

Two Years in Early Care and Education

Change and Stability Among Publicly Subsidized License-Exempt Child Care Providers

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Introduction

“License-exempt” child care can be defined broadly as care for children, either in the child’s or the provider’s home, that is provided legally without requiring a license from the state. While many home-based providers must be licensed to provide care, others, because of the number of children they serve and/or their relationship to the child(ren) in their care, are legally sanctioned to operate without a state license.

License-exempt care is also referred to as informal relative care, kith and kin care, and babysitting. It can include nannies, grandparents, aunts, uncles, boyfriends and neighbors. The quality of care that this diverse group of providers offers to children varies greatly, as do the reasons that led them to provide it. Some may have made a deliberate career choice to care for children, while others may be helping out a friend, family member or neighbor temporarily, or seeking primarily to bring money into the family.

Informal home-based providers have always been a part of the caregiving population for children whose parents are employed. But beginning just over a decade ago, due to shifts in public policy, informal providers have now become a part of the subsidized child care delivery system. This shift resulted from a complex interplay of beliefs about parental choice, cost, family needs and preferences (e.g., culturally and linguistically compatible care, and flexible nontraditional hours), and the limitations of the formal child care delivery system. It is not known whether this shift in payment of subsidy vouchers to license-exempt providers has resulted in a

change in the number of families using this type of care. Some providers may simply be paid now by the state, rather than by a family member, neighbor or friend. Others may be receiving payment for the first time, with government support providing an important source of income to families no longer receiving welfare payments.

Subsidized license-exempt care thus represents a continuum of situations, ranging from services that roughly approximate parental care to something resembling a licensed home-based program. Where providers fall on that continuum has many implications for the continuity and quality of care that children receive, and for the design of meaningful support or technical assistance to these providers.

To date, however, little research about stability and continuity in the child care workforce has focused on this fast-growing sector of providers (Vandell, McCartney, Owen, Booth & Clarke-Stewart, in press). Subsidized license-exempt providers are the focus of the current report, part of a larger longitudinal study of all sectors of the child care workforce in Alameda County, located in the San Francisco Bay Area.

Assessing stability and change among this population of providers presents particular challenges not present in the licensed sector: the difficulty in identifying this population of providers, the lack of centralized information about them, and the continual change occurring within this population.

In the case of licensed family child care

providers, a state government agency maintains a list of providers who have current licenses. In California and many other states, local resource and referral agencies also routinely contact providers to confirm that their child care businesses are in operation, and to ascertain whether they have openings for more children. When these programs close, it is assumed that in most cases, children's contact with the provider also ends.

By contrast, no information is routinely collected about license-exempt providers, even those who receive public funds. The only available data are lists of providers serving parents who receive public subsidies, but this information is limited in scope, and is only maintained as long as the particular parent receiving the subsidy remains in the subsidized system. If a parent loses her subsidy, for example, it is difficult to know whether the provider maintains a relationship with the child. This may be the case if the child is a relative, if the provider volunteers to continue her services, or if the parent pays the provider independently. If the provider leaves, and the parent remains in the system, it cannot be assumed that the provider terminates contact with the child, particularly if the provider and child are relatives.

Thus, the concept of turnover, as traditionally used with respect to the child care workforce, and its implication that the relationship with the child is severed when a caregiver changes, is not strictly applicable to this sector. Change and stability among subsidized license-exempt providers involve several interwoven threads:

- loss or change of subsidy status for the family,
- loss or shifting role of the provider in the child's life, and
- loss of subsidy as the form of payment for the provider.

Initially, we sought to use administrative data maintained by the subsidy agencies to calculate the rate of turnover among license-exempt providers, only to discover that the best we could do with existing records was to disentangle the many strands of instability woven into the current delivery of subsidized license-exempt care. As we discuss in the conclusion, much remains to be understood about stability and change in this sector of the child care workforce and the degree to which children are experiencing continuity of care.

Subsidized License-Exempt Care in California

Each state creates its own legal definition of licensed and license-exempt child care. In California, providers who care for children from only one family, in addition to any children of their own, became exempt from licensing through legislation passed in 1984. There is no set limit to the number of children a license-exempt provider may serve; the size of the group depends on the number of children in her own family and the family for which she is providing care.

