THE CHILD DEVELOPMENT AND CARE SUBSIDY: CHALLENGES AND OPPORTUNITIES

INTRODUCTION

Access to high-quality, affordable, and reliable child care is essential to economic stability and mobility for families. In Michigan, finding and paying for child care is a major challenge for parents across all socioeconomic levels, with unique challenges for families with low incomes. The Child Development and Care (CDC) subsidy program, funded by the State of Michigan, provides child care subsidies for eligible families and oversight of State child care licensing procedures. The program is administered by the Michigan Department of Education (MDE) and supported by the Michigan Department of Health and Human Services (MDHHS).1 Child care subsidies have been shown to increase parental employment, particularly among single mothers, and to increase the quality of care acquired by families for their children.2 Recognizing the important role such subsidies play in preventing and alleviating poverty, in 2021 the State of Michigan directed funding from the American Recovery Plan Act toward the Child Development and Care Subsidy Program to increase the number of eligible families receiving the subsidy.3

Despite the clear benefits of the CDC subsidy, many families who meet eligibility criteria are not applying for the subsidy, while other families who apply and receive the subsidy do not use it. With the high cost of child care,4 why aren’t more families attempting to access and utilize State funds to pay for it?

To better understand this issue, we launched the Barriers to Benefits study in January 2022. The study includes 1) an analysis of statewide child care availability data and 2) interviews with parents and child care providers to better understand when and why families do or do not access the CDC subsidy.

Drawing on administrative data from the MDHHS Greenbook Report of Key Program Statistics, Michigan’s Great Start to Quality system, and the United States Census Bureau’s American Community Survey, we first examined how many children were eligible to receive the CDC subsidy, and, of those children, how many received it. Additionally, we examined how many child care slots were available and how many children used the vouchers they received.

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rural communities in Emmet County, semi-urban and suburban communities in Washtenaw County, and urban areas in Wayne County. All names used here are pseudonyms. Participants identified as 76% White, 7% Black, 7% Hispanic or Latino, and 10% as Other.

CHILD CARE IN MICHIGAN IS EXPENSIVE
Parents face many challenges when looking for child care, but cost is among the greatest. The annual cost for center-based care for an infant in Michigan is about $13,548, or about 14% of median income for a married couple in this State. According to the U.S. Department of Health and Human Services, child care is considered affordable if it costs families no more than 7% of their household income.

On June 23, 2022, Gov. Gretchen Whitmer expanded the income eligibility for CDC subsidies to 185% of the federal poverty level. The change means that up to 105,000 additional children in Michigan will be eligible for the subsidy. However, the proportion of families eligible for the subsidy who actually enroll remains low. Currently, only about 10% of children aged 0 to 11 years in households with incomes below the new eligibility threshold receive subsidies; most providers do not care for children older than 11. When limited to children under ages 0 to 6, the age range of children who typically need full-time care, the proportion rises modestly to 12%.

FAMILIES COULD NOT FIND CHILD CARE DURING NON-TRADITIONAL HOURS
Not only is child care hard to find due to lack of availability, but many parents need care outside of the 8AM to 5PM, Monday through Friday work week. The restaurant and hospitality industries, for example, often require work on evenings or weekends, and specific schedules can change from week to week. This is particularly true in Emmet County, a popular vacation destination that relies on a seasonal, tourism-based economy.

Sierra, a White woman working for a local nonprofit supporting the child care industry in Emmet County, told us:

“The other challenge we have in Emmet County is that we only have one licensed child care provider that actually provides evening hours of care. So that becomes a significant challenge to anybody that works second or third shift because we literally don’t have options in Emmet County.”

Janelle, a 43-year-old multiracial woman with a master’s degree who works at a nonprofit in Detroit, shared a similar experience, describing the impossibility of getting back to work after the pandemic without more child care availability:

“The only options [for jobs are] maybe third shift at the [automotive assembly plant], but what child care facility is open to watch my child third shift at [the plant]? There’s a lot of gaps in the services when it comes to child care and getting mothers back to work.”

CHILD CARE IS OFTEN TOO FAR
Parents reported the stress of balancing morning commutes from home to child care to work, especially when multiple child care drop-offs were involved. One White mother from Emmet County, Ellen, had once been offered a well-paying job at a child care center, but it had room for only one of her children. Her other child would have had to go to another daycare 30 minutes away. Ellen reflected: “So, I was like ‘but is it really worth it?’ ... So I couldn’t accept that job.” Parents also want to be near their children’s care
centers in case of any problems. Samantha, a 35-year-old White mother in Emmet County, shared, “You don’t want to drive more than 15 miles or 10 miles because you want to be able to get there in an emergency, quickly. I worked far away anyways, so if there was an emergency, I would have to try to get someone else involved to pick [my child] up.”

