Relationship of Economic Independence and Access to Childcare for Single Moms

2018 Research Briefing

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Relationship of Economic Independence and Access to Childcare for Single Moms

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Summary
Many Arizona families, particularly single mothers with young children, face substantial challenges in meeting their economic needs. Almost one in three (29%) children under age six in the state lives in poverty, putting them at risk for a host of future economic, health, and social concerns. Currently, the vast majority of Arizona low-income single mothers do not have any kind of post-secondary degree, which substantially limits their job prospects and earning potential. In order for these parents to pursue training and education for higher-earning jobs, affordable childcare is crucial. However, childcare issues in Arizona are particularly pronounced. These factors, taken together, highlight an opportunity for two-generation programs to transform the fate of many Arizona families. Short-term investment in targeted training programs coupled with childcare support for those engaged in these workforce development activities (known as a two-generation approach) could lead to long-term savings for the state and benefit for both mothers and their children.

Many Arizona families are struggling to make ends meet
A large proportion of Arizona parents struggle to support their families. With the poverty rate for families with children in Arizona at 21% and increasing,* which is three percentage points higher than the national family poverty rate (18%), it is imperative to strengthen the employability of parents to reduce their current economic hardship and to develop the state’s future workforce. The proportion of young children living in poverty is especially concerning. Almost one in three (29%) children under age six in the state lives in poverty, and 37 percent are in low-income households.† Helping families in Arizona with young children increase their earning potential may have particular benefits. A number of studies have shown that poverty early in a child’s life may be especially harmful to their achievement later in life (Duncan & Magnuson, 2011). Conversely, increasing family incomes in the early years of a child’s life has a much stronger long-term effect on that child’s employment outcomes as an adult than increases in later childhood (Duncan, Ziol-Guest, Kalil, 2010). In fact, these studies estimate that a $3,000 annual increase in family income between a child’s birth and fifth year is associated with 19 percent higher earnings in their adulthood; in comparison, a similar family income increase between a child’s 6th and 10th year is associated with a four percent increase in

that child’s later earnings (Duncan et al., 2010). Investments in boosting family income, particularly in families with young children, are likely to have a strong return.

**Single moms with young children in Arizona could benefit from education and training programs**

Single female-headed households consistently have the lowest median incomes relative to other family types. Among single mothers with young children, employment rates are higher for those with higher educational attainment. In Arizona, single mothers with an associate degree are more than twice as likely to be employed compared to those with only a high school diploma or GED.‡

Not only are employment prospects better, higher educational attainment is also associated with higher wages. Among single mothers of young children at all income levels, differences in educational attainment are associated with substantial increases in median incomes. The median income for mothers with a high school diploma or GED is $5,500 greater than that of mothers without a high school education, and the median income for mothers with an associate degree is $7,000 greater than those with only a high school diploma or GED. This pattern suggests that increasing single mothers’ educational attainment may increase their employability and their incomes.

**Median incomes are higher for employed single mothers in Arizona with higher educational attainment.**

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Median Income</th>
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</thead>
<tbody>
<tr>
<td>Less than High School</td>
<td>$12,500</td>
</tr>
<tr>
<td>High School/GED</td>
<td>$18,000</td>
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<tr>
<td>Some College</td>
<td>$20,000</td>
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<tr>
<td>Associate Degree</td>
<td>$25,000</td>
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<tr>
<td>Bachelor’s Degree</td>
<td>$38,000</td>
</tr>
<tr>
<td>Advanced Degree</td>
<td>$50,000</td>
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‡ Odds of being employed given an associate degree compared to a high school diploma or GED: 2.12 (CI 1.94-2.32); Source: U.S. Census Bureau (2016a). 2011-2015 American Community Survey 5-Year Estimates, Public Use Microdata Sample.
Currently, 89 percent of Arizona low-income single mothers in the labor force with children under six do not have any kind of post-secondary degree, limiting their job prospects. There are about 7,700 unemployed, low-income single mothers of young children with no associate degree or higher in Arizona, and an additional nearly 25,400 low-income single mothers of young children who are currently employed but lack a post-secondary degree. This suggests at least 33,000 low-income single mothers could particularly benefit from targeted education and training programs. However, attaining additional education and job training in order to improve their skills and advance in the labor market typically requires that parents are able to access childcare for their young children. For many Arizona families, accessing such care is a challenge.

