

Child's Play: Creating a Path to the Middle Class *Improving Child Care Assistance Can Facilitate Parent Education*

By Lily French and Peter Fisher

The surest pathway into the middle class is post-secondary education. Both the individual and state government reap substantial benefits whenever a low-wage worker can complete further education and move into a higher-paying, self-supporting job. Yet significant barriers stand between a low-wage worker and better education or a degree. Chief among these is the high cost of child care. Reforms to Iowa's Child Care Assistance (CCA) program could improve parents' access to greater educational attainment.

In 2012, the average annual tuition in Iowa for a 2-year-old in a child care center reached \$7,061, higher than the annual tuition at one of Iowa's Regents institutions.¹ While difficult for most low-income families to pay, it is considerably more challenging when one parent is in school and is not bringing in any income. Nationally, 13 percent of all undergraduates are low-income parents, and the majority of these are single parents.²

Young people who acquire post-secondary education are likely to earn more in the future, to pay more taxes, and to rely less on public assistance. Their children are less likely to grow up in poverty. The increased taxes paid to the state of Iowa over 40 years of working life by someone with an associate degree is about \$23,000 more than the average for a person with just a high school diploma. A bachelor's degree means additional lifetime tax payments of nearly \$51,000.

Iowa wages have been virtually stagnant since 2000; the median wage (adjusted for inflation) was \$15.86 per hour in 2000, but by January 2012 had actually fallen slightly to \$15.62.³ Making ends meet has been getting more difficult for those with no post-secondary credentials. Iowans limited to a high school degree can expect to earn \$23,000 to \$27,000 in the early stages of their career, and no more than about \$35,000 in their prime earning years — age 40 to 54.⁴ This does not support a family with more than one child at a basic standard of living in Iowa.⁵

Studies have found concerns around child care to be a major obstacle to low-income parents' ability to complete their post-secondary studies.⁶ One study on community college enrollment and attendance employed focus groups, and in every one child care topped the list of factors affecting the decision to attend college.⁷

Conclusions and Recommendations

Our analysis reveals several potential obstacles to a successful and effective child care assistance program, and potential gains to the state as low-wage Iowans attain post-secondary education. A fundamental issue is that Iowa's TANF (Temporary Assistance to Needy Families) and CCA programs are geared toward maximizing work — at any wage — rather than encouraging participants to further

their education and make it possible to achieve self-sufficiency and an adequate standard of living. Any change in the state CCA program that results in more people attaining an associate or bachelor's degree will produce a substantial long-term return to the state in higher income and sales taxes as a result of the higher lifetime incomes of those with post-secondary education.

The state has good options for better policy.

- Because Iowa's child care assistance program is underused for non-welfare parents who are pursuing higher education, Iowa should take steps to encourage greater rates. The state should work actively to inform those parents that child care funds are available.
- State policy and practice should encourage caseworkers in Iowa's Promise Jobs program to explore education and child care options with their clients, and the training and evaluation of caseworkers should reward a focus on education plans instead of only a work-first approach. While Promise Jobs is designed to move clients away from public assistance, without an education component self-sufficiency may be an elusive goal.
- The 24-month time limit on education makes it difficult to attain even a community college degree because the second year of assistance can be only for non-credit programs and requires 20 hours per week of work. Clearly it does not allow a parent to attain a bachelor's degree. The 24-month limit should be scrapped. If just one in nine participants in the extended subsidy attained a BA and remained in Iowa, the child care subsidies would pay for themselves in higher tax revenue.
- Iowa's reimbursement rate to child care providers should not be lower than the federally recommended level of the 75th percentile of current market rates. To encourage parents to pursue further education, the reimbursement should be high enough for them to use it with ease, to find a nearby child care provider willing to accept the state reimbursement.
- A student receives child care assistance only for the hours actually spent in class or in organized advising or studying on campus; no time is allowed for getting to and from class, to and from child care, or for individual study time. Additional hours should be covered to more realistically account for the time necessary to be a successful student and a parent.
- A parent who has skills appropriate only for low-wage jobs but who wants to pursue post-secondary education will typically need to work part time and attend school part time. But such a person, if not in the Family Investment Program or FIP (Iowa's TANF program), would be required to work 28 hours per week in addition to class and out-of-class schooling hours. We recommend that classroom hours count toward the 28-hour requirement; the more classes attended the lower the work requirement. This would place more realistic demands on a person's time and allow more individuals to pursue education by not forcing a choice between work and school.

¹ Child care costs from: Iowa Child Care Resource and Referral, Statewide Report, July 2012.

<http://www.iowaccrr.org/resources/files/State%20Data%20Sheet/FY12%20Iowa%20Summary%20Report.pdf>. Resident tuition for academic year 2012-13 at the University of Iowa was \$6,678, at ISU and UNI, \$6,648; this does not include mandatory fees.

² Kevin Miller, Barbara Gault and Abby Thorman. *Improving Child Care Access to Promote Postsecondary Success Among Low-Income Parents*. Institute for Women's Policy Research, 2011.

³ *The State of Working Iowa 2012*. <http://stateofworkingiowa.org/the-bigger-picture/>

⁴ Authors' calculations based on the American Community Survey, 2006-2010, and the Current Population Survey, various years.

⁵ Lily French, Peter Fisher and Noga O'Connor, *The Cost of Living in Iowa, 2011 Edition*. Iowa Policy Project, May 2012.

⁶ See, for example, Adair, V. C. (2001). "Poverty and the (broken) promise of higher education." *Harvard Educational Review*, 71(2), 217-239 <http://www.history.ucsb.edu/projects/labor/documents/AdairHarvardEducationalReviewArticle.pdf>

Thompson, J. (1993). "Women, welfare and college: The impact of higher education on economic well-being." *Affilia*, 8(4), 425-441.

⁷ <http://www.mdrc.org/publications/260/full.pdf>