THE MINNESOTA CHILD CARE POLICY RESEARCH PARTNERSHIP

The Minnesota Child Care Policy Research Partnership (MCCPRP) is a collaboration among Minnesota state agencies, counties, child care resource and referral agencies, and researchers. Coordinated by the Minnesota Department of Human Services, the partnership brings together researchers and policy-makers from the Minnesota Department of Employment and Economic Development (formerly the Department of Economic Security), county child care units from Anoka, Becker, Brown, and Hennepin Counties, the University of Minnesota, Child Trends, Wilder Research Center, the Minnesota Child Care Resource and Referral Network, and several national researchers. The goal of this broadly based partnership is to foster sound research on child care issues of importance to policy-makers at the state, local, and national level.

Funding for the Minnesota Child Care Policy Research Partnership is made possible by a grant from the U.S. Department of Health and Human Services, Child Care Bureau (Project Number 90YE0010) and additional support from the Minnesota Department of Human Services.

The research agenda of the Minnesota Child Care Policy Research Partnership is designed to answer critical questions about how affordability, quality and accessibility affect outcomes for families and children. A key objective is to enhance understanding of the impact on child care quality of various state policies, including the level of subsidies, tiered reimbursement, and quality regulations or standards. The broad research questions include:

- What is the quality of care in Minnesota and what supports are needed to improve and maintain quality child care?
- How do parents and children describe their experiences with child care?
- How many providers meet criteria for high quality care? Where are they located?
- When parents receive child care assistance, what types of care do they use? What types of jobs do they have? How much do they earn? How long do they keep their jobs?
- How does child care assistance influence the availability and price of child care?
- How does the quality of child care vary for different groups, including families receiving subsidies and families from various cultural groups?

Currently the Minnesota Child Care Policy Research Partnership is conducting six interrelated studies, which will be available online at: http://www.dhs.state.mn.us/main/groups/children/documents/pub/DHS_id_008779.hcsp.



Summary of Research Findings

Project Background

The cost of child care can be a major barrier to employment for low-income workers with children. To support parents who otherwise might not be able to work, the Child Care Assistance Program (CCAP) provides financial subsidies for low-income working parents and for those in transition from welfare to employment.

The primary objective of this study is to increase our understanding of the impact of child care subsidies on the labor force involvement of low-income families. This study examined the industry employment patterns of CCAP working parents in four Minnesota counties — Anoka, Becker, Brown and Hennepin. Analyzing the types of employment common to these families helps policymakers understand the conditions and constraints faced by working poor families and families moving off welfare. This study also provides information about the impact of child care assistance on local economies by showing which sectors employ disproportionately more CCAP working parents. The employment patterns of CCAP working parents were compared to the rest of the workforce, job growth projections and job vacancy data.

The Minnesota Department of Human Services (DHS) oversees the Child Care Assistance Program (CCAP) in Minnesota, which is administered at the county level.¹ The data used in this study were collected from the administrative records of the four counties in the study (Anoka, Becker, Brown and Hennepin) and from the Minnesota Department of Employment and Economic Development (DEED). The study analyzed data on earnings and type of employer (by industry sector)² for all parents receiving child care assistance in the four counties during the time period January through March 2001.



Major Findings

- **CCAP jobs are concentrated in the health care and social assistance sector, retail trade, accommodation and food services, and the administrative and support services industries. Sixty-two percent of CCAP jobs are in these four industries compared to 33 percent of the jobs held by the rest of the workforce.**

Frequent CCAP employers are doctors' office, hospitals and nursing homes, temporary help agencies, convenience stores, restaurants and hotels. The health care industry is the most common CCAP employer.

