POLICY PERSPECTIVES

Center for the Study of Women in Society

UNIVERSITY OF OREGON · WOMEN IN THE NORTHWEST RESEARCH INITIATIVE · NO. 3

This Policy Perspectives presents data from "Oregon Families Who Left Temporary Assistance to Needy Families (TANF) and Food Stamps: A Study of Economic and Family Well-Being, 1998 to 2000." (Available at http://wnw.uoregon.edu)

REFUNDABLE WORKING FAMILY CHILD CARE TAX CREDIT

"I think it would have been beneficial if I would have gotten more help when I needed it because it was so hard trying to go to school [GED] and I couldn't afford the babysitting back then. Either the Food Stamps or paying for my babysitting while I went to school would have helped a lot because I still couldn't afford food at the time. I was making sure she went to the babysitter's around the time to eat so she got fed. I just ate at work [McDonald's] which was really only two meals a day and that was it." —Sophie Davis*, TANF Diverted

Low-income families need assistance paying for high-quality child care. People who were on TANF or Food Stamps or were diverted from TANF have limited financial resources in the first few years after moving off welfare and into the workplace. Earnings of leavers are low, with average take-home pay twelve to fifteen months and eighteen to twenty-one months after leaving welfare at about $1000 per month. Women's earnings were lower at just $966 per month at eighteen to twenty-one months.

TABLE 1: MEAN (AVERAGE) TAKE-HOME (NET) EARNINGS OF EMPLOYED RESPONDENTS

At first survey (n=970)		At second survey (n=756)	
Number with earnings	Average take-home pay/month	Number with earnings	Average take-home pay/month
65% (636)	$990.24	69% (525)	$1,016.32

Source: First and Second Surveys of Welfare and Food Stamp Leaver and Diverted Study

These limited family dollars must be stretched to purchase rent, utilities, food, transportation, clothing, and child care. Families must prioritize how each of these essential goods and services can be purchased. Because food and shelter together consume most of these families' earnings, many families do not have sufficient disposable income to afford child care expenses. More than half (439 or 58%) of the families in this study paid nothing for child care eighteen to twenty-one months after leaving TANF or Food Stamps or being diverted.

One hundred eighty of these, or 24 percent of the families in this study, paid nothing for child care, had children under thirteen years, and were working. Thus, they were arranging for the unpaid supervision of their children, often using the generosity of family or friends.

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Information provided in **Policy Perspectives** is based on research conducted by the CSWS Welfare Research Team under the auspices of the Women in the Northwest Research Initiative. For the full text of the study, released in January 2001, *Oregon Families who Left Temporary Assistance to Needy Families (TANF) or Food Stamps: A Study of Economic and Family Well-Being, 1998–2000,* see the CSWS website, http://wnw.uoregon.edu/

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Yet the costs of child care interfered with working for many parents. Those not employed were more likely to report that paying for child care made it difficult for them to get or keep a job.

TABLE 2: TANF LEAVERS AND TANF-DIVERTED BARRIERS TO GETTING OR KEEPING A JOB BY EMPLOYMENT STATUS AT FIRST SURVEY: RESPONDENTS TO BOTH SURVEYS

Barrier		**Percent saying "yes"**		**Significant difference?**
		Employed	**Not employed**	
Child care	Costs were a problem?	24% (55)	31% (38)	
	Costs still a problem?	47% (26)	79% (30)	Yes p<.01

Source: First and Second Surveys of Welfare and Food Stamp Leaver and Diverted Study

Child care is expensive regardless of income. Among all Oregonians in 1996, families with annual incomes below $25,000 paid on average $226 per month. Because of such similar child care costs regardless of income, families earning more than $45,000 paid only 5 percent of their total income to child care, but those earning less than $25,000 were paying 37 percent. Families in the Welfare and Food Stamp Leaver and Diverted Study paid an average $310 per month in 2000.

The Oregon Progress Board set statewide goals for at least 70 percent of all families to have access to affordable child care by the year 2000, and 75 percent of families by 2010. In general, child care is considered "affordable" if it costs less than 10 percent of a family's income. The most recent analysis shows that only 41 percent of families earning less than $25,000 per year met the affordability standard, compared to 89 percent of families earning $45,000 or more.

Furthermore, child care costs can be seasonal with costs increasing during summer months when school-aged children under thirteen need additional hours of supervision. Michelle Moran*, a TANF-leaver describes the problem well. Her school-aged child goes to child care for two hours before school and two hours after school for a total of twenty hours a week. These hours cost Moran $165 per month during the school year.

"In the summer, I pay $310. And I've got to do breakfast and lunch and all that. When she's in school she gets the reduced breakfast and lunch. So I don't have to worry about those two meals." —Michelle Moran, TANF leaver

During summer recess child care costs increase when additional supervision hours are required and because many care providers do not include meals, a family's summer food bills can increase also.

RECOMMENDATION

- **Oregon should pass the Refundable Working Family Child Care Tax Credit to assist the lowest income families in paying the cost of child care.**

**Names have been changed for the purposes of this report.*