Arizona ranks low in childcare affordability
The cost of childcare is widely regarded as a burden for families (Harvard T.H. Chan School of Public Health, 2016). According to Childcare Aware’s 2017 Parents and the High Cost of Childcare report, Arizona is among the most expensive states for relative burden of childcare costs, ranking 39th out of the 50 states and D.C. based on the costs for married families. The cost of putting an infant in childcare for a year in Arizona ($10,412) approaches the cost a year of tuition at a public university ($11,218) (Childcare Aware, 2017b). The monthly cost of full-time center-based care for an infant ($924) and for a toddler ($836) both exceed the median cost of rent in Arizona ($760) (Maricopa County Office of Research and Reporting, 2015; U.S. Census Bureau, 2016c).

The Department of Health and Human Services recommends that childcare account for no more than seven percent of a family's income (U.S. Department of Health and Human Services, 2015). In Arizona, the cost of full-time care far exceeds this, and is out of reach for many families. For a married couple family with children under age 6 where both parents are working, the cost of full-time, center-based care for an infant and a preschooler is 23 percent of median income. For single mothers, care is even more unaffordable—the cost of full-time, center-based childcare

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§ Approximately two-thirds (64%) of low-income single mothers of young children are currently in the labor force (working full-time, part-time, or seeking employment), with half (50%) currently employed and the remaining 14% currently unemployed.

** This is a low estimate as it only considers low-income single mothers who are currently in the labor force. Among low-income single mothers of young children who are not currently in the labor force, 93 percent (19,130) do not have any form of post-secondary degree. A proportion of these mothers, particularly those currently discouraged from working by the high cost of childcare, might enter the workforce if there were training opportunities that provided a pathway to mid-skill, high-wage jobs.

†† According to data from the 2014 Arizona Department of Economic Security’s Market Rate Survey of child care costs in Arizona, the daily median cost of care in a child care center was $42 for infants, $38 for toddlers, and $33 for preschoolers (Maricopa County Office of Research and Reporting, 2015). Assuming that a parent working full time requires 22 days of child care per month, this translates to a monthly cost of $924 for infants, $836 for toddlers, and $726 for preschoolers.
care is 98 percent of the median income for a single, working mother with an infant and another child under age 6.‡‡

The cost of full-time center-based care for one infant and one preschooler as a percentage of median income for working families in Arizona exceeds the recommended 7 percent


The high cost of care is likely to contribute to childcare-related employment problems. Arizona has the second highest percentage in the U.S. of children under the age of six whose parents reported that childcare problems caused them to change jobs, quit their job, or not take a job (National KIDS COUNT, 2014). Nearly one in five children (19%) had parents who reported these childcare-related employment problems. Only Florida had a higher rate of childcare-related employment problems. The high cost of childcare is also a barrier to parents seeking further education and job training (Adams, Spaulding, & Heller, 2015; Adams, Derrick-Mills, & Heller, 2016; Gault, Reichlin, & Roman, 2014).

Arizona ranks low in childcare availability

In addition to the cost of care, parents engaged in education and workforce development programs often face limited availability of care, particularly if they are attempting to pursue training while working, thus needing care at non-traditional hours (Adams, et al., 2016). A recent study of childcare availability in Southern Arizona found that only two percent of childcare centers offered care after 6:30 pm (Tanoue, deBlois, Daws & Walsh, 2017). Parents with infants and toddlers are likely to have particular challenges finding center-based care, because fewer than a third of childcare centers take infants (Tanoue et al., 2017). In fact, the availability of any center-based childcare is often limited. Nationally, a study found that 40 percent of residents in eight states lived in a “childcare desert,” an area with limited or no center-based early care and education programs.§§ (Malik, Hamm, Adamu & Morrissey, 2016). In Arizona, over half the young children in the greater Tucson area live in a childcare desert (Tanoue et al., 2017). This proportion is likely higher in the more rural portions of the state.

‡‡ We recognize that not all families desire center-based care, and that home-based care can have characteristics that some families prefer. However, we are focusing our analyses on this type of care to align with the research supporting positive effects of high-quality center-based care that underlies the theoretical model for the two-generation approach described later in this paper.