THE CHALLENGES OF APPLYING FOR THE CDC SUBSIDY CAN OUTWEIGHT THE BENEFITS

Many parents face a “catch-22” when trying to meet qualifying criteria for the CDC subsidy

In order to receive a CDC subsidy, a parent must meet at least one of the qualifying criteria: be employed, be working toward completion of high school, be engaged in a family preservation activity (for example, a counseling program), or be engaged in another approved activity (including for example, attending college, university undergraduate education, or employment training). The most common qualifying criteria met, and by far the one most accessible to most applicants, is employment. Unfortunately, many parents describe being caught in a “catch-22” in which they need a job before applying for child care assistance, but can’t obtain, begin or maintain that job unless they have child care – which requires financial support. It can take 45 days or more for MDHHS to process an application for the CDC subsidy.13 For a parent trying to find employment, this wait time puts them in a difficult position. Thirty-year-old White mother with some college, Samantha, from northern Michigan told us:

“For me, to get child care for me to be able to work, I have to already have a set-in-stone [work] schedule for MDHHS. And they need a schedule in advance. But I can’t get a job and then tell [the employer] “oh wait, I gotta wait 45 days for [MDHHS] to approve my [child care] hours before I can even start to work.” No employers will actually hire me.”

Parents find the application process for the CDC subsidy isolating, arduous, and discouraging

Many of the parents we interviewed had been discouraged by what they felt were extensive paperwork requirements as part of the CDC subsidy application. Parents explained how the complexity of the application process, the quantity of personal documents required, and the burden of needing to reapply periodically to maintain eligibility were barriers to accessing the CDC resources, particularly for families already dealing with other significant life stressors.

To become eligible for the subsidy, parents must submit documentation including proof of income, value of their assets, marital status, evidence of receipt of child support (if applicable) and more. For parents, many of whom are already applying for other public benefits, gathering the necessary paperwork and communicating across agencies can be an overwhelming experience. Indigo, a 35-year-old White mother from Emmet County with a bachelor’s degree, explained that even though she has received other government benefits, she’s “never actually gotten any child care subsidized or paid for by the State.” She explained:

“The qualifications, like on top of being on a waitlist up here, you have to get [the child care provider] to fill out the form... [and] the daycare has to be willing to put in the work, and the State has to be willing to get back to them in time.”

In addition to the process parents go through to apply for their subsidy the first time, parents must reapply for the benefit every year – a frequency many interviewees found overly burdensome.

Increasing reliance on web-based applications puts many parents at a disadvantage

Prior research by Poverty Solutions indicates that the lack of access to broadband services or even a computer tends to be most prevalent in the northern and more rural areas of the State.14 With increased reliance on self-service tools such as MiBridges for application processing, families without reliable access to the internet or a computer often face an added barrier to accessing the CDC subsidy and other benefits. Filling out online benefits applications on a cell phone is challenging, shared Annie, a 51-year-old White executive director to a regional nonprofit that supports eight counties including Washtenaw County, who has master’s and law degrees.

Distrust of government deters families from applying

Applying for the CDC subsidy, similar to the application process for all government assistance, requires the applicant to share information about their life, family, income, housing, and employment with the MDHHS. In addition to the challenges of gathering the documents related to this information, many participants across all racial groups were hesitant to share this information with the government. Sometimes this hesitancy extended from worrying about what would be shared with specific government offices, but other times, there was a general distrust of the government. Annie, introduced above, attributed some of this distrust to political values, sharing:

“We have some pretty conservative counties, and so I think there are people in those counties who won’t apply because of distrust of the government, and you know, ‘I don’t want to be on the dole’...attitudes like that.”

When asked about distrust of the government, Susan, a 67-year-old White woman with a master’s degree who is the director of an initiative that mentors parents of young children, described the following exchange in one of her training sessions:
“[O]f the seven trusted parent advisors, six of them are Black women and one woman is Middle Eastern and speaks Arabic. And we were talking about something, and one of the trusted advisors said to me, “You don’t understand, every Black woman in this county thinks that you as a White woman and anyone else connected with a system is just trying to take their kids away.”

This exchange illustrates the racial dynamics inherent in interactions between those who represent the government – whether because they work for the State or because they are associated with government subsidies – and those who apply for government assistance. This tension is especially present for marginalized groups with historic reasons to distrust particular branches of the government, such as the distrust among Black communities of the child welfare system, as shown in Susan’s vignette, or, as we describe next, the distrust among immigrant communities of the Department of Homeland Security.