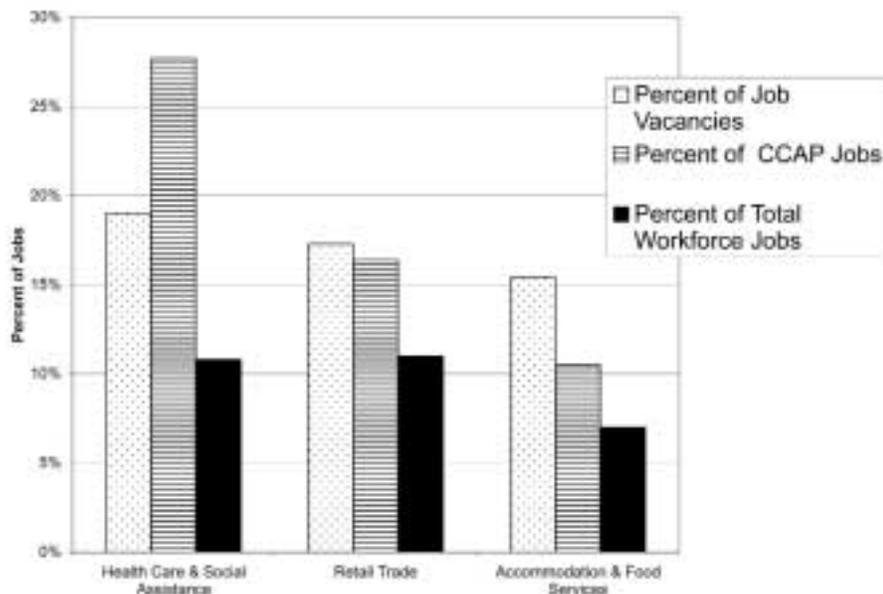
▼ Top Four CCAP Employing Industries in Anoka, Becker, Brown, and Hennepin Counties

NAICS Category	Total Workforce Jobs	Percent of Total Workforce Jobs	Total CCAP Jobs	Percent of Total CCAP Jobs
Health Care & Social Assistance	10,1140*	10.1%*	1,888	23.1%
Administrative & Support Services	62,191	6.2%	1,341	16.4%
Retail Trade	103,002	10.3%	1,122	13.7%
Accommodation & Food Services	65,531	6.6%	719	8.8%

*Because of non-disclosure rules, these workforce numbers exclude Becker County.

- **The industries in which CCAP working parents are concentrated have high job vacancy rates and pay relatively low wages. These industries account for the most job openings on a statewide and regional basis.**

► Statewide Job Vacancies Compared to CCAP Jobs and Total Workforce Employment





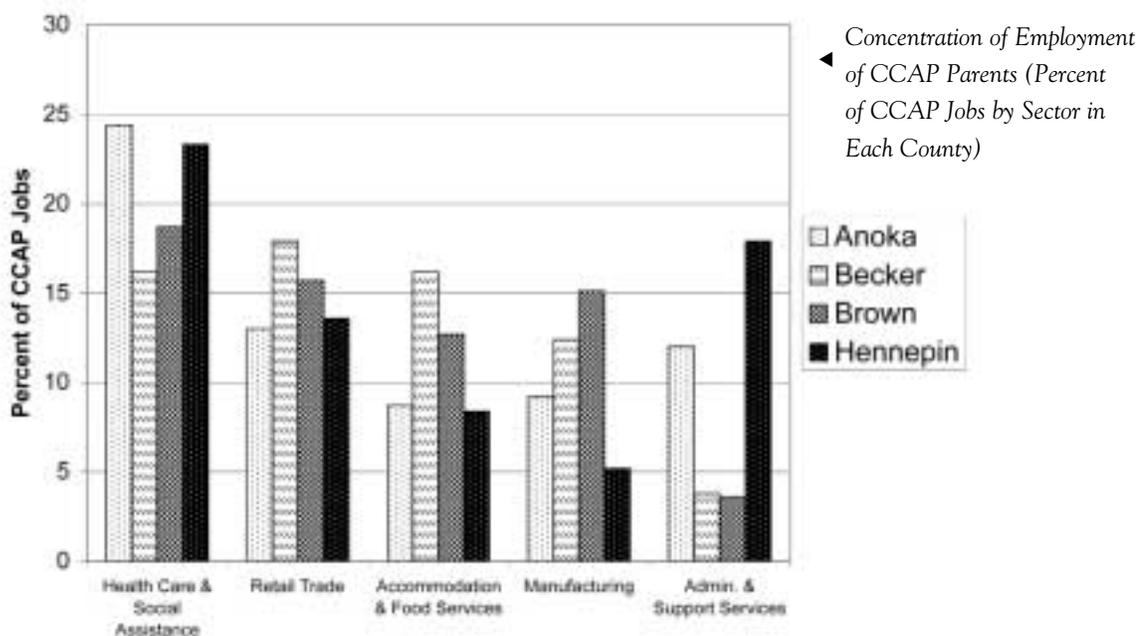
CCAP parents are most likely to be filling jobs in those industries that are experiencing chronic labor shortages. More than half of the state's vacant positions during the study period were in health care and social assistance, retail trade, and accommodation and food services. Fifty-five percent of CCAP jobs were in these same industries, while only 29 percent of the total workforce is found in jobs in these sectors. Even during an economic downturn, these industries may experience labor shortages. (Note: state job vacancy data do not include temporary help agencies so the administrative and support industry is not included in the figure below.)

