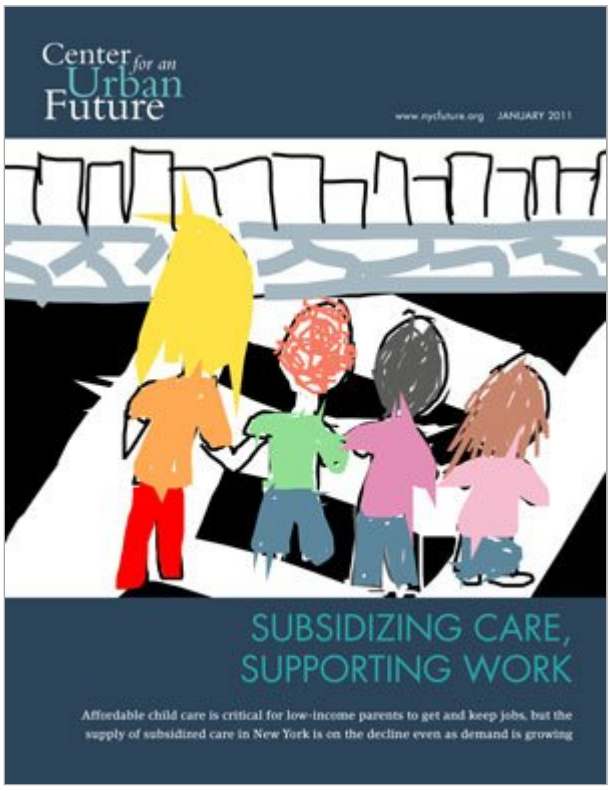
Center for an Urban Future
Innovative Ideas. Independent Policy.



Report - January 2011

Subsidizing Care, Supporting Work

This report finds that the supply of subsidized child care in NYC has slipped in recent years even as affordable child care has become increasingly critical for low-income parents to get and hold jobs or complete a postsecondary degree.

by Tom Hilliard

This is an excerpt. Click here to read the full report (PDF).

The recent uptick in New York City's economy could provide a huge sigh of relief for the hundreds of thousands of New Yorkers who lost their job in the Great Recession and are still out of work. But many of the city's unemployed will need more than just enhanced skills to take advantage of the new job opportunities; they'll need access to affordable child care.

In recent years, subsidized child care has become an essential work support for New York's large and fast-growing population of working poor—those who hold jobs but, because of low wages and the city's high cost of living, still struggle to adequately support a family here. It's also a critical support for low- and moderate-income New Yorkers to successfully complete a postsecondary degree program, which in today's economy has become fundamental to accessing higher-paying jobs.

Unfortunately, as we detail in this report, the supply of subsidized child care in New York City, while never adequate, has slipped over the past few years. And the city's working poor—those who earn too much to qualify for subsidized care but too little to comfortably afford the high cost of child care in New York—have been the biggest losers. Today, just one in four low-income children under the age of six is being served by child care programs across the five boroughs. At the same time, waiting lists for child care centers in the city are extensive—as many as 40,000 parents are waiting for child care services. And signs point to continued deterioration unless the city and state change course.

* * *

One of the more alarming economic trends in recent years has been the rapid expansion of the working poor. Nationally, the number of low-income working families increased by more than 650,000 between 2002 and 2008. The problem has been as bad or worse in New York City. Indeed, between the early 1990s and the middle of the following decade there was a 75 percent increase in the number of New York City families who have one full-time, year round worker but earn so little that they are officially poor. According to one top city official, 46 percent of New Yorkers living below the poverty line held regular jobs in 2005—compared to 29 percent in 1990.

Perhaps these trends aren't surprising given the growth in low-wage jobs: 31 percent of workers over the age of 18 in thefive boroughs are employed in low-wage jobs; the share is even higher in the Bronx (42 percent) and Queens (34 percent). Of the 10 occupations that are expected to have the largest number of annual job openings in the city through 2014, only two offer average annual wages greater than $28,000.

Working parents in the city who earn such meager incomes struggle to pay for rent and groceries much less child care,which costs more in New York than any other state except Massachusetts. Indeed, the U.S. Department of Health and Human Services states that child care costs should be kept under 10 percent of family income, but the average rate to send a four-year-old to a child care center in New York State is $10,847, almost half the income of a single mother family and 12.5 percent of the median income of a two-parent family. The rate for infant care ($13,676) is even higher. Child care rates in New York City are much higher than in other parts of the state.