**Immigrant families face additional barriers**
Immigrant families face unique barriers to applying for the CDC subsidy. Many members of immigrant communities may primarily speak a language other than English and find it difficult to navigate webpages, documents, and interactions in a non-native language. Immigrants face a complicated web of eligibility requirements for most government assistance, often being eligible for some assistance programs, but not others, depending on their immigration status. This eligibility can also change from one presidential administration to the next and can even vary within families, including among children. While access to the CDC subsidy is based on children’s citizenship status, not that of the parent, navigating which services the parent, versus the children, are eligible for, in a second language, on a mobile device or with an English-speaking social service representative, while obtaining documents related to income and identity, may prove too laborious for immigrant families.

Further, in many immigrant communities, there is a well-documented undercurrent of suspicion that interactions with any branch of the government may alert the Department of Homeland Security to one’s presence in the U.S. This could put undocumented workers at risk of deportation. Ashley, a 33-year-old, White, non-binary woman with a master’s degree who works in Wayne County with immigrant families, confirmed that this suspicion was something the community experienced, even though they hadn’t encountered a situation in which it was true:

> I don’t know that this was actually a case, but there’s definitely stories of like, “after filing my taxes, immigration agents knew where I lived and came to pick up my husband” or something like that.

Lastly, for many in immigrant communities, much of the exchange of goods, resources, and care occurs outside of formal systems. These exchanges are often simpler and easier to navigate among others from the same country of origin, who understand their cultural preferences, who speak the same language, and with similar aversions to government tracking. Jennifer, a 40-year-old White mother with a master’s degree working as an early intervention social worker in Washtenaw County, described:

> “People are doing things very informally, as opposed to having someone from the State coming in. I mean, working for Head Start, I know about all of the requirements to be a licensed school or center. You have to have the handbook, [be limited to only so many] kids in a room, and things like that. I don’t think most people would want that coming into their home when they’re just [working] informally with people in their community or through word of mouth, just like dropping the kid off and not having to worry about all that stuff.”

These interpersonal exchanges, unregulated by the State, are often both easier and cheaper. While the draw of informal, less expensive child care is strong for parents, this often results in decreased child care quality that can be dangerous to children. Donna, a White woman who works with parents in a predominantly Latino community in Detroit, shared that sometimes informal child care providers would charge only $10 a day for child care:

> “[You] can’t compete with that as a normal daycare center. If you’re a family that makes $10 an hour, that sounds doable, but then what kind of quality your kid’s getting and are they safe?... I’ve done door knocking before and I walked in on a 12-year-old holding a baby and a lady in the back cooking.”
Donna went on to describe her own effort to find inexpensive daycare, and how it resulted in delayed development for her first child:

“\[Annie said,\] ‘And so we had a friend of friend who watched kids ..., and they just watched soap operas with her and she would leave [my son] in his car seat so much so that he was ten months old and couldn’t roll over. That’s not okay. And I have [lots of] mom guilt about it because, with my second, he went right into a real daycare. And I can see the difference.’”

Those with tenuous relationships with co-parents avoid applying for the subsidy

Parents who had tenuous relationships with co-parents find it especially difficult to apply for the CDC subsidy and often avoid doing so. Sometimes, parents wouldn’t be in communication with the other parent and did not want to answer questions about a parent with a minimal or even harmful presence in their children’s lives. Other parents had verbal agreements of child support and knew that their application would require some sort of formalization of child support payments. Annie, the executive director introduced previously, shared similarly:

“So one big [barrier] that comes up a lot for our families is the connection between the CDC subsidy and ... child support. Essentially that [the CDC subsidy application] requires that both parents be listed, and that anytime a parent applies, if there’s no formal support order in place, it automatically boots over to the other system to try to resolve the child support issue. And then they’re in limbo for the CDC subsidy until that gets resolved.”

Relationships that involve domestic violence further complicate the application procedure. Fleeing a violent home may result in residential instability, including the loss of a steady phone number or mailing address and related challenges to keeping track of the physical copies of one’s personal documents. These complications make it even more difficult to maintain contact with social workers or agency representatives supporting application procedures. As Annie said,

“[Families] don’t want to be on the record with the court system, or there’s a domestic violence situation and they don’t want the other parent to be involved at all in any of this stuff.”

The requirement that child support be paid – which required interaction between parents – meant those who fled violent relationships were unlikely to apply for the subsidy.

