



# Briefing Paper

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## PENNSYLVANIA CHILD CARE WORKERS FACE HEALTH INSURANCE CRISIS

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### Summary

It is widely suspected that few child care workers obtain health benefits through their job and that this contributes to high rates of turnover that undermine the quality of early childhood education. To date, however, no definitive data exist on the extent to which child care workers do, in fact, obtain health benefits from their employer. This report uses the U.S. Bureau of Labor Statistics' Current Population Survey to fill this information gap for Pennsylvania and for the United States.

- Sixty percent of Pennsylvania workers obtain health insurance through their employer, but only 25 percent of Pennsylvania workers in the child care industry do. Only one in 16 Pennsylvania child care workers obtains *family* health insurance through their job compared with one in three for all workers.
- Twenty-five percent of Pennsylvania child care industry workers have no health insurance at all, compared with 11 percent of all Pennsylvania workers.
- Across all industries, a smaller share of Pennsylvania than U.S. workers lacks health insurance; but a *higher* share of Pennsylvania than U.S. child care workers lacks health insurance.
- Although the overall Pennsylvania health insurance picture has improved since 1993-95, the share of Pennsylvania child care workers without health insurance has risen from 21 to 25 percent.
- Even when child care workers obtain employer-provided health insurance, the level of employer contributions is only a little over half of the average employer contribution for all employed Pennsylvania workers — \$1,681 versus \$3,129.
- The number of uninsured child care workers would be even higher except for the fact that 42 percent of Pennsylvania workers in child care obtain health insurance as a dependent on someone else's plan (e.g., a spouse).

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- Health insurance is especially critical to child care workers because of the risk of disease and injury on the job and because their health problems may put children at risk.

To help fill the health insurance gap for child care workers, Pennsylvania should:

- Use tobacco settlement dollars to expand health insurance for all low-income adults, enabling more child care workers to afford a basic health care package; and
- Establish a subsidized purchasing pool that enables child care employers (and possibly other human service providers) to obtain better deals from health insurance companies.

### Background

Nearly two-thirds of all children under the age of five are placed in some kind of child care. Yet the quality of child care in the United States is uneven at best. A study of 50 child care centers in four states found that "most child care is mediocre in quality, sufficiently poor to interfere with children's emotional and intellectual development."<sup>1</sup> A study of home-based providers concluded that 9 percent deliver good quality care, 56 percent "adequate care," and 35 percent "growth harming" care.<sup>2</sup>

Low wages are partly responsible for low quality. These lead to high turnover that severs the relationship between children and those who care for them. In Pennsylvania in 1999, the average annual wage in the child day care services industry was \$12,740.<sup>3</sup> In the same year, workforce turnover ranged between 31 and 51 percent for major child care occupations.<sup>4</sup>

In addition to low wages, inadequate health benefits contribute to high turnover. Prior studies have shown that only three out of five Pennsylvania child care centers offer health benefits even to full-time employees. Less than one in three centers offers full family health benefits.<sup>5</sup>

Even when child care employers offer health benefits, industry observers believe that many employees do not take the insurance because of requirements that they contribute substantially toward insurance premiums. These employees either cannot afford the insurance or obtain health care more cheaply through other channels, including as a dependent on a spouse's plan.

Health insurance is especially critical to child care workers because of the increased risk of infectious disease and injury inherent in caring for young children. If child care workers do contract infectious disease or suffer injury, they may also put children at risk. Reflecting these realities, national standards for health and safety in child care require that all staff members who work more than 40 hours per month have a health appraisal before their first involvement in child care work and every two years (or less) thereafter.<sup>6</sup>

## Purpose of this Briefing Paper

While it is widely believed that only a small percentage of child care workers actually obtain health insurance through their employer, no research has estimated this percentage. Nor has any research pinned down how many child care workers lack health insurance altogether. This briefing paper fills this knowledge gap. It presents a comprehensive picture of the health insurance situation of child care workers in the United States and Pennsylvania. The health insurance status of child care workers is compared to that of all employed workers, elementary school teachers, and workers in other low wage human service industries and occupations. Our analysis of health insurance coverage relies on data from the Bureau of Labor Statistics' Current Population Survey (CPS). In the annual March supplement of the CPS, survey respondents are asked a battery of questions about health insurance coverage. This supplement is the source of the most widely cited state-level estimates of how many people are uninsured or obtain health insurance from an employer or through a government program. (State-level estimates are on line at <http://www.census.gov/hhes/hlthins/historic/hihist4.html>.)