Until the 1980s, public dollars could flow only to licensed providers. But California's GAIN welfare initiative, as well as the 1990 federal Child Care and Development Block Grant (CCDBG) – which signaled a major policy shift by mandating parental choice – permitted certain categories of unlicensed providers to receive public dollars. CalWORKs, California's welfare reform program initiated in 1996, also allows subsidies to be paid for license-exempt care. As a result of these policy changes, California has witnessed an enormous growth in the proportion of public dollars going to this sector of the child care market; in 2001, an estimated 44 percent of children in the state receiving subsidized care were with license-exempt providers, up from zero in slightly more than a decade (California Child Care Resource and Referral Network, 2001).

License-exempt providers in California are not required to undergo any training, and unlike their licensed counterparts, are not subject to home health and safety requirements when caring for children in their own homes. The state's only current requirement for license-exempt providers receiving public dollars is that non-relatives must clear a criminal records and child abuse background check, through a registry called Trustline. Relatives do not have to undergo such screening, and relative status for grandparents, fathers, aunts and uncles is self-reported.

California's license-exempt child care providers can receive public dollars through vouchers issued to parents. Parents are permitted to use these payments for their choice of care, whether it is licensed or license-exempt. Vouchers are made available to parents through one of two programs: the Alternative Payment (AP) program, which provides subsidies through non-welfare-linked, federal and state funds for low-income working families, or CalWORKs, which provides three stages

of child care support for current and former welfare recipients. When a welfare participant enters the CalWORKs program, she is eligible for Stage 1 child care while she is looking for work, or engaged in training or rehabilitation; this subsidy is designed to be short-term until she finds stable employment. Once her job situation stabilizes, a parent is moved to Stage 2 care for a maximum of two years, or as long as her family income (at or below 75% of the state's median income for her family size) qualifies her for a subsidy. Stage 3 care is intended for families who have exceeded their two-year time limit but still qualify for subsidy because of low earnings. The highest concentration of license-exempt care is funded through Stage 1 dollars (California Child Care Resource and Referral Network, 2001). Typically, Stage 1 care is less stable because parent recipients are just beginning their job search, may also be engaged in training, and are much more likely to use unlicensed care during this period (Siegel, 2002).ⁱ

Methods

Seven agencies in Alameda County administer child care subsidies for qualifying families, and thus work with a large segment of the license-exempt provider population. Six of these agreed to participate in the study: BANANAS, Inc., Alameda County Community Coordinated Child Care (4Cs), Child Care Links (CCL), Oakland Licensed Day Care Association (OLDCA), Davis St. Child Care, and Child and Family Services (CFC). One agency, which administers only five percent of the subsidies in the county, declined to participate.

Beginning in December 2000, we asked each participating agency for its current list of license-exempt providers receiving subsidies. We also requested updated lists in June 2001 and December 2001. Using the December 2000 list as the baseline, we were able to track 3,233 providers over the course of two six-month periods (December 2000 to June 2001 and June to December 2001), and across a 12-month period (December 2000 to December 2001). Because of anecdotal reports about the high degree of instability among these providers, we wanted to capture change in intervals shorter than one year, but limited resources and staff time prevented us from studying the lists in intervals shorter than six months.

The June 2001 and December 2001 lists were

cross-referenced with each other and with the December 2000 list, to obtain a count of how many providers remained on the lists, how many were no longer listed, and how many new providers entered the subsidized license-exempt child care workforce over the one-year and two six-month intervals.

We were able to obtain information on the median household income of the neighborhoods in which providers lived, using updated data from the 1990 U.S. Census for those who resided in Alameda County (95 percent of the sample); these data were provided by the Alameda County Health Department. The subsidy agencies were also able to provide information for most providers regarding their relationship to the children in their care and whether they provided services in their own home or in the child's home.ⁱⁱ This additional information allowed us to examine whether neighborhood income level or provider type (relative/non-relative and place of work) were related to whether providers stayed, left or entered the subsidized license-exempt child care workforce over the course of the year.

