

The ABCs of Child-Care Politics

By Douglas J. Besharov

This article originally appeared in The Wall Street Journal, March 9, 1988

In Congress right now, members of both parties are rushing to "do something" about the child-care crisis. Unfortunately, the bill most likely to pass will not help low-income families as much as the middle class, who will get another entitlement of dubious social necessity.

The spark for this legislative activity is the Act for Better Child Care Services (the "ABC" bill), which was drafted by a 107-member coalition of child-care providers and advocates. Introduced last November by Sen. Christopher Dodd (D., Conn.) and Rep. Dale Kildee (D., Mich), the bill now has 23 co-sponsors in the Senate and 155 in the House. It would give grants to states for expanded child-care services to families earning up to 115% of the median income. Two and a half billion dollars are authorized for the first year and, after that, "such sums as may be necessary."

Backers of the ABC bill reportedly expected opposition from conservative Republicans and, possibly, a Reagan veto, thus creating an instant women's issue for the '88 election. But conservatives recognized the potential threat to their support among middle-class women and, suppressing their traditional fear of big government, in a family matter no less, either are supporting ABC or coming up with cheaper alternatives.

The key Republican bill was just introduced by Sen. Orrin Hatch (R., Utah) and 15 other senators, together with Rep. Nancy Johnson (R., Conn.) and 22 other House members. Their Child Care Services Improvement Act would provide about \$300 million a year to expand day-care programs, give tax breaks to firms providing child-care services for employees, and set up insurance pools to lower liability costs. Among Republicans, says a House staffer, support for the bill is "increasing by the hour."

A compromise between the Dodd-Kildee and Hatch-Johnson camps could ensure a virtually veto-proof bill. But good politics will result in bad social policy.

The rapid increase of women -- including mothers -- in the paid labor force is one of the most significant social changes of the past two decades. There is a great -- and growing -- need for child care, and the cost strains many tight family budgets. But an across-the-board federal subsidy is not the way to help low-income families.

The eventual cost of a national child-care subsidy could be staggering. Median parental expenditures for child care are currently about \$2,000 a year. The cost of a full subsidy to the roughly 16 million eligible children of working mothers would be about \$32 billion.

That's only a minimum price tag, though, because both the ABC and Hatch bills would actually drive up child-care costs. To improve the quality of child care, the bills require the adoption of licensing standards, which will undoubtedly include lower staff-to-child ratios and other expensive requirements. Edward Zigler, one of the nation's pre-eminent academic experts on pre-school programs, estimates that a government program to provide quality child care would cost between \$75 billion and \$100 billion a year. That's almost 10% of total federal expenditures.

Given fiscal realities, annual appropriations in the \$1 billion to \$4 billion range are more likely for the foreseeable future. If these funds are not targeted, they will be spread too thin to help anyone -- a \$1 billion expenditure works out to only about \$60 per year per child. The criterion for evaluating any federal child-care program, therefore, is whether its benefits are directed to those in greatest need.

Both major bills now before Congress fail this test. Their subsidies will go to middle-class rather than low-income families, while driving up the price of child care for all families.

The ABC bill, for example, sets eligibility at 115% of the median income of families of the same size. That would create a national income cap of about \$33,908. But the bill sets eligibility by state medians, so that many states are capped at considerably higher amounts. Furthermore, the bill does not guarantee low-income families a minimum percentage of appropriated funds, as do many other federal programs. It merely requires that state plans "give priority for services to children with the lowest family incomes." The Hatch bill provides no income cap.

This should not be surprising. A desire to help the disadvantaged would be better accomplished by spending more on existing federal child-care programs, such as Head Start. But liberal Democrats want a program that also appeals to middle-class mothers, an important constituency. And that's why -- against their basic instincts -- Republicans are also on the child-care bandwagon.

Defenders of both bills rightly point out that they call for a sliding scale of subsidies. But even a relatively steep scale, doubtful given the politics of the situation, would give most funds to higher-income families. That's because these families are more likely to buy child care from day-care centers -- the providers to be subsidized the most.

According to the Census Bureau, 31% of college-educated (and thus wealthier) women with children under five use day-care centers, compared with only 15% of women without a high-school diploma. About 55% of this latter group relies on relatives to care for their children, and 62% of women who use relatives pay nothing. Few of these low-income mothers are likely to switch to center-based programs where they will have to pay a subsidized -- but still significant -- fee.

When they do not use relatives, most mothers pay to have their children cared for in their own home or someone else's. This home-based care will not be subsidized by the bills unless the home meets the newly imposed licensing requirements. Even if these informal providers qualified for aid, it's unlikely that much money will be allocated to them. They have little

political clout, and many are in the underground economy to avoid taxes.

This new child-care benefit will be as inappropriately targeted as the current \$4 billion Child and Dependent Care Tax Credit, which also is based on what parents spend for child care. In 1983, less than 1% of benefits went to families with adjusted gross incomes below \$10,000; only 16% went to families with adjusted gross incomes below \$15,000.

The new subsidy is needed, it is argued, to make quality child-care affordable. But the vast majority of working mothers do not fit the stereotype of the low-income mother working long hours to make ends meet. Two-earner families, for example, had a median income of \$38,346 in 1986; "traditional" two-parent, one-earner families, \$25,803.

Government policy can and should be more supportive to working mothers. But at a time when most social-welfare programs are feeling the budgetary pinch, should a subsidy go to two-earner families that, on average, earn half again as much as traditional, one-earner families? The latter group, which is one-third larger, includes mothers who sacrifice their own careers to care for their children or an elderly or sick relative.

And while divorce, separation and out-of-wedlock births have combined to impoverish nearly four million female-headed families, most single, working mothers are not in such dire straits. We frequently hear that in 1986 female-headed families had a median income of \$13,647. That figure, however, includes families on welfare. The median income of single mothers who work full time was \$21,958. Twenty-four percent earned more than the median income of traditional, one-earner families.

Recognizing these realities, many social analysts reject a generalized federal child-care subsidy in favor of financial assistance for all low-income families. The fairest and most efficient vehicle, most agree, is tax relief.

While the Tax Reform Act of 1986 lessened the tax burden on all low-income families and almost totally removed the working poor from the federal income-tax rolls, taxes still take an unreasonably big bite from the paychecks of low-income families. And things are getting worse as the Social Security levy continues to rise. This has led to proposals for further tax relief through (1) increasing the personal exemption to offset the reductions in its value caused by inflation, (2) universalizing the Child and Dependent Care Tax Credit so that it benefits all families, including those where the mother stay home to care for their children, or (3) expanding the Earned Income Tax Credit and varying it by the size of the family.

Ideas such as these have long been liberal favorites. Now, they are being raised by GOP opponents of both the ABC and Hatch bills. These Republicans have even come up with a way to pay for this tax relief: Place an income cap on the Child-Care Credit, so that it is no longer available to higher-income families.

So far, the Democratic response has been cool. That's too bad, because tax relief would do more to help low-income families -- whether or not the mother is working -- than any federal

child-care bill now on the horizon.

With bipartisan leadership, the middle class might be persuaded to forgo a new child-care subsidy and to support financial assistance to those who need it most.

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