In addition to health insurance status, the March supplement of the CPS asks about workers' industry and occupation. This makes it possible to generate industry- and occupation-specific estimates of health insurance status. While this rich data source exists, earlier studies have only mined it to examine the health insurance picture in broad industries.<sup>7</sup> No one, to our knowledge, has honed in on child care specifically, at the national level or within particular states.

## Methodology

For Pennsylvania, to increase the sample size and improve the reliability of our estimates, we pool three years of CPS data – 1997 to 1999.<sup>8</sup> We create a child care industry category by combining “child day care services” (CPS industry code 862) and “family child care homes” (CPS industry code 863). In Pennsylvania, there are an estimated 35,585 people in this combined industry category.

We compare the health insurance situation of workers in the child care industry with that of

- all employed people aged 16-64,<sup>9</sup>
- workers in “nursing and personal care” (CPS industry code 832) and
- workers in “residential care” (CPS industry code 870).

To create a child care *occupation* broad enough to generate reliable estimates, we construct “child care workers” from five separate CPS occupations – early childhood teacher’s assistants, private household child care workers, family child care providers, administrators in the child care industry, and child care workers not elsewhere classified.<sup>10</sup> In Pennsylvania, based on the CPS, we estimate that there are 52,276 people in our aggregated child care worker occupation. (This substantially exceeds the number of child care industry workers. Why? Because child care

workers in non-profits – such as religious organizations and the YMCA— and on-site at corporations may not be considered part of the child care industry and may instead be classified based on the primary activity of the organization housing the center.)

We compare the child care worker occupation with two other CPS occupations:

- “nursing aides” (which includes aides, orderlies, and attendants), and
- “elementary school teachers.”

### Findings

Tables 1 and 2 present our first results.<sup>11</sup> Table 1 compares the Pennsylvania insurance picture to neighboring states. Table 2 contains health insurance coverage rates for the U.S. and Pennsylvania by industry.<sup>12</sup>

Table 1 shows that a far higher proportion of the Pennsylvania population has health insurance than does the U.S. population.

- While 15.5 percent of the U.S. population lacks health insurance, only 9.4 percent of the Pennsylvania population does.
- A lower percentage of the total population in Pennsylvania lacks health insurance than in all of our neighboring states (see also Figure 1).
- A higher percentage of working persons aged 16-64 in Pennsylvania have health insurance compared with the United States.

Table 2 and Figures 2 and 3 show that there are two main reasons for the high rate of insurance among working people 16-64 in Pennsylvania as compared to the United States.

**Table 1.**  
**Health Insurance Coverage in Pennsylvania**  
**and Neighboring States, 1999 (percent)**

	U.S.	PA	New York	New Jersey	Maryland	Ohio	Delaware	West Virginia
Persons Insured	84.5	90.6	83.6	86.6	88.2	89.0	88.6	82.9
Persons Uninsured	15.5	9.4	16.4	13.4	11.8	11.0	11.4	17.1
Working Persons Aged 16-64 Insured	83.2	89.5	80.8	85.2	87.5	88.1	87.8	79.4
Working Persons Aged 16-64 Uninsured	16.8	10.5	19.2	14.8	12.5	11.9	12.2	20.6

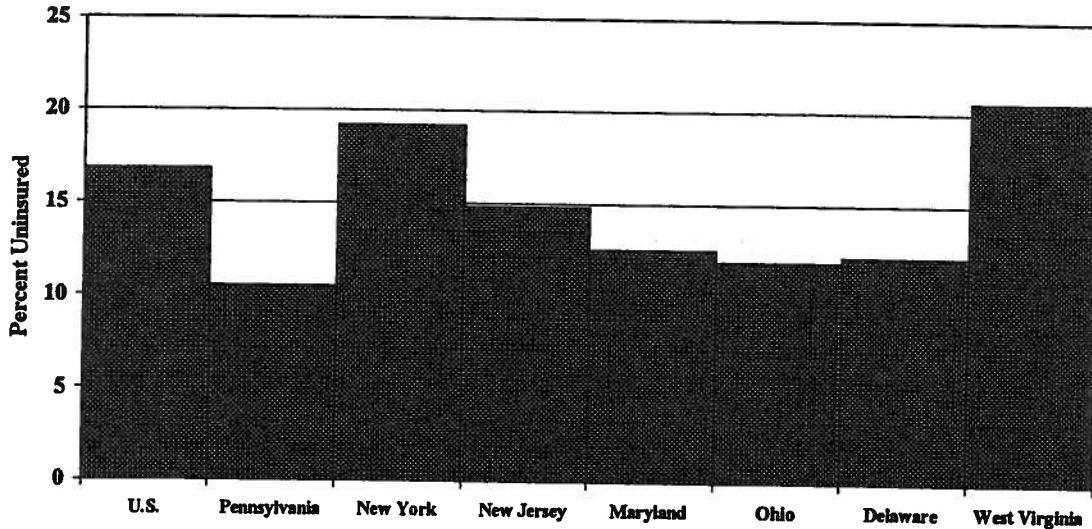
Source: Keystone Research Center (KRC) based on the Current Population Survey (CPS).