Sample Description

As shown in Table 1, 95 to 96 percent of providers lived in Alameda County at all three points in time when the lists were reviewed. Approximately three-quarters resided in low-income census tracts, and none resided in upper-income areas. Approximately three-quarters offered care in their own homes. Relatives made up roughly one-half of the provider pool at each point of data analysis.

TABLE 1: Sample Description: Characteristics of Subsidized License-Exempt Providers in Alameda County, 12/2000, 6/2001, 12/2001

		Dec. 00	Jun. 01	Dec. 01
Number		3,395	2,422	2,898
Location	Alameda County (%)	95%	96%	95%
	Out of County (%)	5%	4%	5%
	Low-Income Census Tract (%)	78%*	78%	78%
	Middle-Income Census Tract (%)	17%*	17%	17%
	Upper-Income Census Tract (%)	0%*	0%	0%
	Income N/A Census Tract (%)	4%*	5%	5%
Place of Care	Child's Home (%)	11%	18%	18%
	Provider's Home (%)	74%	77%	81%
	Unknown (%) ⁱⁱⁱ	15%	5%	1%
Provider's Relationship to Child	Relative (%)	43%	58%	54%*
	Non-Relative (%)	42%	37%	44%*
	Unknown (%)	15%	5%	1%*
Place of Care by Relationship to Child	Child's Home, Relative (%)	8%	14%	12%
	Child's Home, Non-Relative (%)	3%	4%	6%
	Provider's Home, Relative (%)	35%	44%	43%
	Provider's Home, Non-Relative (%)	39%	33%	38%
	Unknown (%)	15%	5%	1%

*Numbers do not add up to 100 percent because of rounding errors.

□ As shown in Table 1, the participating agencies varied by the number of providers receiving subsidies. All of the agencies distributed Stage 2 and 3 and AP subsidies intended to support parents who have relatively stable jobs. Two of the agencies also provided Stage 1 subsidies, which are used to cover child care costs for children whose parents are on welfare and seeking employment; as noted previously, this assistance is intended to be short-lived.

Unfortunately, only one of the two agencies serving Stage 1, 2 and 3 families was able to disaggregate data by child care stage, and in this case, for only the first six months of the study. This prevented us from comparing change rates for Stage 1 with other forms of care over the entire year or for the full sample. We were, however, able to compare agencies that administered Stage 1 as well as Stage 2-3 and AP subsidies with those that administered only Stage 2-3 and AP subsidies.^{iv}