Providers found CDC certification process challenging and feared that changes in parental eligibility would leave them uncompensated

It is not only families who face challenges to accessing the CDC subsidy. Providers explained that it could be difficult to obtain the information necessary to become eligible to receive the subsidy. Similar to the experiences of families, providers often felt it was hard to find a person with whom they could talk through the process of becoming eligible. Resources online, some felt, could be overwhelming to sift through on their own. Jenna, a 43-year-old White woman with a bachelor’s degree and a former child care worker now working for a statewide nonprofit that supports the child care industry, recalls having a real “fear of messing up” when working in a child care center, trying to follow program guidelines and requirements, and worrying what the consequences might be if she did make a mistake.

For some providers, the complexity of the application process, the necessary documentation they would have to provide, and the investment they would need to make in the quality of their services presented costs that outweighed the benefit they might receive from the State’s subsidy program. This is particularly true for license exempt providers for whom reimbursement rates tend to be lowest.

Families must recertify their eligibility for the child care subsidy every year (a welcomed change from the previous six-month certification requirement). Once a family is authorized to receive the subsidy, they generally remain eligible for the entire year, even if their income or situation changes. Changes in work status, shifts in family structure, and fluctuation in aid received from other government programs are some of the various reasons a person might lose their CDC subsidy at the end of their eligibility year. In some cases, parents who lose eligibility unexpectedly find it impossible to pay a provider for care without the State’s financial support. Providers will then be in a difficult position to either forgo the expected income or press the parents to find the funds for payment in some other way. Hoping to avoid this challenging scenario, some providers avoid accepting the child care subsidy altogether, even using the subsidy to screen out families. The serious shortage of child care slots compared to the incredibly high demand only strengthens the ability of providers to be selective about which types of clients they will serve, a trend that tends to hurt those who need care most.

POLICY RECOMMENDATIONS

Child care is an essential part of economic development and post-recession recoveries, particularly for parents with low incomes. The importance of child care continues to be recognized both globally and nationally.

While the CDC subsidy supported many struggling families, as this work shows, many others were unable to access the
benefit. In light of the study’s findings, we provide the following recommendations.

1. **Continue to concentrate resources and efforts on increasing the supply of both licensed child care centers and license exempt providers.**

   The most significant challenge for parents searching for child care was simply the lack of available, affordable options. With 3.78 children for every available child care slot, efforts to make the CDC subsidy more accessible will continually fall short if the supply-side problem of the lack of child care is not addressed. This past spring, the State began investing $100 million to open businesses for 500 new child care providers each year for the next two years. This is a step in the right direction, and both MDHHS and MDE should work to ensure this effort remains on track and has the support it needs to meet its ambitious targets.

   One way to increase available child care options is to provide more support to license exempt child care providers. License exempt providers can provide child care for up to six children in their home or a child’s home, depending on circumstances and conditions. In many cases, supporting those already providing child care to apply to the CDC program or attend training can be simpler and more cost efficient than creating new child care infrastructure. Further, for many families, especially those with specific cultural and linguistic preferences, license exempt child care providers were preferable to child care centers.

2. **Promote live support services that help families apply for the CDC subsidy**

   Many parents we interviewed felt as though there had become an over-reliance on self-service, web-based tools. While the use of online tools can be very helpful for many, others have limited access to computer and internet services or simply prefer person-to-person interaction. Many parents explained their difficulties in reaching a “real person” in a timely fashion to answer questions about their application and were eager for opportunities to sit down with someone and walk through an application face-to-face.

   MDHHS could do more to communicate more broadly and frequently about where residents can get assistance with applications. Additionally, MDHHS, MDE, and other community organizations could host in-person events, such as an “access fair,” where parents could sit with someone to complete an application for the CDC subsidy. Similarly, the State and its partners could provide more live and in-person support for providers seeking information and help in applying to accept the CDC subsidy as payment.

   Additionally, many community organizations and libraries offer computer and internet services or even technical assistance with applications for public assistance. Yet over the past three years, the pandemic has made such resources much less accessible, with some community organizations left severely understaffed and others choosing to continue to provide services remotely.

3. **Any reduction in approval paperwork – for parents and providers – is advantageous**

   Paperwork and other necessary ordeals applicants must complete in applying for public benefits is often referred to as an administrative burden. There are many legitimate reasons for asking applicants to verify critical information, such as income and household composition, to ensure they meet requirements/rules imposed to distribute limited resources for public programs. But most often, administrative burden tends to be most onerous for those most in need of public assistance. This, combined with the fact that low-income groups and people of color have long faced discrimination and unnecessary barriers to access to life-sustaining resources, means administrative burden tends to reinforce societal inequities.