**Table 2.**  
**Health Insurance Coverage in Child Care and Comparison Industries,**  
**Pennsylvania and the U.S., 1997-99 (percent)**

Insurance Type	All Working Persons Aged 16-64		Child Day Care and Family Child Care (combined)		Nursing and Personal Care		Residential Care	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>All Types</b>								
U.S.	106,000,000	82.8	1,167,000	76.5	1,392,000	80.4	380,200	81.1
PA	4,964,400	88.9	30,029	75.2	91,787	87.7	40,775	87.8
<b>Employer</b>								
U.S.	72,520,000	56.6	292,800	19.2	886,000	51.2	260,200	55.5
PA	3,354,400	60.1	9,790	24.5	64,279	61.4	24,691	53.2
<b>Dependent</b>								
U.S.	29,124,000	22.7	665,400	43.6	417,600	24.1	97,749	20.8
PA	1,497,300	26.8	16,633	41.7	28,786	27.5	13,871	29.9
<b>Medicaid</b>								
U.S.	3,863,000	3.0	105,200	6.9	121,900	7.0	28,021	6.0
PA	176,175	3.2	2,095	5.3	5,759	5.5	2,612	5.6
<b>Number &amp; Percent Uninsured</b>								
U.S.	22,070,000	17.2	358,200	23.5	339,300	19.6	88,840	18.9
PA	618,772	11.1	9,895	24.8	12,877	12.3	5,645	12.2

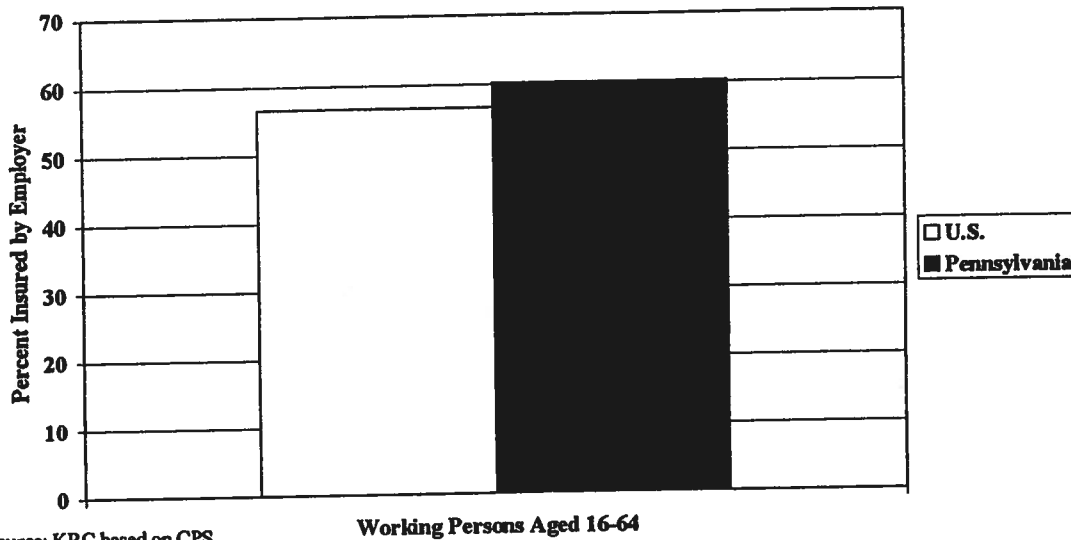
Note: Three-year averages used to improve the reliability of the estimates.  
Source: KRC based on the CPS.