Low-income New Yorkers who aspire to become more financially secure and climb up to the middle class need to gain valuable work experience or develop their skills by attending a two- or four-year college. But for low-income parents, holding a full-time job or enrolling in postsecondary education is exceedingly difficult in a high-cost environment like New York. The $11,000 annual price tag of child care in the five boroughs is more than triple the cost of a year's tuition at a CUNY community college. Without subsidies, families have to choose between postsecondary education that could lift them into the middle class and paying someone to take care of their children.

A recent survey of poor New Yorkers by the Community Service Society of New York found that 30 percent of respondents cited "family responsibilities and child care" as a factor that made it difficult to find a new job. No other factor was cited by as many respondents—29 percent cited being out of the job market, 22 percent said they didn't have enough education or training and 18 percent noted that they didn't have prior experience.

National studies have documented that child care programs for the working poor "encourage employment, promote job retention, and help increase family income to meet basic needs." Other reports have shown that "low-income and other student populations (e.g., first generation, adult workers, single parents, etc.) face substantial hurdles in successfully completing postsecondary educational programs," and that access to affordable child care programs can provide a key lift. The Center for an Urban Future's own 2004 report about the growth of the working poor in New York found that child care assistance programs have become vital since large numbers of single mothers entered the workforce in recent years (in part due to changes in welfare law) and more married families need dual incomes to get by.

The supply of affordable child care in New York City depends a great deal on federal and state subsidies. Unfortunately, federal and state support for early care in New York City has been declining.

New York City's major source of child care funding is the Child Care Block Grant (CCBG), which bundles federal fundingfrom the Child Care and Development Fund with money from the Temporary Assistance for Needy Families (TANF) program, which disburses federal public assistance to low-income residents, and state funding. New York City received over a half billion in CCBG funding in 2007. After dropping to $443 million in 2008, funding bounced up again to $499 million in 2010 because of federal stimulus subsidies. But those subsidies will decline in 2011, reducing New York City's grant to $487 million. They will then expire in 2012, leaving New York City with a gaping budgetary hole. Meanwhile, the population of

families whose earnings qualify for subsidized child care continues to grow. And the state actually cut over $30 million from its $375 million pre-kindergarten budget in 2010, the second-largest reduction in the nation after Illinois. Another $15 million in cuts are proposed for 2011.

The Bloomberg administration helped pick up the slack, raising the city's child care funding from $185 million in 2004 to a high of $298 million in 2009. But with the city struggling with declining tax revenues, its contribution to child care fell by $26 million in 2010. In 2011, the city proposes to shrink support at subsidized child care centers by almost one-fifth in an emergency effort to eliminate a projected $62 million deficit at the Administration for Children's Services (ACS), the primary agency overseeing early care and education.

Importantly, the Bloomberg administration has also tried to improve the system. In recent years, ACS began developing sophisticated reforms of its financing and delivery systems. In early 2011, ACS plans to roll out EarlyLearn, an innovative revamp of the agency's contracting strategy.

However, the administration has fallen far short of its previously announced plans to expand child care services in New York. In 2005, Mayor Bloomberg boldly proposed doubling the number of children served in childcare programs. It was an audacious bid. But rather than grow at all, the city's childcare system has shrunk, the victim of declining support, rising costs and greater demand. Since 2005, the Bloomberg Administration has closed 16 child care centers, stopped offering new vouchers to everyone but welfare recipients, and resisted increasing provider payments to keep up with market rates. The number of children in subsidized child care dropped from 110,000 in 2005 to 102,000 in 2010. At the same time, the copayment for New Yorkers receiving subsidized care has spiked from 25 percent to 35 percent of income above poverty level.

Expanding child care services will be challenging in today's budgetary climate, when both the city and state face large deficits. But it is a challenge worth tackling given how essential affordable child care is for getting poor New Yorkers into jobs—and keeping them there once they're employed. Adequate child care for all workers is a prerequisite for a healthy economy.

CENTER FOR AN URBAN FUTURE
120 Wall Street, 20th Floor, New York, NY 10005

cuf@nycfuture.org © All Rights Reserved.