- **These industries are also projected by the Minnesota Department of Employment and Economic Development to need the most new workers over the course of the next decade.**

Among the industries projected to add the most jobs are eating and drinking establishments (in the accommodation and food services industry), personnel supply services (in the administrative and support industry) and medical doctors' offices and clinics (in the health care and social assistance industry).

- **CCAP job patterns are related to local economic needs.**

For instance, among the four counties, CCAP jobs are found at the highest rate in the accommodation and food services industry (e.g., restaurants and hotels) in Becker County, which has a major tourist industry. In Hennepin County, a major financial and business center for the region, CCAP jobs are found at a higher rate in the administrative and support sector, especially temporary help agencies. In the two rural counties, manufacturing plays an important role in providing employment to CCAP parents, while administrative and support services do not. The health care and social assistance sector also employs larger percentages of CCAP working parents in the two urban counties compared to the two rural ones.





- **The industries in which CCAP jobs are concentrated are those that pay among the lowest wages to the rest of the workforce. However, when CCAP parents work in industries that pay higher wages compared to the rest of the workforce, they also tend to earn higher wages.**

For instance, the average weekly earnings for a CCAP job in Hennepin County in the finance and insurance industry, an industry that generally pays high wages to the rest of the workforce, are \$394. The average weekly earnings for a CCAP job in the administrative and support industry, a low wage industry, are \$166.

Compared to the rest of the workforce, CCAP jobs are especially over-represented in the health care and administrative and support industries. They are particularly under-represented in manufacturing, professional, scientific, technical, construction and management industries.

- **Most of the CCAP jobs do not equate to a full-time job (i.e. a 40-hour week for a full calendar quarter) or an income above the poverty level for a family of four.**

This is especially true for jobs in the accommodation and food services and administrative and support industries.

- **A dollar invested in child care assistance is associated with higher earnings in some industries than in others.**

CCAP jobs in wholesale trade, construction and manufacturing have a higher payback in terms of parents' earnings than do jobs in the administrative and support and accommodation and food services industries. For instance, the estimated average "payback" (in earnings) on a dollar spent for the child care of a parent working in the manufacturing industry in Becker County is \$6.00, compared to \$2.10 for jobs in the administrative and support industry. CCAP jobs in Hennepin County have a lower average payback than in the other counties, primarily due to the higher cost of child care in the metro area.

- **The industry employment patterns of Minnesota child care assistance recipients are similar to those in other states that have conducted similar studies.**

Together, retail trade and services accounted for more than half the subsidized child care jobs in all of the states studied.



Conclusions and Policy Implications

Although the study methodology does not permit conclusions about causal relationships or broader economic impacts, the similarities between CCAP industry employment patterns and job vacancy data have important implications for employers and policymakers. In tight labor markets, expanding child care assistance may be one way to help those industries that are constrained by labor shortages. CCAP working parents are much more concentrated in a few industries than is the total workforce, and are working in jobs that meet the needs of the local economy. CCAP working parents also are concentrated in some of the industries projected to add the most jobs in the near future, including eating and drinking establishments (in the accommodation and food services industry), personnel supply services (in the administrative and support industry) and medical doctors' offices and clinics (in the health care and social assistance industry). These results suggest an overlooked role for CCAP in the overall health and growth of the Minnesota economy.

