

Proposal to Modify Benchmark 47, the Child Care Affordability Benchmark

A Proposal to the Oregon Progress Board
From the Oregon Childhood Care and Education Data Group,
Advisory group to the Child Care Division, Employment Department

The Child Care Division, Employment Department, is lead agency for the child care benchmarks. The Division is proposing a revision of the child care affordability benchmark based on work done by the Division in collaboration with the Childhood Care and Education Data Group, research partners who advise the Division.

CHILD CARE AFFORDABILITY

Since 1990 Oregon has had a child care affordability benchmark but the data were not reported for 1990. In its 1991 report, the Progress Board noted, “The benchmark will compare (a) the amounts spent on child care each year by Oregon households below median income to (b) the household income of Oregon households below median income.”

In 1992 an indicator of affordability was introduced and the 1992 Oregon Population Survey data was analyzed using that indicator. The indicator was included in the Progress Board Report to the 1993 Legislature, and the wording of the benchmark was “the percentage of families who pay for child care who spend less than 10% of their income for that care.” Although the researchers always reported the findings by income group, it was the overall Oregon household finding that was used for the benchmark. Wording and measurement of the benchmark has remained the same since 1992. Members of the Childhood Care and Education Data Group have analyzed each Oregon Population Survey in order to measure and report affordability using the ten percent indicator.

The U. S. Department of Health and Human Services adopted “spending less than 10% of household income on child care” as its measure of affordability. Ten percent of household income has become a widely used as an indicator of child care affordability.

RATIONALE FOR REVISING THE CHILD CARE AFFORDABILITY BENCHMARK

Use of paid care has been quite flat across household incomes over the years as can be seen in the following table.

Use of Paid Care by Families with Children Under Age 13 by Household Incomes

	< \$25,000	\$25,000- \$45,000	>\$45,000	All Households
1992	40%	30%	41%	
1994	39%	43%	49%	42%
1996	36%	30%	35%	39%
1998	43%	40%	47%	44%
2000				

The child care cost burden is not evenly distributed. High-income families can afford it and low-income families have to purchase it whether they can afford it or not as can be seen in the following table.

Mean Percent of Household Income Spent on Child Care by Household Income

Families with household income:	1994	1996	1998	2000
< \$25,000	37%	28%	23%	22%
\$25,000 - \$45,000	8%	7%	9%	11%
> \$45,000	5%	5%	4%	6%
All households	16%	13%	10%	11%

CURRENT CHILD CARE AFFORDABILITY BENCHMARK

The current wording of the affordable child care benchmark is “Percentage of families for whom child care is affordable”. Although the percentage dropped to 62% in 2000, the measure has hovered at about 67% since 1992. Recognizing that this measure is not meaningful, we divided families into income categories and reported affordability by income group. It is the contrast that brings meaning to the findings. Affordability is a meaningful concept for lower income families and that gets lost when we look at affordability for all Oregon families. We therefore suggest revising the benchmark in line with both the original proposed child care affordability benchmark and the current affordable housing benchmark (“Percent of Oregon households below median income spending more than 30% of their income on housing...”).

PROPOSED REVISED BENCHMARK

The proposed wording of a revised affordable child care benchmark is “Percentage of families with incomes below the median for whom child care is affordable”. As with the affordable housing benchmark and the original affordable child care concept, the focus is on affordability for families earning below the median.

We used the proposed revised benchmark in an analysis of the 2000 Oregon Population Survey. The analysis is even more interesting if families who pay for child care are divided into quartiles as in the table below.

Percent of Families for Whom Child Care is Affordable by Income Quartiles

Quartile	Household Income	Mean percent of household spent on child care	Percent for whom child care is affordable	Percent below and above median for whom child care is affordable
Lowest—below 25 th	Below \$22,548		12%	35%
Between 25 th and 50 th	\$22,548 to \$40,105		49%	
Between 50 th and 75 th	\$40,106 to \$59,977		81%	86%
Highest—above 75 th	\$59,978 or higher		94%	
All income households			62%	62%

COMPARISON OF CURRENT AND PROPOSED REVISED CHILD CARE AFFORDABILITY BENCHMARK

	CURRENT CHILD CARE AFFORDABILITY BENCHMARK	PROPOSED AFFORDABILITY BENCHMARK
Wording	Percentage of families for whom child care is affordable.	Percent of families earning below median income for whom child care is affordable
Target	70% / 75%	To be set by the Oregon Progress Board
2000 value	62%	35%

By focusing on all Oregon families the policy-relevant information about child care affordability is lost. Focusing on affordability for the half of Oregon households with incomes below the median identifies the size of the problem and will allow us to determine if public and private efforts to address the child care affordability issue are effective.