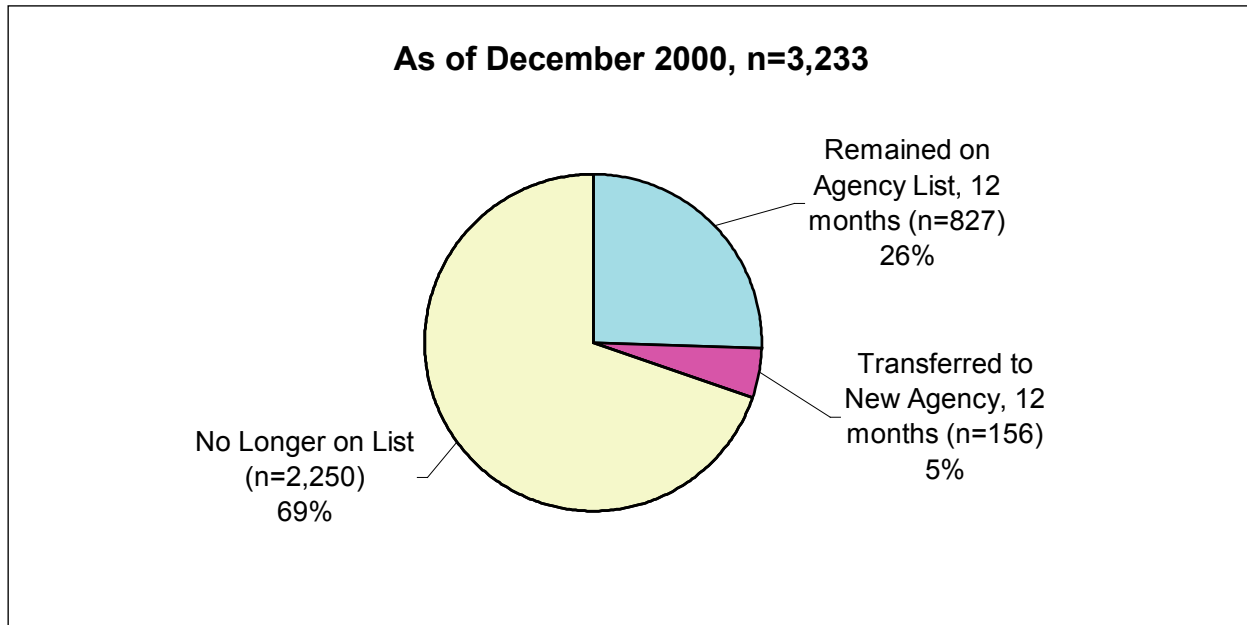
Findings

Overall stability

- ***The pool of license-exempt providers receiving public subsidy in Alameda County is characterized by high levels of instability.*** □□□□□□

□ As shown in Figure 1, only 31 percent of license-exempt providers receiving subsidies in December 2000 (983 out of 3,233) remained on the subsidy lists in December 2001. Five percent of those remaining on the lists had shifted agencies due to a parental change in stage of subsidy. Among the 69 percent no longer on the lists, it is possible that some individuals continued to provide care to the same children, but no longer received public subsidies. We cannot ascertain from these lists whether children maintained relationships with the providers, or if they continued to receive child care, and if so, of what type. According to agency staff, some children may have enrolled in a licensed care setting, which would

FIGURE 1: Percentage of Providers Receiving Subsidies in December 2000 No Longer Receiving Subsidies in December 2001



result in their license-exempt provider being removed from the list.

Variation in stability

- *Provider departure rates varied by agency. As would be expected, those agencies providing short-term (Stage 1) subsidies to parents seeking employment or engaged in training or rehabilitation had higher rates of provider departure from their lists. It appears that only a small portion of these providers continued to provide care to the same children and to be paid through the subsidy system, by switching to a different agency that offered other stages of subsidy to parents.*

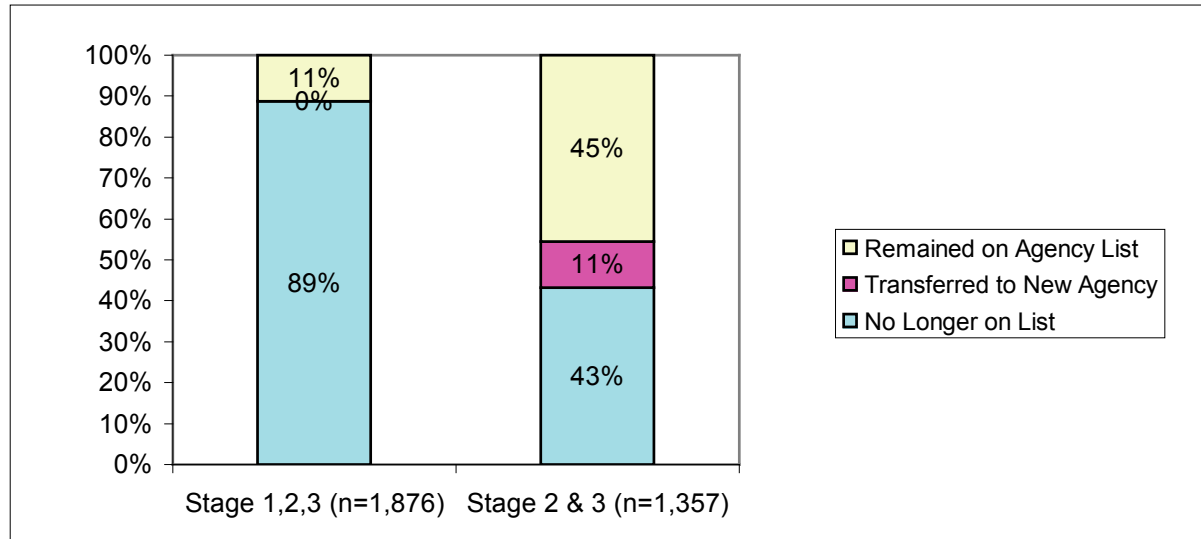
Agencies that provide subsidies to parents in Stages 1 through 3 of CalWORKs have significantly higher rates of provider departure from the lists than those serving families exclusively with Stage 2 and 3 and AP funding (see Figure 2). The agencies could not provide disaggregated Stage 1 and Stage 2-3 data for the entire year. Child Care Links (CCL), however, did provide these disaggregated numbers for December 2000-June 2001. These data provide evidence that Stage 1 providers left (95 percent) at nearly twice the rate of Stage 2 and 3 and AP

