



Understanding Child Care Demand and Supply Issues: New Lessons from Los Angeles

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Policy Brief 01-2

About the Early Education Series

This is the third in a series of briefs that inform policy makers and practitioners about child-care and early education practices. This research is funded in part by the California Department of Social Services (CDSS). For more information, please call Diane Hirshberg, CDSS-PACE Child Care Planning Project Coordinator, at (510) 642-7223 or visit our website at <http://pace.berkeley.edu>.

POLICY BRIEF

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Reports abound on the shortage of quality child-care options for California families. Rising rates of employment among mothers with young children, initiatives to boost youngsters' school readiness, and government's recent push to move single mothers from welfare to work continue to spur family demand for organized child-care and preschool programs.

New funding is moving down to county governments; California's support for child-care expansion has quadrupled since 1996, rising to over \$3 billion annually. In addition, parents spend billions in subsidies and private pay fees at centers, licensed family child-care homes (FCCHs), or for paid caregivers.

Still, with family demand for child care outpacing supply, state

and local policymakers want to learn how best to target resources on those neighborhoods most in need. So, how can local planners determine where child-care supply is falling short of family demand? How can this fresh funding be allocated across neighborhoods to correct the unequal distribution of supply? These tandem questions are being tackled by Los Angeles County officials through research efforts intended to inform local policy actions. Using the findings from two recent studies in Los Angeles County, one conducted by PACE and the other by the county child care planning committee, this policy brief provides an overview of some of the options facing policymakers as they address these issues.¹

First we sketch why estimating the true supply of licensed child care (in centers and FCCHs) in a large county is complicated. Second, we illustrate how neighborhood child-care markets are not always in equilibrium, where demand clearly exceeds available supply, or visa versa. While Los Angeles' tremendous size sets it apart from most counties and even states, the lessons from the county's research can help guide other communities as they attempt to more wisely target child-care funding.

Determining Supply & Understanding Demand: A Messy Proposition

A number of factors impede efforts by state and local planners to understand how much licensed child care is available to parents. Among these are differing data on the actual supply of licensed care, and differences between how many children a provider is licensed to care for and how many they prefer to have. At the same time, it is difficult to know exactly what the demand is for care. Do most parents prefer licensed care for their children? Are they making choices based on their personal preferences or in response to the constraints of the child-care market? Why is it that in some communities there are vacancies in some child-care centers and family child-care homes, while in others there are long waiting lists? Answering both the demand and supply questions is critical if

Local Action From New Evidence

The data gleaned from L.A.'s research efforts directly informed the county's initiative to improve family access in those areas where the need is greatest. By using the County Child Care Planning Committee's needs assessment and research conducted by PACE, the Los Angeles County Department of Public Social Services is targeting \$10 million in new child-care expansion funds to 50 zip codes in the county where the shortage of child care is most severe. The research program revealed that the highest demand is for infant care and after-school care. Providers that serve children with special needs or that offer child care during non-traditional working hours—even if they are not located in one of the 50 zip codes—will also receive funding.

Both center-based programs and family child-care providers are eligible for the money, which can be used to purchase new equipment and supplies and expand rooms to serve more children. Pearline Saffold, the chief of the DPSS Supportive Services Division in Los Angeles County, estimates that through this grant program, enough slots will be created to serve roughly 2,000 more children. In addition to the grants, some providers who need to make more extensive building improvements and renovations, will be able to apply for low-cost small business loans. Saffold said it's very valuable to have accurate data about the demand for child care. "It's good information that tells us where those needs are," she said.

planners are to meet the needs of all parents, and yet it is a nearly impossible task.

Conflicting Data

Estimating the supply of care can be difficult because there often are multiple agencies collecting information on care providers. In California, two separate entities collect data on child-care

capacity—the CDSS Community Care Licensing Division (CCL) and the state's resource & referral agencies (R&Rs), of which there are ten in Los Angeles County. Each maintains separate databases for very different purposes; CCL tracks licensed providers in the state, while R&Rs provide referrals to parents seeking child care. Neither database gives an entirely

complete picture of available child care in the state or at the local level.

