



## REGULATION AND THE COST OF CHILD CARE

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The Obama administration recently proposed an \$80 billion initiative to expand the Child Care and Development Fund, which provides state grants for child care development assistance programs. But expanding existing subsidized programs is not the only tool available to policymakers. Removing costly regulations of the child care industry could provide greater benefits to all families by lowering the cost of care without sacrificing quality.

A new study for the Mercatus Center at George Mason University finds that regulations intended to improve the quality of child care often focus on easily observable measures, such as group sizes or child-staff ratios, that do not necessarily affect the quality of care but do increase the cost of care. These regulations can have unintended consequences, including increasing the cost of child care while decreasing the wages of child care workers. Eliminating regulatory standards that do not affect the quality of care while focusing on those that do, such as teacher training, will improve the quality of child care while making it more affordable to low-income families.

To read the study in its entirety and learn more about its authors, economists Diana W. Thomas and Devon Gorry, please see [“Regulation and the Cost of Child Care.”](#)

### REGULATORY IMPACT ON LOW-INCOME FAMILIES

Low-income families are often priced out of the market for child care because of the high price of care:

- [A previous study](#) finds that all women, but single mothers in particular, base their decision about whether to seek employment or apply for welfare on the price of child care. The same study finds, for example, that a 1 percent increase in the price of child care results in a decrease in employment of single mothers of between 0.3 and 1.1 percent. It also finds that the probability of a single mother becoming a welfare recipient increases as child care costs rise.

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- As child care costs increase, single mothers find it more difficult to remain in the workforce. This limits their income and increases government transfer payments. These findings highlight the fact that costly regulations should only be implemented if they have a significant effect on quality.

To lower the cost of child care while improving its quality, policymakers should refocus regulation on real measures of quality to make it easier for low-income households to access child care services. Changing some child care regulations, such as group size limits and child–staff ratios, will not significantly affect the quality of care.

## KEY FINDINGS

### **Regulation Is Associated with Higher Child Care Costs**

- Increasing the child–staff ratio by allowing more children per teacher reduces child care costs across all models tested. For example, an increase in the child–staff ratio requirement for infants by one infant is associated with a decrease in the cost of child care of between 9 and 20 percent across all models, which would reduce the annual cost of child care by between \$850 and \$1,890 per child across all states, on average.
- Requiring lead teachers to have at least a high school diploma is associated with an increase in child care costs for infants of between 25 and 46 percent, or between \$2,370 and \$4,350 per year, per child. The cost of care for four-year-olds shows a similar effect, with a high school diploma requirement raising costs by between 22 and 40 percent. Teachers with more education may or may not have the training to provide excellent child care, however.

### **Not All Measurements of Care Quality Are Equal**

Child psychology literature measures quality of care using two different types of analysis:

- Structural measures evaluate easily observable features such as group size, child–staff ratios, teacher education and training, safety, staff turnover, and program administration. The quality of a child care provider is usually measured in terms of these easily observable structural measures of the environment, but not all these measures of quality actually affect child care outcomes such as social development, language skills, or academic skills.
- Process measures evaluate the quality of interactions between teachers and children, which are more difficult to observe but are more closely related to positive child outcomes and are better indicators of quality. Because these aspects of care quality are difficult to measure, they are also difficult to regulate, but they can be influenced by the quality of teacher training (not the quantity).

Regulation often focuses on the easily observable measures found in structural characteristics. But structural measures often do not affect the actual quality of the interactions between children and teachers. Policymakers must focus on measures that do, in fact, affect the quality of care.

### **Teacher Training Matters the Most for Quality of Care**

Across all empirical studies, the key variable for improved childhood development outcomes is a teacher's training in early childhood education:

- Studies confirm that caregiver training is a more important indicator of quality, in terms of the interactions between staff and children, than child–staff ratios and group size requirements. Better-educated teachers, who may be better paid, provide better care.
- **One study finds** that the education of a child care facility's director has the most significant effect on the safety of the children.
- **Another study finds** that the type of education that matters most is that caregivers have taken a college-level class within the last year that focused on early childhood education.

### **Regulation Has Unintended Consequences**

Because higher costs of care are associated with regulation, policymakers should be careful to consider the tradeoff between quality and price, which can lead to unintended consequences:

- Group size limits and low child–staff ratios reduce staff wages because more staff is required to provide care to the same number of children.
- Regulation may deter the most qualified teachers from working at child care centers, and thus have a detrimental effect on overall quality of care.

### **CONCLUSION**

Given the high costs and the low benefits of many restrictive child care regulations, such as child–staff ratio requirements, policymakers should rethink certain regulations of the child care industry in order to make child care more affordable to low-income parents. Child care regulations should focus on improving the quality and outcomes of child care, not on strict child–staff ratios and group sizes.