providers (54 percent).^{vi} Because Stage 1 families are in the process of finding work or training, their arrangements typically change more frequently than those of families who have found stable employment.

- *Although more than one-half of all relatives and non-relatives departed from the lists over the course of the year, license-exempt providers who were related to children were more likely than non-relatives to remain on the lists. Non-relative providers who cared for children in the child's home were also more likely to continue to receive subsidy payments than those who provided care in their own homes.*

Approximately one-half of the providers were related to the children in their care. Providers who were related to the children in their care were more likely to remain on the lists than were non-relative providers.^{vii} More than one-half of relatives and nearly three-quarters of non-relatives, however, departed from the lists in less than one year. A recent study (Vandell et al., in press) has indicated that the stability of relative care is highly variable depending on the nature of maternal employment, and on whether the relative lives with the child.

FIGURE 2: Provider Turnover Rates For Agencies Offering Stage 1,2, and 3 Subsidies Versus Stage 2 and 3 Subsidies in Alameda County, December 2000 through December 2001



□ These data do not permit us to determine the extent to which children experienced an ongoing relationship with either non-relative or relative providers, although we assume there is great likelihood of the latter. During the six-month periods for which we have Stage 1 and Stage 2-3/AP comparisons for Child Care Links clients only, we found that 93 percent of relatives providing Stage 1 care, compared to 48 percent of relatives in Stage 2-3 or AP care, were no longer on the lists.^{viii}

Approximately three-quarters of providers on the lists worked in their own homes (see Table 1). Those offering care in the child's home were significantly more likely to be relatives,^{ix} and were also more likely to remain on the lists than were those offering care in their own homes.^x Among non-relatives, instability was significantly lower when the care was provided in the child's home (46 percent) rather than in the provider's home (73 percent).^{xi} Differences in instability rates by place of care did not emerge for relatives.

Sources of instability and change

- *For families with stable employment, a change in child care provider is more likely to be initiated by the provider than by the parent.*

□ Change can occur at the initiative of the provider or the parent, and for a number of reasons, including difficulty with the subsidy system itself (Adams & Snyder, 2003a&b). To explore the source of change in this sample, one of the participating agencies (BANANAS, Inc.) provided information on a randomly selected subsample of providers offering care between June and September 2001, regarding the reasons they were no longer on the lists. The agency's database includes information regarding parents' reasons for making a change of provider; thus, the information as to whether the parents or the provider had initiated the change in child care was from the parents' perspective. To conduct these analyses, BANANAS, Inc., randomly selected 200 of the 476 providers on its June 2001 list.

Thirty percent of the parents queried reported a change in provider over the course of six months. Of these, 30 percent reported that they had initiated the change, most frequently because their subsidy status and/or their child care needs had changed. Few parents mentioned dissatisfaction with the provider as a reason for the change in care. Seventy percent of the parents who had changed providers indicated that this was the provider's decision, not their own, suggesting that a substantial amount of provider departure is

beyond parents' control, and thus likely to be disruptive to the families involved. In situations in which the provider no longer has contact with the child, provider departure is similar to center-based teacher turnover, with the attendant experience of loss and disruption for children.

- *To sustain a pool of approximately 3,000 license-exempt providers offering care to subsidized families in Alameda County, nearly twice this number is needed.*

Between December 2000 and June 2001, 918 new providers were processed by the six participating agencies. Approximately one-half (51 percent, $n=468$) of these providers were no longer on the lists by December 2001. An additional 1,553 new providers were processed between June 2001 and December 2001. A total of at least 2,471 new providers were processed by the six participating agencies over the course of the year to sustain their pool of approximately 3,000 providers. It is likely that the number is higher, as our methodology excluded providers who may have offered services for an interval of less than six months.