**Figure 1.**  
**Employed Persons Aged 16-64 Without Health Insurance in Pennsylvania, Neighboring States, and the United States, 1997-99**



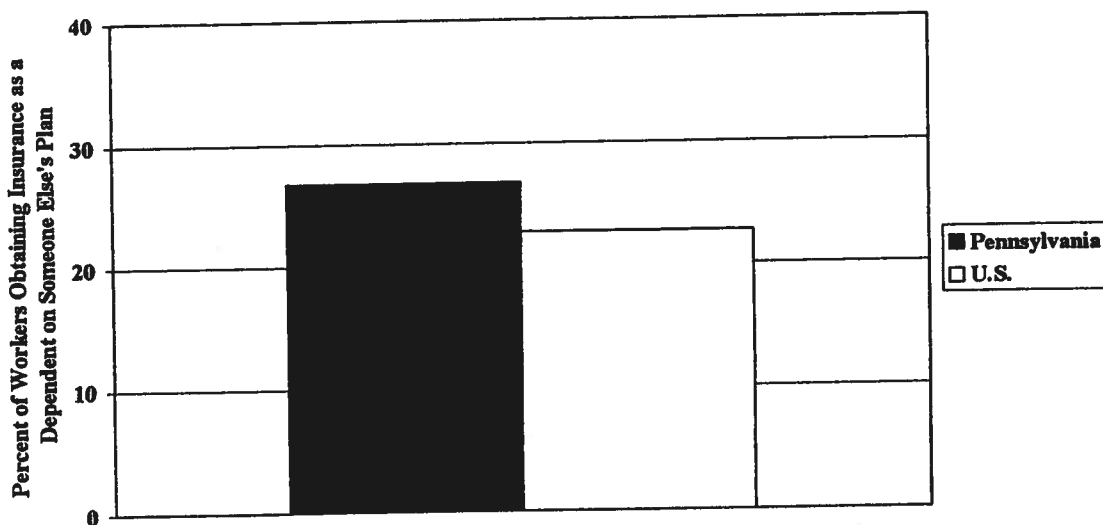
Source: KRC based on CPS.

**Figure 2.**  
**More Pennsylvania Workers than U.S. Workers Obtain Health Insurance from their Employer, 1997-99**



Source: KRC based on CPS.

**Figure 3.**  
**More Pennsylvania Workers than U.S. Workers Obtain Health Insurance as a Dependent on Someone Else's Plan, 1997-99**



Source: KRC based on CPS.

- Sixty percent of Pennsylvania workers obtain health insurance through their own employer, 3.5 percentage points more than nationally (Figure 2).<sup>13</sup>
- Almost 27 percent of Pennsylvania workers obtain health insurance as a dependent on someone else's plan (e.g., a spouse), compared with 23 percent in the United States as a whole (Figure 3).<sup>14</sup>

Table 2 also shows that

- One quarter of Pennsylvania child care industry workers obtain health insurance through their employer (Figures 4 and 5). Only 6 percent of child care workers obtain family health insurance through their job, compared with 33.1 percent of all working persons aged 16-64.
- Even when child care industry workers obtain employer-provided health insurance, employer contributions tend to be low (Figure 6). In the child care industry, the average annual employer contribution for the 1997-99 period was \$2,076 for the United States as a whole but only \$1,681 in Pennsylvania. This figure for Pennsylvania was only just above half the state average for all workers (\$3,129).
- Measured by how many workers get health insurance through their employer, child care is atypical, even by the standards of a low-wage human service industry. Over half of workers in nursing and personal care facilities and in the U.S. residential care industry (community based "group homes" where mental health-mental retardation services are delivered) get health insurance through their employer (Figure 4). The contrast between child care and the public school system is even sharper. Four out of five Pennsylvania elementary school teachers obtain health insurance through their employer (Table A1).