Shadow Capacity

In Los Angeles, PACE researchers found that what appears to be a space for a child on paper may not be in the eyes of an individual provider. Many providers prefer to care for fewer children than they are licensed to serve. This is what is known as “shadow capacity.” Most studies of child care in the past have assumed that providers want to care for as many children as possible. PACE researchers actually found that almost half—49 percent—of the family child-care providers and 14 percent of the centers in the survey preferred to care for fewer than their license allows. On average, the family child-care providers said they wanted to fill only 88 percent of their spaces while centers preferred to fill 96 percent. (See Figure 1).

Calculating the number of spaces available in child-care homes is further complicated by the fact that a variety of combinations of infants, toddlers, preschoolers and school-age children are possible in one family child-care home. According to the planning committee’s report,² a small, licensed family child-care home, in which one provider can care for up to eight children, could include any one of the following configurations:

- two school-age children, no more than three infants, and

the remainder comprised of preschool age children,

- two school-age children and six preschool children, or
- eight school-age children.

The authors write: “While this flexibility serves parents and providers well, it does complicate the process of determining the supply of care available to serve specific groups.”

Finding adequate care for one of those age groups—preschoolers—can be especially difficult if the only slot a full-time employed parent can find is a half-day program. Many preschool programs, such as Head Start and the state-funded preschool program, show up as a child-care slot in the databases even though they might not serve parents’ needs. Children, as a result, are often shuffled between more than one provider during the day.

Another reason why it’s difficult to obtain an accurate picture of the supply of child care is because family child-care homes can set up and shut down so quickly—much faster than centers. Databases often include homes that have closed. In January through November of 1998, more homes closed than new ones opened statewide in every month except for October, according to a data summary from the California Department of Social Services’ Community Care Licensing Division. While in 1999 this

trend reversed, with more new family child-care homes opening than closing in the last half of the year, the rate at which existing homes closed decreased only slightly.³ PACE researchers found that in the four months between when they gathered lists of child-care providers from R&Rs and when they started their survey, a significant number of providers had gone out of business—as many as 13 percent in some areas of the county.

Understanding Demand: Who Needs Care?

While the supply of child care is clearly not always what it seems, figuring out who needs child care requires even more guesswork. Data is available from the state and from local resource & referral agencies on children already in licensed centers and in programs such as Head Start. Information also exists on low-income parents using subsidized care and on those who are waiting for subsidies. Still, no comprehensive data exists on those parents who need care and are able to pay for it themselves.

In addition, just because a parent of a young child is working doesn’t mean that they want to place that child in an organized program. Some parents prefer to use license-exempt providers, such as neighbors or relatives because they find that those caregivers can offer them more of what they need. Parents who work non-traditional hours

might find that friends and relatives are the most willing to offer flexible care. During a focus group discussion organized by PACE as part of the Child Care Planning Project, one mother said: “There are many restrictions with the licensed provider. She demanded a lot, whereas the other one doesn’t.” Another mother added: “I have to be at work at 6 a.m. My sister lets my child come over at 5:30. Most child-care providers don’t do that. And she takes him to school and she picks him up ‘cause I don’t have enough time in the day.” Some parents are just more comfortable relying on relatives, especially when their children are infants.

Still, we wonder whether parents might use a different type of care if licensed programs were better able to meet their needs. Researchers and policymakers should not always assume that preferences checked off on multiple-choice surveys really reflect what parents desire for their children. While convenience is important to parents, it’s not the only thing that matters. Parents also want to know that their children are happy and well cared for while in child care. Parents want their children to have the knowledge and experiences they need to be ready for school. While the PACE report did not focus specifically on child-care quality, it noted that increasing the supply of child-care slots to meet the demand is only part of

the challenge. Improving the quality of care is also important.