In addition to the negative consequences for children stemming from unstable care, personnel changes are also cost-ineffective for any organization or business. In center-based care, for example, each event of teacher turnover can cost thousands of dollars in new expenses and lost opportunities (Whitebook & Bellm, 1999). But although staff time is involved each time a new license-exempt provider enters the subsidy system, no official dollar amounts have been attached thus far to the administrative costs associated with processing these providers. One agency, however, estimated its costs at approximately \$250 per provider, suggesting that if this estimate is applicable to all agencies, it costs roughly \$617,750 per year to process all new license-exempt providers in Alameda County. (Note: this estimate does not include additional costs related to the Trustline system, which can run from \$30 to \$50 per provider.) A more stable system, therefore, could potentially lead to annual savings of hundreds of thousands of dollars.

Discussion and Implications

This study has examined the stability of the subsidized license-exempt sector of the child care workforce. We learned early in our investigation that

the concept of personnel turnover, as commonly defined for other child care providers, does not easily apply to this sector. We distinguished between two main types of change and instability among these providers:

- shifts among parents to different subsidy categories, based on their welfare and work status, resulting in changes of child care providers; and
- discontinuation of particular providers' subsidies, not necessarily indicating that they have stopped caring for the same children.

Our study also suggests that subsidy agencies themselves may experience a high level of "churning," as they continually certify new providers to meet parental demand. Over the course of the year, roughly 5,500 license-exempt providers were needed in order to sustain a pool of approximately 3,000 providers to serve subsidized families in Alameda County. Such variability in the system, despite the best efforts of the agencies involved, is likely to create serious administrative challenges.

Through this investigation, we hoped to reveal the extent to which children cared for by subsidized license-exempt providers experienced continuity of care. While available data sources leave many unanswered questions about children's experiences, they do reveal a pattern of unstable child care arrangements. Over two-thirds of those receiving subsidies initially in December 2000 were no longer on the lists of any of the participating agencies in December 2001. This high degree of instability stemmed from changes in parents' and providers' lives, and was most extreme in agencies that served parents at Stage 1 of CalWORKs as well as those with stable employment (Stage 2 and 3, and AP). For families with stable employment, a change in provider was more likely to be initiated by the provider than by the parent.

We do not know the proportion of children of different ages served by the providers examined here. And although we can speculate that most children would be affected by this high level of instability, particularly infants and toddlers, we could not determine the degree of discontinuity they experience. We were unable to ascertain the extent to which providers no longer on the lists maintained relationships with children for whom they had provided subsidized care. We did learn that

providers who were related to the children were more stable than non-relatives, and we can assume that many relatives continued their relationships with those children. We could not tell, however, which subsidized license-exempt providers continued to offer their services to any children, nor could we identify which of them may have obtained a child care license.

In recent years, California has increasingly come to rely on license-exempt providers that are paid through state and federal subsidy dollars to care for children of low-income families. Part of this reliance stems from the federal mandate of parental choice – with many families preferring care provided by relatives or neighbors because of shared culture and home language, lack of other options for infants and toddlers, and the relative ease of scheduling short-term, occasional, evening or weekend care – and it is likely to continue to be popular. A recent study of the child care choices of hotel and restaurant employees, however, found at least one-third of these parents using informal care cited formal, licensed care as their ideal choice – had it been affordable to them – because of the desire for more social interaction and education for their child (King, Waters Boots, Chen & Dones, 2002). Indeed, parent reliance on informal care begs the question of how well such care is meeting the developmental needs of children.

This sector of the workforce is not required to obtain specialized training to work with young children, and, based on our evaluation of the subsidy lists, it appears to be highly unstable. To the extent that child care is seen as a vehicle to promote children's later success in school – the goal explicitly underlying current proposals for universal preschool in the state (First 5 California, 2002a) – there is a tension between the growing reliance on subsidized license-exempt care and the strong pressure for policies that guarantee some modicum of provider training and ensure investments in the stability and professional development of the child care workforce. To this end, the First 5 California and the California Department of Education have recently invested approximately \$20 million over the next four years to develop resources, technical assistance, and training and support services for informal providers (First 5 California, 2002b).

