

## Executive Summary

This paper examines the major reasons for subsidized child care receipt among current and former welfare recipients in Harris County, Texas, between mid-1995 and mid-1999. For the most part, poor people receive subsidized child care because of either employment or engagement in workforce development activities. The time period of the study was chosen so that significant periods before and after welfare reform could be observed. The welfare reforms that were enacted during this period included the Federal Personal Responsibility and Work Opportunity Act (PRWORA) legislation and the Texas legislation that resulted in the state's welfare waiver, known as the "Achieving Change for Texans" (ACT) waiver.

This document reports on the estimation of a statistical model developed to determine the factors associated with the likelihood of employment (as opposed to training) as well as earnings, for recipients of subsidized child care who were current or former welfare clients. The model has previously been applied in Miami-Dade County, Florida for the period March 1996 to February 1998 and in the state of Massachusetts for the period July 1996 to August 1997. The primary purpose of fitting the model to data from Harris County is to test the generality of the model by comparing the results of fitting the model in this time and place to the results from the other two locations and time periods.

As a necessary condition of receiving subsidized child care, one must either be employed or engaged in some other activity that makes one eligible. Among the unemployed, the most common reason for receiving subsidized child care is participation in workforce development activities. For those contemporaneously receiving Temporary Assistance for Needy Families (TANF, formerly Aid to Families with Dependent Children, AFDC), these activities would be provided by the Choices program (formerly the JOBS program). Among the non-TANF unemployed, the Job Training Partnership Act (JTPA) would provide eligible activities, the Workforce Investment Act (WIA), and Food Stamp Employment and Training (E&T). Advanced statistical techniques were

used to identify the variables associated with the likelihood that recipients of subsidized child care would be employed as opposed to receiving workforce development services.

Our findings can be summarized as follows:

- (1) Policy changes such as welfare reform, funding levels, and changes in administrative organization were shown to have predictable influences on employment and earnings.
- (2) Personal attributes such as a client's number of children, age, and employability were also shown to influence employment outcomes.
- (3) Employment growth in the economy influences employment and earnings of subsidized child care recipients.

**Policy.** It was discovered that both welfare and child care policy are important predictors of employment. Variables modeling various aspects of PRWORA and ACT waiver were generally significant and of the expected sign. Other dimensions of significant policy influence included co-payment levels, devolution of administration, funding levels, the earned income tax credit, and the implementation of diversion programs.

**Personal Attributes.** It was found that the personal attributes of the casehead and the casehead's family also mattered. The results shown here, combined with the previous results, indicate that most of the socio-demographic variables that influence employment and earnings do so in similar ways in the three sites. Age, race, number of children, education, gender, and employability were significant predictors of employment and earnings in most of the specifications in all three papers. This similarity was found even though the populations and policy environments differed substantially between the sites.

**The Economy.** Including employment growth rates for selected industries in the statistical model tested the influence of the economy. Results indicated that employment growth in the non-durables manufacturing industry induced a greater probability of employment and increased earnings among those employed. In contrast, growth in the Services industry was not related to the probability of employment, but was significantly associated with *decreased* earnings. This outcome can probably be attributed to shorter hours and lower wages prevalent in the Services industry.