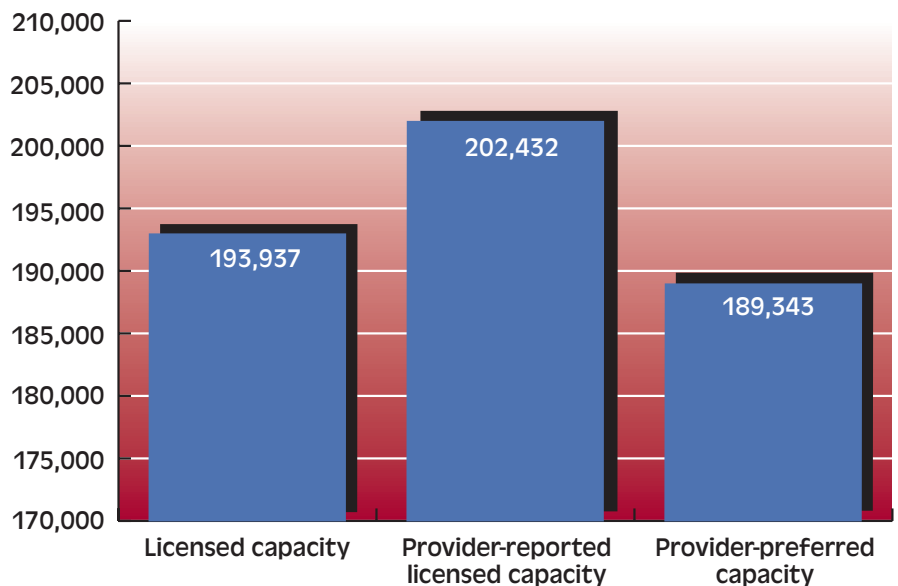
Sometimes, parents don’t know about the child-care programs available in their area or even how to find out about child-care slots. R&Rs can provide assistance, but sometimes parents don’t even know these services exist. Likewise, centers and family child-care homes may not have means outside of R&Rs for reaching parents. Parents participating in CalWORKs, California’s welfare reform program, are supposed to have direct access to child-care resource & referral agencies. CalWORKs child-care regulations specify that “Local Resource & Referral staff are required to co-locate with the county’s case management offices or arrange for

other means of swift communication with parents and case managers.”⁴ However, these arrangements have not been implemented consistently within counties. A study conducted in Alameda County in Spring 2000 found that clients were not always given the information about or access to resource & referral agencies immediately.⁵ Subsequently, the county implemented new policies and procedures to address these problems.

A Growing Population

Finally, it’s difficult to adequately assess the need for child care and plan for the expansion of programs in a city where the population is growing and changing so rapidly. Los Angeles, as Malaske-Samu writes in her report, has always

Figure 1. Determining Capacity: LA County



been an area known for ethnic transition. However, she writes, “Even with this history of constant evolution, demographic shifts at the community level frequently outpace changes in the service infrastructure. This results in services that are a poor cultural or linguistic match with the current population. For example, Watts, historically viewed as an African-American community, currently includes an equal number of Latinos. Similarly, in the city of Alhambra, the Asian Pacific Islanders population has eclipsed the Latino population.”

Her report also notes that population and job growth is expected to increase the most in areas where the supply of high-quality child care is the weakest. In addition to a growing economy, the implementation of welfare reform, with new mandates for participation in work or other welfare-to-work activities, creates even greater demands on the child-care sector. According to the needs assessment: “Data from the 10 child-care resource and referral agencies serving Los Angeles County ... reveal a 30 percent increase between 1993-94 and 1998-99 in the number of child-care referrals sought due to employment of parents.”

A Puzzling Situation: Vacancies and Waiting Lists

All of these factors—licensed providers who don’t want to care

for as many children as they are licensed to have, parents who can’t or don’t want to use licensed providers, conflicting information from different databases, changing demographics—lead to some puzzling conclusions for those tracking the child-care market. For example, while there is clearly a shortage of child-care slots in Los Angeles County, many providers report that they have vacancies in their programs. The PACE survey revealed that 17 percent of center slots and 25 percent of family child-care homes were vacant. Another summary from the state’s Community Care Licensing Division revealed a 25 percent vacancy rate in family child-care homes statewide, so this situation is not confined to Los Angeles.⁶

At the same time that some providers have vacancies—which would seem to indicate there is more than enough child care to meet the demand—many others have waiting lists. The PACE survey found that over 50% of the centers surveyed had waiting lists. (See Box 1). A large majority of the children on those lists—about 70 percent—are preschoolers, indicating that while the supply of child-care is relatively higher for this age group, there is still not enough. The presence of waiting lists suggests that the openings that do exist aren’t meeting the needs of parents. Additional research is needed into why vacancies exist.