Although some license-exempt care is stable and of high quality, research suggests that children in informal settings are less likely to engage in activities

that promote literacy and learning, or to use educational toys and materials, and more likely to gain educational input from television rather than from active teaching by a provider (Brown-Lyons, Robertson & Layzer, 2001; Kontos et al., 1995). The limited research focused on this sector of the child care workforce suggests that children receive higher-quality care from license-exempt providers who deliberately choose to provide child care due to the intrinsic satisfaction of the job, rather than as a favor to a friend or as a convenient way to make extra money (Kontos et al., 1995). The NICHD Study of Early Child Care further suggests that license-exempt providers caring for only one very young child provide higher-quality care than those caring for more children (NICHD, 1998).

More systematic exploration is needed of license-exempt subsidized care and of the policies related to this growing sector of publicly supported child care. We need a more refined system of record keeping that can track whether or not providers are continuing to provide care and that can determine the supports they need. It would also be helpful, when tracking parent subsidies, to pay attention to whether children are experiencing high levels of instability and to know whether their developmental needs are being addressed and protected. More understanding is needed of the characteristics of providers, and the conditions under which they work, that support best practices for children. This involves designing policies that support providers with varying motivations and backgrounds, and encouraging those with interest and aptitude to continue in the field, while discouraging those who are offering poor-quality or harmful care. Further, an examination is needed of the cost implications of instability in this sector of the industry. While many view license-exempt care as a cost-effective solution to meeting growing child care needs, the expenses involved in continually certifying new providers, as well as unknown costs to families, may ultimately undercut any cost savings.

Many families, at all economic levels, will continue to choose license-exempt care because it best meets their needs. But if low-income families are choosing such care because there are few affordable or available alternatives, and they are settling for instability only in order to obtain or sustain employment, then our public resources and policies may be shortchanging the very children and families they aim to serve.

Special thanks to Gina Adams, Dan Bellm, Arlyce Currie, Rory Darrah, Fran Kipnis, Cindy Mall, Patty Siegel and Nancy Strohl for their helpful comments on earlier drafts of this report.

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ⁱ According to the California Child Care Resource and Referral Network (2002), the use of license-exempt subsidized care decreases over time among parents accessing subsidized care. Whereas 61 percent of Stage 1 families use license-exempt providers, only 46 % of Stage 2, 35 % of Stage 3 and 22 percent of General Alternative Payment Program families do so.

ⁱⁱ One agency was unable to provide information about characteristics of providers on their December 2000 list.

ⁱⁱⁱ The notable drop in unknown information is due to the fact that the one agency that did not track this information in December 2000 began to do so by June 2001.

^{iv} There was an overall drop of approximately 500 subsidized license-exempt providers in the county across the year. This shift is largely attributable to one agency, which reported a large decline in the number of providers on its list between December 2000 and June 2001. We explored the causes of this change with agency staff, who did not think the decrease was the result of changes in their list maintenance procedures, but rather derived from issues related to re-certification procedures:

- In the month of June, all subsidized families are required to visit the agency from which they receive a subsidy to assess their continued eligibility. Many families do not respond to this request in a timely manner and/or are not re-certified, and hence their providers are removed from the list.
- At the time of re-certification, many families who continue to receive subsidies transfer to licensed providers.
- This particular agency certifies families in the northern and eastern portions of the county for Stage 1, but only the eastern portion of the county for Stages 2 and 3. Families from North County who shift from Stage 1 to Stage 2 care, even if they continue with the same provider, transfer to a different agency that serves Stage 2 and 3 families in North County.

We identified 80 providers on a later list who we thought had left the system, and we found 156 providers who had transferred agencies. These numbers are reflected in our analyses.

^v $\chi^2(1)=770.91$, $p<.000$.

^{vi} $\chi^2(1)=277.06$, $p<.000$.

^{vii} $\chi^2(1)=57.30$, $p<.000$.

^{viii} $\chi^2(1)= 132.52$, $p<.000$.

^{ix} $\chi^2(1)=88.22$, $p<.000$.

^x $\chi^2(1)=12.39$, $p<.000$.

^{xi} $\chi^2(1)=33.00$, $p<.000$.