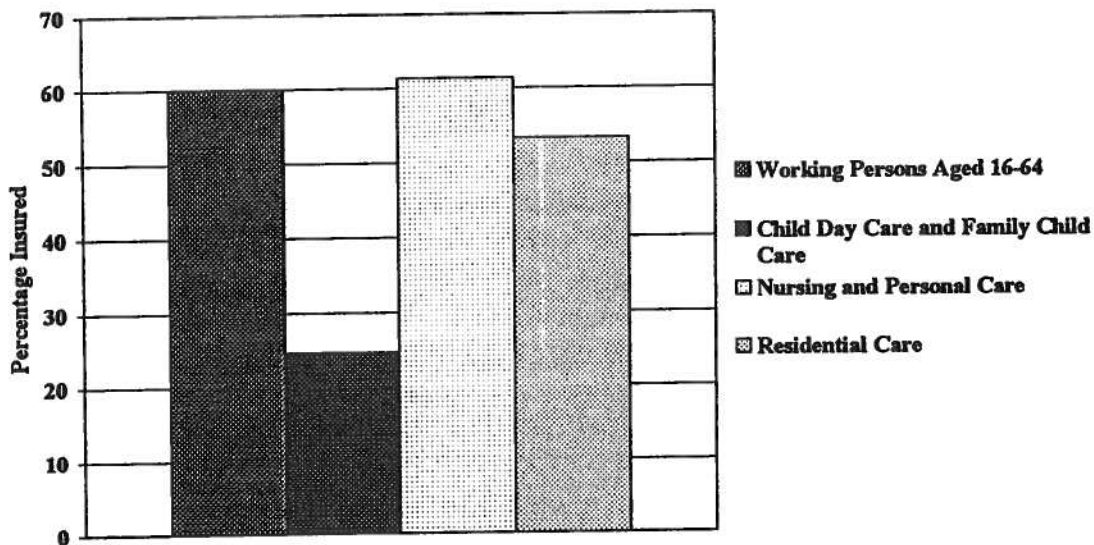
The good news on the health insurance front for the child care field is that many workers obtain insurance as a dependent on another person's plan.

- In the United States and Pennsylvania, more than two out of five workers in the child care industry obtain health insurance as a dependent on someone else's plan (Table 2).

Despite the number of child care workers covered as a dependent, a much bigger share of workers in the child care industry lack health insurance altogether than do workers generally.

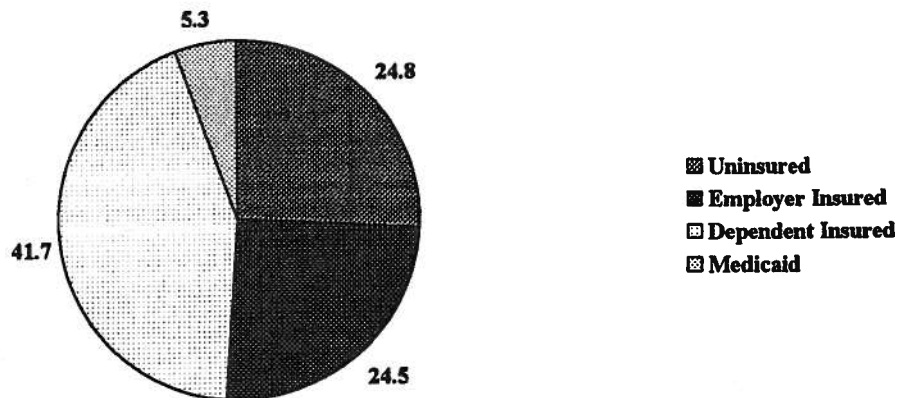
- In Pennsylvania and the United States, roughly one in four workers in the child care industry has no health insurance (Table 2 and Figure 7).
- While a much smaller share of employed Pennsylvania workers is uninsured than of employed U.S. workers, a *higher* share of Pennsylvania child care industry workers is uninsured.

**Figure 4.**  
**Employer-Based Health Insurance Less Common in**  
**Child Care than Other Pennsylvania Industries, 1997-99**