“Surveys of parents, providers, and referral agencies could help identify what information parents have about child-care providers, how they select their caregivers, and what barriers to using licensed care they face,” the PACE report says.

A child-care slot is not useful if it doesn’t match the needs of a parent who is looking for care. This is especially true for parents who work night or weekend hours but can’t find centers or family child-care homes that are operating during those times. Since passage of the 1996 federal welfare law, which requires most mothers receiving public assistance to work or participate in activities leading to employment, surveys have indicated that the need for non-traditional hour care is increasing. The PACE survey shows that parents who work non-traditional schedules are more likely to find care in family child-care homes than in a center. Family child-care providers supply almost two-thirds of all evening care and 84 percent of all weekend care. Center directors responded that they don’t offer care during non-traditional hours because parents haven’t been asking for it. Parents, however, may not ask for it because they are under the impression that centers aren’t interested in staying open beyond traditional work hours.

Parents who have children with special needs or speak a foreign language can also have a difficult

Box 1 Percent of Centers with Waiting Lists by Age Group Served

Age	% of centers with waiting lists ¹	Average # of children on list ²
infant	11%	32
preschool	40%	34
school age	10%	21
TOTAL	52%	37

¹ Some centers maintain separate waiting lists for each age group. Thus, there are more waiting lists, as reflected in the columns listing age breakdowns, than there are centers with waiting lists. The "Total" row reflects the number of centers with waiting lists, rather than the number or lists themselves.

² The average number of children in the "Total" row was calculated to include *all* children on waiting lists, regardless of age.

time finding a provider. Child-care centers are often better equipped to care for children with special needs than family child-care providers. However, among both centers and family child-care homes combined, only 28 percent were able to accept children with severe special needs, such as physical disabilities, retardation, or the use of a feeding tube. The PACE study also shows that many providers are not serving children in their native languages. For example, across Los Angeles County, 13 percent of centers serve Korean-speaking children, but less than 3 percent of center providers speak Korean. Another 13 percent of children served by centers speak Mandarin, but only 4.4 percent of providers speak that language.

A lack of transportation can also be a barrier to the use of available child-care slots for many parents. Previous reports by PACE have revealed a mismatch between where providers are located and where families with children live. Low-income communities in particular have less access to licensed child care than wealthier neighborhoods.⁷

The High Cost of Care

The cost of care and concerns about the quality of care are also possible reasons for why parents aren't finding what they need. In her study on Los Angeles County, Malaske-Samu notes that as of December, 1999, only 6 percent—or 115—of the more than 2,000 licensed child-care facilities in the county were accredited by the

National Association for the Education of Young Children, a Washington-based professional organization which sets standards for programs serving young children. Likewise, there were only five family child-care homes that had earned accreditation. While the lack of accreditation does not mean that a provider does not offer quality care, and definitions of quality vary among agencies and parents, there are still concerns among many child-care planners that parents are not finding care that meets their quality standards. Malaske-Samu's research also showed that the cost of care in Los Angeles has been increasing. The cost of center-based care in the county for children under age 2 almost doubled between 1986 and 1998. For preschoolers and school-age children, fees have increased by more than two-thirds. Similar price increases have also occurred in family child-care homes.

The PACE report notes that cost is perhaps the biggest barrier keeping families from using licensed child-care providers, and that the county should provide subsidies to the lowest-income families who are on state waiting lists for child-care assistance. During the focus group sessions, mothers expressed how important their child-care subsidies are to them. "I was told that they're only going to pay for child care for 12 months," said a mother of three. "After that you're on your own. I'm going to have to stay home with

my kids because there's no way I can afford to pay child care after my 12-month period.”