   Both parents and providers found the CDC subsidy application process daunting, especially if the application process was in a second language. In 2018, the State worked with Civilla, a human-centered design firm, to create a more simplified, online, self-service application for the suite of public benefits the State offers. The effort was successful in simplifying the process to emphasize the most critical information, using more accessible language, and outlining clear steps for each part of the process. The effort also took care to respond to feedback from residents and caseworkers regarding their experiences applying for public assistance. This was, again, a positive step toward supporting tired, stressed, and hard-working parents who make up the CDC subsidy applicant pool.

   Yet further reduction in required application materials would continue to make the application process more welcoming. Specifically, the requirement that both parents be listed on the application – and that all child support payments be up to date – seemed to discourage a number of mothers from applying. Similarly, the re-certification period of one year, while far better than the previous period of six months, was burdensome to families in changing circumstances and still short enough to serve as a deterrent for child care providers, who often provide care for the same children for more than a single year. Any efforts to extend the recertification period would certainly be welcomed.

4. **Address the tension parents face between meeting qualifying criteria for the subsidy and needing care to meet the qualifying criteria.**

   The “catch-22” of needing to find child care to get a job but being unable to find a job without child care is critical. MDHHS states that applications will be approved or denied within 30 days. Strategies to shorten this wait time should be considered and supported. Relatedly, MDHHS should consider shifting qualifying conditions from employed to actively searching for employment to allow parents to search for work after receiving the subsidy.
5. Pursue long-term, innovative ways to sustain increased pay for child care workers

While there are many steps that should be taken to support parents and child care providers as they attempt to utilize the CDC subsidy, long-term, ambitious, and innovative strategies to increase pay to child care workers should also be pursued.

The providers we interviewed described the ongoing challenge they face in attempting to attract and retain quality staff, pay workers living wages, and, at the same time, keep rates affordable for parents. They explained their passion for caring for children and their deep desire to support families who need care, with the common refrain that they “never entered the profession for the money.” Providers had even cared for children for free because of parents’ inability to pay. But for too many child care workers, it had, at some point, come time to leave the profession to earn more livable wages elsewhere.

As Figure 1 shows, child care employment decreased sharply at the onset of the COVID-19 pandemic and, while recovering slowly, still lags far behind employment in the US overall. Low wages are a large part of the problem. Statewide, low wages have led to child care staff turnover rates of up to 30%.22 And in a survey conducted by the National Association for the Education of Young Children in the summer of 2021, 80% of child care centers reported that staff shortages meant they could serve fewer children than they otherwise could, with the vast majority of respondents blaming low wages as the primary recruitment issue.23 Fewer child care slots overall mean there are even fewer slots available that accept the CDC subsidy from parents with low incomes.

By pay, child care ranks in the second percentile of all occupations, and workers rarely receive benefits.24 The median hourly wage for a child care worker in Michigan in 2019 was about $11 an hour and nearly 20% of Michigan’s child care workers lived in poverty.25 Due to the history of racism and sexism in America and the fact that child care has historically been provided by women of color, child care has long been devalued in our country.26 Still today, child care workers are disproportionately female and workers of color;27 and the undervaluation of these critical roles perpetuates inequities. Nationally, an increase in minimum wage to $15 an hour would increase the pay of an estimated half a million child care workers, specifically benefiting Black and Latina women.28 Another possible strategy would be to implement a statewide wage scale that compensates workers for increased experience and credentials and makes early childhood education a more competitive career choice.29 Existing public funding is unlikely to support living wages for child care workers in the long run. The State and municipalities should consider a mix of strategies for raising the required funds that combine funds from a variety of sources potentially including tax revenue and philanthropic dollars.30

CONCLUSION

It is well established that the U.S. lags behind many countries in child well-being. The Lancet medical journal ranked 180 countries on a "child flourishing index" that combines data on factors including child survival rates, years of school completed, teen birth rates, maternal mortality, prevalence of violence, children’s growth and nutrition, and more. The U.S. ranked 39th. The top-ranking countries had "superior systems" for connecting young children
to quality early childhood educational healthcare compared to those ranked lower. Experts purport that systemic restructuring of the early education infrastructure in the U.S., such as providing universal child care, would be necessary to dramatically increase the well-being of U.S. children.\textsuperscript{31, 32}

Child care is an essential part of economic development and can play a major role in addressing social inequities. While Michigan has made some positive strides toward increasing access to the Child Development and Care subsidy, focusing efforts on addressing the absence of available child care, decreasing application challenges, and increasing application accessibility will support the growth of healthy, stable families in the years to come.

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ENDNOTES


13. Ibid.