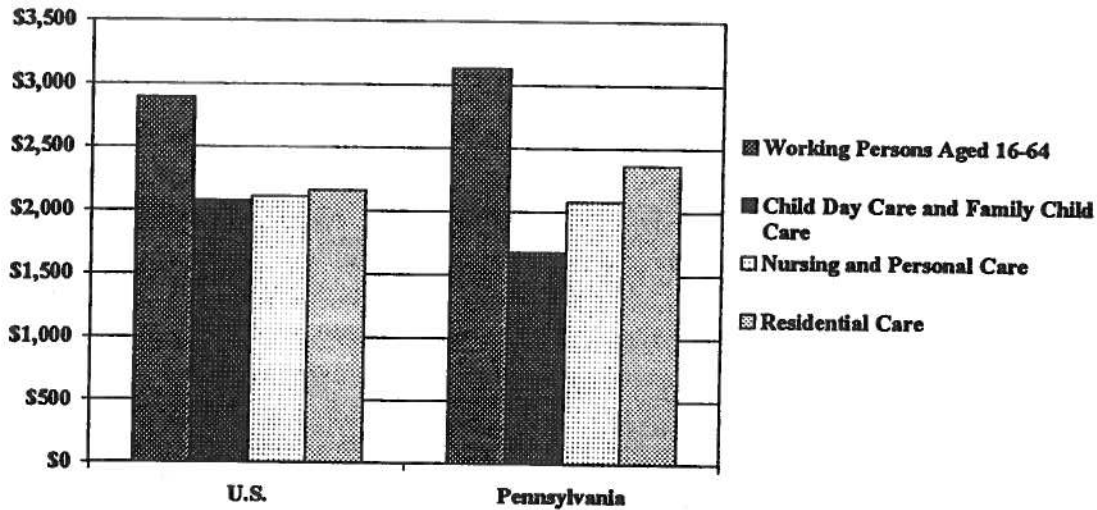
Source: KRC based on CPS.

**Figure 5.**  
**Health Insurance Status of Workers in the Combined**  
**Child Day Care and Family Child Care Industries, 1997-99**  
**(percent)**



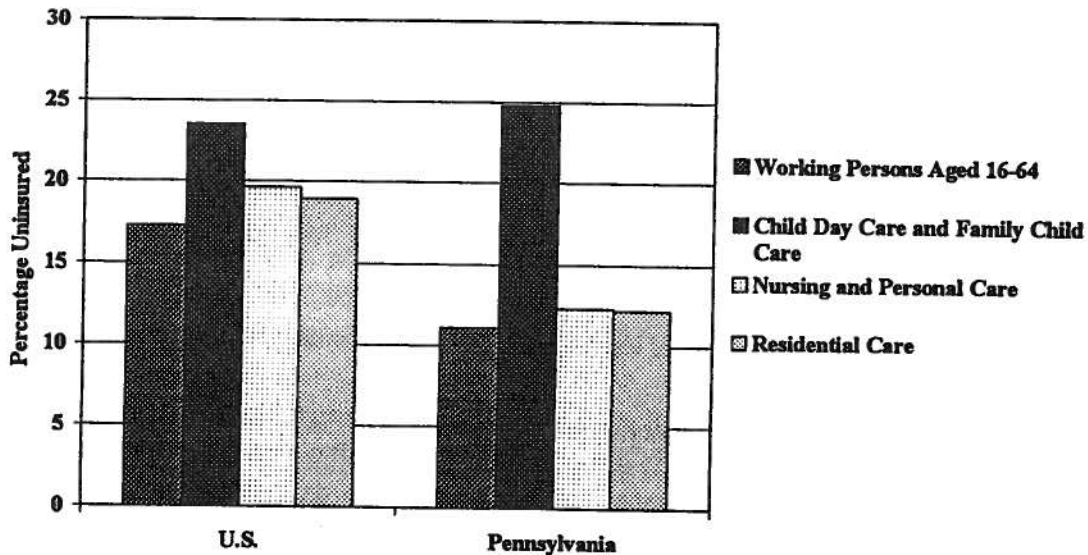
Source: KRC based on CPS.

**Figure 6.**  
**Average Annual Employer Contribution to Health Insurance**  
**by Industry, 1997-99 (among workers who actually obtain**  
**health insurance through their employer)**



Source: KRC based on CPS.

**Figure 7.**  
**Pennsylvania Uninsured Rates Much Higher**  
**for Child Care Workers than other Industries, 1997-99**



Source: KRC based on CPS.

**Table 3.**  
**Health Insurance Coverage Rates for Workers in the U.S. Child Care Industry,**  
**Central City, Suburban Metropolitan, and Rural, 1997-99 (percent)**

Insurance Type	Central City		Suburban Metropolitan		Rural	
	Number	Percent	Number	Percent	Number	Percent
All Types	247,500	68.2	499,700	78.6	230,600	80.0
Employer	82,402	22.7	112,400	17.7	52,609	18.3
Dependent	104,600	28.8	323,800	51.0	133,000	46.2
Medicaid	38,073	10.5	23,780	3.7	27,747	9.6
Number & Percent Uninsured	115,300	31.8	136,000	21.4	57,501	20.0

Note: Suburban metropolitan includes all parts of U.S. metropolitan statistical areas except Central City. Rural includes parts of the U.S. outside metropolitan statistical areas.  
Source: KRC based on the CPS.