At the same time, the concentration of employment of CCAP working parents in a few industries raises concerns for these families and for policymakers. CCAP working parents are over-represented in industries that pay lower average wages to the total workforce and, as a result, their long-term economic self-sufficiency may be in doubt. Increases in earnings for CCAP working parents may be limited in sectors like retail and services, which frequently offer limited opportunities for advancement, especially for those without a college degree. Another important finding is the wide range in earnings by industry. The results suggest that the payback to a dollar invested in child care can be increased if parents are employed in industries that pay higher wages to the rest of the workforce. Combined with other studies that find differences in upward mobility across industries, these results may help policymakers and program administrators target job search and training activities. Monitoring the types of jobs obtained by CCAP working parents and the potential for retention and advancement in these industries should be considered as important measures of successful program outcomes rather than simply counting any job placement.

The health care industry stands out as an industry that is especially important, employing CCAP parents at more than twice the rate of the rest of the workforce, and accounting for the greatest number of current job vacancies in the state. It also pays higher average wages to CCAP working parents, compared to the other three major CCAP-employing industries. Research examining career ladders within industries indicates that health care is the only one of the four major CCAP-employing industries that offers much potential for upward mobility (usually with additional training) for its employees.

The results of this study suggest that child care assistance supports working families, businesses and the local economies in which they live and work. Child care assistance provides much needed support for low-income working families and for families making the transition from welfare to work. CCAP also plays an important role in contributing to a stable workforce and supporting the state and local economy.

¹ At the time this study began, the Department of Children, Families & Learning, now called the Department of Education, oversaw the Child Care Assistance Program. The Department of Employment and Economic Development (DEED) was formerly called the Department of Economic Security (DES).

² This report primarily uses the North American Industry Classification System (NAICS) to identify the type of employer (or "sector"). In the late 1990s, NAICS replaced the older Standard Industrial Classification (SIC) system.

This briefing paper and a full report are available from the Minnesota Child Care Policy Research Partnership at www.dhs.state.mn.us/main/groups/children/documents/pub/DHS_id_008779.hcsp



RESEARCH TEAM

Deborah Ceglowski, Ph.D., University of North Carolina–Charlotte, Department of Counseling, Special Education and Child and Family Studies

Elizabeth Davis, Ph.D., University of Minnesota, Department of Applied Economics

Merianne Peterson, Social Service Program Advisor, Minnesota Department of Human Services

Kathryn Tout, Ph.D., Senior Research Associate, Child Trends

Julianne Sherman, M.Ed., Research Consultant

Deb Swenson-Klatt, Early Childhood Research & Evaluation Specialist, Minnesota Department of Human Services

Avisia Whiteman, Early Childhood Research & Evaluation Specialist, Minnesota Department of Human Services

Martha Zaslow, Ph.D., Director of Early Childhood Development, Child Trends

INSTITUTIONAL PARTNERS

Coordinated by the Minnesota Department of Human Services, the Partnership brings together researchers and policy-makers from around Minnesota along with several nationally prominent researchers.

Anoka County Community Action Program

Becker County Human Services

Brown County Family Services

Child Trends

Hennepin County Children and Family Services Department

Minnesota Child Care Resource & Referral Network

Minnesota Department of Employment and Economic Development

Minnesota Department of Human Services

Wilder Research Center

For more information on the Minnesota Child Care Policy Research Partnership, its studies and research materials, check our Web site or contact 651-296-7970.

This information is available in other forms to people with disabilities by contacting us at 651-282-5329 (voice). TDD users can call the Minnesota Relay at 711 or 1-800-627-3529.

For the Speech-to-Speech Relay, call 1-877-627-3848.



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