§§ That is, there are more than three times as many children under age five as there are spaces in the childcare centers.
On-site childcare can help off-set the lack of availability in the community, but on-campus childcare has been decreasing nationally; in Arizona, fewer than one in three higher-education campuses offer care, placing us among the lowest (41st) in the country for the proportion of public institutions offering childcare (Eckerson, Talbourdet, Reichlin, Sykes, Noll & Gault, 2016). Without access to affordable childcare, parents with young children in Arizona will not be able to increase their employment opportunities. In order to be successful, training and education programs will need to be aware of the close connection between childcare and workforce development.

Two-Generation Programs: a promising approach

One approach to workforce development explicitly acknowledges this link between childcare and workforce development. Two-generation programs are designed to provide targeted family-centered supports to low-income parents and their young children to help grow the human capital of both (Lombardi, Mosle, Patel, Schumacher & Stedron, 2014; Chase-Lansdale & Brooks-Gunn, 2014; Annie E. Casey Foundation, 2014). By providing access to workforce development for parents and to high quality childcare for young children, these types of programs have strong theoretical underpinnings that support long-term economic gains for families and communities. Rigorous evaluations of two-generation programs are just now underway, but an early assessment of a two-generation program in Minneapolis that incorporates multi-pronged support for career-track education, high quality early childhood education, and safe affordable housing found a return on investment to society of $2.47 for every dollar spent (Dias & Pina, 2013).
Childcare subsidies for parents in targeted education and training programs could lead to long-term savings

Developing two-generation programs in Arizona will require that parents accessing workforce development programs also have access to high quality childcare. Currently, childcare subsidies are available to low-income families where all parents in the household work full-time.*** For low-income mothers, this often means working in a job where the wages are not sufficient to sustain a family without significant help from public assistance programs. According to *The Self-Sufficiency Standard for Arizona 2012*, the annual income that a single parent with one infant and one preschooler in Maricopa County needs to earn to cover basic needs without relying on public assistance is $51,434 or $24.35 per hour in 2012 ($53,760 annually; $25.45 hourly in 2016 dollars) (Pearce, 2012).

*** In order for low-income Arizona parents to be eligible to receive childcare subsidies for education or job training, they are required to be working at least 20 hours a week (except teen parents pursing a high school diploma or equivalent); only 10 other states have a work requirement for education or training, and only two other states require the 20 hour minimum (Kentucky and Washington) (Eckerson, Talbourdet, Reichlin, Sykes, Noll & Gault, 2016). Working that number of hours has been shown to be detrimental to both academic performance and degree completion (Kuh, Kinzie, Cruce, Shoup & Gonyea, 2007), especially for parents. For instance, nearly 60 percent of parents enrolled in community colleges working 20 hours or more dropped out without a degree or certificate, compared to 46 percent who worked less than 20 hours per week (Eckerson, et al., 2016).
The majority of full-time working single mothers of young children††† in Arizona have no post-secondary degree (U.S. Census Bureau, 2016b). The median wage for these mothers means that they rely heavily on public assistance benefits to make ends meet. However, the establishment of targeted training programs and provision of support for childcare for the duration of the training process could allow these women to pursue careers that could better support their families. As the mothers attain self-sufficiency through higher-wage careers, they would no longer need support from public assistance programs.

To illustrate this, we selected each of four careers (depicted in the graph below) based on the following criteria:

1. It requires no more than an associate degree according to the Bureau of Labor Statistics.
2. It offers a potential median wage that would be enough to support self-sufficiency for a family.‡‡‡
3. The field is projected to grow at an above-average (>7%) rate between 2014 and 2024.
4. The field has a substantial number of openings.§§§

**Earnings and Benefits for a Single Mother with One Infant and One Preschooler**

![Graph showing earnings and benefits for different careers.]

