
Investing in Family Child Care Brings Gains for Providers

Rhode Island's Experience Provides Lessons for Other States

Child care providers who take care of children in their own homes play a critical role in the lives of many families across the country, particularly those with low incomes. These providers help children develop and prepare for school, allowing working parents to hold down jobs and support their families. In 2001, almost a third of children whose care was subsidized by federal funding were in family child care. The average number of children per adult is lower in family child care settings, so while there are a greater number of children in day care centers, family providers vastly outnumber center-based providers.

Although these providers' role is crucial, policymakers often fail to acknowledge it. The result is that the payments and benefits available to these workers are generally low. Some states have taken proactive steps to improve their economic conditions through higher pay or benefits, but many others have done little to address the issue.

Few if any states have done more to provide economic advancement for family child care providers than Rhode Island. Over a period of several years beginning in the mid-1990s, Rhode Island policymakers and advocates made it a priority to improve the state's child care system. Their experience provides lessons for policymakers elsewhere, who may have the opportunity to make similar improvements.

Rhode Island's Experience

In 1996, the Rhode Island legislature approved a measure making it the first state to grant subsidized health insurance to family child care providers under state contract. Simultaneously, the state was looking to increase the availability of affordable, high-quality child care as part of its welfare reform effort. At the time, parents on welfare had about 16,000 children under the age of six, but the state had only 15,000 child care slots available for *all* of Rhode Island's children.

At the urging of the child care community, the state adopted a plan to increase state-subsidized child care payments until they reached a level that was 75 percent of the average cost of market-rate child care. As part of its Starting Right legislation, the state essentially guaranteed that low-income parents (earning up to 250 percent of the federal poverty income threshold) were entitled to subsidized child care, meaning those families would not be placed on a waiting list to receive care.

Rhode Island achieved the following:

- Expenditures on child care increased significantly, going from \$6.4 million in 1997 to \$49 million in 2006. The new spending dramatically increased the number of children receiving subsidized care, from about 6,000 to 13,000.
- The increased spending lifted average salaries in the field. As of 2003, Rhode Island child care workers (both family-based and center-based) had one of the highest average pay rates in the country—\$9 an hour. During a 30-month period (from 2000 to 2003), the average monthly net income from child care increased by \$1,136, from \$922 to \$2,058, for a sample of providers studied by P/PV.

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- The number of providers living in poverty dropped significantly (P/PV's study found a 123 percent increase in net income between 1998 and 2002, reducing poverty from 44 percent to 15 percent).

Unfortunately, in recent years, fiscal pressures have led some Rhode Island policymakers to scale back support for such measures. New rules have cost about 200 providers their health insurance, reimbursement rates have not risen as planned and the state has reduced the number of families eligible for subsidies.

Experiences Elsewhere

Around the country, states take widely varying approaches to compensation and benefits for family child care providers. In the 1990s, at least 19 states took advantage of increased federal aid and a healthy fiscal climate to improve reimbursement rates for family providers. And 10 states developed legislation that directly supplemented the income of child care workers, with the benefit typically focused on workers at child care centers. However, fiscal problems that hit the states in 2001 largely stalled such efforts.

As states enjoy better budgetary conditions, policymakers can again consider investments in child care; efforts are under way to improve payments for family child care providers in several places, including California, Washington state and New York City.

Few states followed Rhode Island's lead by providing subsidized health insurance for providers receiving state reimbursements. In Illinois, the union representing family providers recently agreed to a contract that will include, in its third year, health coverage for family child care providers.

The recent action in Illinois is part of a major trend—an aggressive organizing effort among family child care providers by two large unions, the Service Employees International Union (SEIU) and the American Federation of State, County and Municipal Employees (AFSCME).

Looking Ahead

The Rhode Island experience demonstrates that targeted policies can dramatically improve the lives of family child care workers and, by extension, the lives of the children they care for. State policymakers, advocates and child care providers improved conditions for workers in a fast-growing but low-wage occupation. In doing so, policymakers acknowledged the important workforce role of the providers and the need for high-quality child care for low-income families. Their actions decreased poverty rates among providers and made child care available to thousands of working parents. Other states would do well to consider similar or related reforms.

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This brief is based on interviews with advocates, providers and experts around the country, and on research by Anne Roder and Dorie Seavey, as outlined in their report, *Investing in Low-Wage Workers: Lessons from Family Child Care in Rhode Island* (2006, Public/Private Ventures). *Investing in Low-Wage Workers* focuses on a group of largely Latina and African American women in Rhode Island who organized a cooperative and worked to improve conditions for family child care providers. The Co-op was supported by the Charles Stewart Mott Foundation's Sectoral Employment Initiative. Launched in 1998, the Initiative attempted to improve opportunities for low-wage workers in selected workplace sectors. For more information, visit www.ppv.org.

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