More Study Needed

The PACE report urges leaders making decisions about child care to take a close look at all of these issues as they strive to create more slots. In Los Angeles, and other large metropolitan areas, the PACE researchers write, maintaining an adequate supply of child care “will require continual monitoring and investment to guarantee that parents have access to real quality choices for child care.” Over the past few years, the state has increased funding for child-care subsidies. However, while PACE and other researchers have gained a good understanding of the licensed child-care supply, many questions still exist about why families in need of child care don't use available spaces in licensed facilities, or why many don't even use child-care subsidies to which they are entitled.

Other pieces of the puzzle will require further study. First, little is known about the extent of organized programs for children that are exempt from child-care licensing regulations, but serve a child care-like function, such as parks and recreation activities, before- and after-school programs and the Boys and Girls Clubs. Other informal arrangements, beyond care offered by relatives and neighbors, should also be explored. Second, more needs to be learned

about how much and what type of child care is really required to meet families' needs. While current projects at PACE are focusing on some of these issues, more research is needed to shed light on these and many more unanswered questions about child-care supply and demand.

Endnotes

¹ Brenda Ball Cuthbertson, Burr, Fuller & Hirshberg (2000). *Los Angeles County Child Care Needs Assessment*. Berkeley, CA: University of California, PACE, and Malaske-Samu, Kathleen with April Muranaka. (August 2000). *Child Care Counts: An Analysis of the Supply of and Demand for Early Care & Education Service in Los Angeles County*. A project of the Los Angeles County Child Care Planning Committee, Los Angeles, CA.

² Kathleen Malaske-Samu with April Muranaka. (August 2000). *Child Care Counts: An Analysis of the Supply of and Demand for Early Care & Education Service in Los Angeles County*. A project of the Los Angeles County Child Care Planning Committee, Los Angeles, CA.

³ Another difficulty is that family child care homes are mobile – some of the closures and openings reported are providers who have moved and reopened at a new location. Personal Conversation with Bill Jordan, CDSS Community Care Licensing Division, July 2000.

⁴ CalWORKs Child Care Regulations, California Department of Social Services and California Education Code section 8352.

⁵ Kyra Caspary (2000). “Strategies for Improving Information Flow about Quality of Child Care to CalWORKs Participants.” Excerpts from a Report to the Alameda County Department of Social Services.

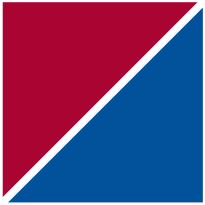
⁶ “Community Care Licensing – Child Care Caseload Growth.” (May 2000). Sacramento, CA: California Department of Social Services Estimates Branch and Financial Planning Branch.

⁷ Bruce Fuller, Coonerty, Choong, and Kipnis (1998). *An Unfair Head Start: California Families Face Unequal Access to Child Care*. Berkeley, CA: University of California, PACE.

For more Information

To obtain copies of the *Los Angeles County Child Care Needs Assessment* please send a \$10 check payable to UC Regents to PACE. For more information on this study, please contact Diane Hirshberg at the PACE office, (510) 642-7223.

For more information or to obtain copies of *Child Care Counts: An Analysis of the Supply of and Demand for Early Care & Education Service in Los Angeles County*, please call Sally Garcia, Office of Child Care, Los Angeles County at (213) 974-4103.



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- Bruce Fuller, Yueh-Wen Chang, Sawako Suzuki, and Sharon Lynn Kagan. *Child-Care Aid and Quality for California Families: Special Focus on San Francisco and Santa Clara Counties*. Working Paper Series 01-2, Spring 2001. (A product of the *Growing Up in Poverty Project*.) May be ordered for \$10.
- Susanna Loeb, Bruce Fuller, Diane Hirshberg. *Estimating Unmet Need for Child Care and Preschool: Alternative Definitions and Analytic Tools*. 2001. Forthcoming.

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