*Source: see Methodology for Income and Benefit Calculations.*

††† Full-time working single mothers refers to unmarried, divorced, widowed, or separated females with one or more children under the age of six who worked at least 30 hours per week for 40 or more weeks in the last year.
‡‡‡ Heating, air conditioning, and refrigeration mechanics and installers make a median wage of $20.54, which would support a self-sufficiency wage in Maricopa County ($53,760 annually in 2016 dollars) for a single mother with one preschooler, but would be below the self-sufficiency wage for a single mother with two children. In seven other counties, this career would be a self-sufficient wage for a single mother with two children.
§§§ Some careers with high growth rates still employed only a relatively few number of people (e.g., a court reporter is a high-earnings job with a growth rate of 13.8%, but there fewer than 10 projected openings per year across the state).
Investment in training and education targeted toward mid-skill, mid- or high-wage jobs could have a high return.**** Although single mothers would likely draw on benefits during the training period, in particular needing support in the form of childcare subsidies, once employed, they could make a livable wage and require no further public assistance. The drawdown in benefits alone could lead to a reduction in assistance spending by nearly $20,000 per family per year, even without accounting for potential additional savings in AHCCCS and KidsCare health benefits.††††

Beyond the direct savings, boosting the economic status of these families has potentially wide ramifications. Increased tax revenue due to higher earnings for these families could lead to further economic benefits for both local communities and the state. Furthermore, raising the socioeconomic status of mothers during their child’s early formative years can lead to substantial long-term benefits. A large body of research demonstrates that parental socioeconomic status has a marked influence on their children’s health, well-being, academic achievement, and future success (Bradley & Corwyn, 2002; Sirin, 2005; Chen, 2004). Developing successful two-generation programs will require intentional coordination between workforce development efforts and efforts to help parents access safe, affordable, high quality childcare (Adams et al., 2016). Short-term investment in targeted training programs for mid-skill, mid-to-high wage jobs and in childcare support during the duration of these programs could lead to long-term savings for the state while improving the futures of both parents and their children.

**** As can be seen in the graph, a generic associate degree is associated with a median wage that does not allow mothers to achieve self-sufficiency. Programs should be targeted toward high-wage jobs to see the most substantial benefits.
†††† See the Methodology for Income and Benefit Calculations for further details.
Methodology for Income and Benefit Calculations

Benefits calculations for this analysis were conducted using the most recent income eligibility guidelines. Full-time work was defined as 2,087 hours, which equals approximately 260 days of 8-hour shifts, following U.S. Office of Personnel Management guidelines (2017). Earnings calculations are based on full-time work. Minimum wage calculations are based on Arizona’s 2017 minimum wage of $10.00 per hour. Benefits calculations were made assuming no other outside income beyond wage or salary income. No further asset holdings were accounted for. Calculations did not account for tax withholdings or tax credits. SNAP benefits were calculated with the Standard Deduction, Shelter Allowance (represented by the median cost of housing in Arizona), the Dependent Care Deduction (represented by the co-pays for childcare subsidies), and Work Expense Deduction (USDA Food & Nutrition Service, 2017a). WIC benefits were calculated using the average expenditure per participant in Arizona (USDA Food & Nutrition Service, 2017b). Childcare Subsidy reimbursement rates were based on the rates for full-day center-based care for 22 days per month in Maricopa County (Arizona Department of Economic Security Childcare Administration, 2017). Administrative costs and other costs borne by the state are not accounted for. The assumption is that these costs would not vary greatly based on individual eligibility (one household coming on or off these benefits). Benefits and wages were calculated in 2016 dollars. The Self-Sufficiency Standard for Maricopa County was updated to reflect 2016 dollars (Pearce, 2012).

Medical expenses or medical benefits such as AHCCCS or KidsCare were not included in the "Earnings and Benefits" figure. The Henry J. Kaiser Family Foundation estimated that in fiscal year 2014 Arizona spent $4,107 per adult enrolled in AHCCCS and $2,949 per child enrolled in AHCCCS or KidsCare (2017). Using these estimates, a minimum-wage worker with an infant and a preschooler would qualify for $10,005 in AHCCCS benefits, as would a single working mom at the minimum wage. A single working mother with a generic associate degree would qualify for $5,898 in AHCCCS for her two children. At the median income for the selected careers, families would receive no AHCCCS or KidsCare benefits.
Sources for Benefit and Income Calculations:


oversight/pay-leave/pay-administration/fact-sheets/computing-hourly-rates-of-pay-using-the-2087-hour-divisor/


References


