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7-31-2024

# Participating in Childcare Subsidy Programs Increases Employment and Annual Earnings for Working Parents

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### Recommended Citation

Fannin, W.C., Heflin, C., Morrissey, T., and O'Keefe S. (2024). Participating in Childcare Subsidy Programs Increases Employment and Annual Earnings for Working Parents. Center for Policy Research. Policy Brief #11. Accessed at: <https://surface.syr.edu/cpr/490/>

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## Participating in Childcare Subsidy Programs Increases Employment and Annual Earnings for Working Parents

William Clay Fannin, Colleen Heflin, Taryn Morrissey, Siobhan O’Keefe





The nonstandard and irregular hours often associated with low-wage jobs present challenges for families with young children. For working parents employed under unpredictable or unconventional hours, finding affordable childcare can be a struggle.<sup>1,2</sup> Childcare subsidy programs help reduce barriers to stable childcare options and support parents’ employment, but due to administrative hurdles, such as recertification periods and income reporting requirements, these subsidy programs are often used in short-term spells, or not at all.<sup>3-7</sup>

Using quarterly employment and earnings data from 2016-2019 Virginia administrative data, this brief describes associations between childcare subsidy program participation and household employment and earnings outcomes among low-income families in Virginia.

### Participation in Childcare Subsidy Programs Can Increase Household Annual Earnings

Childcare subsidy programs reduce out of pocket childcare costs and contribute to the economic stability of working parents. Our analysis found that subsidy participation was associated with an average \$697 increase in quarterly earnings, most of which can be attributed to more labor market entrances. Among parents who were already working before entering the program, childcare subsidy participation coincided with increases in quarterly earnings of \$242, on average. Results suggest an annual increase in earnings of \$968 to \$2,788 among childcare subsidy

#### KEY FINDINGS

	Childcare subsidy programs help reduce barriers to stable childcare for low-income working parents struggling to find affordable childcare.
	Participation in childcare subsidy programs in Virginia was associated with an annual increase in employment earnings of \$968 to \$2,788 among participants.
	Due to the low-wage job market conditions, opportunities for labor force participation can lead to working parents holding multiple jobs.
	Following initial childcare subsidy receipt, working parents increased their labor force participation, earned more, and experienced more economic and employment stability compared to low-income working parents who were eligible, but not receiving childcare subsidies.

participants. Household earnings not only increased with childcare subsidy participation but remained higher following the initial subsidy receipt.

### Childcare Subsidy Programs Increase Work Force Participation

Access to stable childcare through participation in subsidy programs allows working parents to work more hours, thereby increasing household economic stability. However, increasing working hours through one job is not always an option. Thus, many parents take on more than

one part-time, hourly wage job. We found that single parents and parents of children under the age of 5 were more likely to increase multiple jobholding with childcare subsidies, relative to non-single parents and parents with children aged 5 or older. Our analysis provides evidence that despite the increased likelihood of multiple jobholding, subsidy participants also experienced increased job stability.<sup>8-10</sup>

## How Can Policymakers Increase Household Participation in Childcare Subsidy Programs?

Our findings suggest that following initial childcare subsidy receipt, working parents increased their labor force participation and earnings. Additionally, participating working parents experienced more economic and employment stability than low-income working parents who were eligible, but not receiving childcare subsidies. Policies designed to alleviate the administrative burdens of childcare subsidy programs could further increase employment and earnings outcomes among low-income working parents.

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### Data and Methods

Data used in our analysis are sourced from the Virginia Department of Social Services and the Virginia Employment Commission. We used available data on monthly participation in the childcare subsidy program, the Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF) between 2016-2019. We compared low-income Virginia families before, during, and after periods of childcare subsidy receipt to eligible families not participating in the childcare subsidy program. We used this longitudinal dataset to examine the relationship between childcare subsidies and the economic stability of working families.<sup>11</sup>

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### Acknowledgements

The authors thank Alyssa Kirk and Shannon Monnat for their edits on a previous version of this brief.

### Recommended Citation

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