- The share of Pennsylvania child care workers without insurance is growing, even though the state's overall insurance picture is improving. In 1991-93, 20.5 percent of Pennsylvania child care workers had no health insurance compared to the 1997-99 figure of 24.8 percent.
- The insurance problem in child care is most severe in central cities (Table 3). In the United States, 32 percent of central city child care workers lacks health insurance altogether, compared to 21 percent of suburban, and 20 percent of rural.

### Recommendations

In some states, policymakers have sought to address the health insurance problem for child care workers or low-wage workers more generally. New York, Wisconsin, Connecticut, Rhode Island, and Washington, D.C., for example, have expanded Medicaid eligibility to provide family-based health coverage for low-income working parents and children with incomes up to 185 percent – and in some cases 200 percent – of the federal poverty level.

North Carolina has taken an approach that targets workers in the child industry specifically. Under the T.E.A.C.H. Early Childhood Health Insurance Program, state funds support one-third of the cost of individual health insurance coverage for eligible child care workers. Employers must also pay at least a third of the cost and may pay up to two thirds.

Pennsylvania should follow the lead of these other states by implementing two recommendations.

Use tobacco settlement dollars for adult health insurance. The Pennsylvania General Assembly is considering using tobacco settlement dollars to provide affordable health coverage to uninsured adults. The proposed program would cover workers with incomes up to 200 percent of the poverty line – \$23,738 for a single parent with one child, \$27,748 for a single parent with two children, \$34,926 for a two-parent, two child family. The proposed health care package is not as generous as Medicaid or the

Children's Health Insurance Program (CHIP) but it would include primary care, diagnostic services, inpatient and outpatient care and emergency services. The proposed adult insurance plan would also require a \$30 monthly premium. While this is likely to deter some low-wage workers, it is nonetheless relatively modest – 3.4 percent of the of the income of a minimum wage worker.

In Pennsylvania, a high proportion of the 25 percent of child care workers who lack health insurance would qualify for the adult insurance plan proposed using tobacco money. (As we have seen, child care workers typically earn about \$15,000 annually. While spouses with better paying jobs lift some families of child care workers above 200 percent of the poverty line, those same spouses tend to get family health insurance through their job. That probably leaves child care workers who are uninsured largely below 200 percent of a poverty income.)

Spending public dollars to insure child care workers provides double value. It relieves workers of the anxiety associated with lacking insurance. It also helps reduce workforce turnover, contributing to the continuity of care that is the hallmark of quality in early education. The link between compensation and quality in child care justifies child care workers having priority access to tobacco monies allocated to adult health insurance.

Insurance for child care workers would also reduce uncompensated care costs borne by hospitals who serve the uninsured in their emergency rooms. A Massachusetts study found that 45 percent of uninsured center-based child care workers, and 39 percent of uninsured family providers, used hospital emergency rooms for their own medical care within the last 12 months.<sup>15</sup>

#### Use State or Federal Dollars to Make Quality Health Insurance Affordable for All Child Workers.

Over and above the use of tobacco funds to expand adult health insurance, Pennsylvania should consider making quality health insurance more available and affordable throughout the child care field (and in other human service fields in which high turnover undercuts continuity of care). The state could accomplish this cost-effectively by creating a purchasing pool through which child care providers can bargain for better deals from insurance companies. At present, because most child care providers are small, they have no leverage in dealing with insurance companies. If, in addition to creating a purchasing pool, the state modestly subsidized health benefits for all child care (or human service) workers, those subsidies would deliver the same double benefit as tobacco dollars spent on health insurance for child care workers: improved health care for workers and improved quality for children and families.

# APPENDIX

**Appendix Table A1.**  
**Health Insurance Coverage Rates by Occupation, 1997-99**

Insurance Type	All Working Persons Aged 16-64		Child Care Workers		Nursing Aides		Elementary School Teachers	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>All Types</b>								
U.S.	106,000,000	82.8	1,585,000	75.6	1,406,000	74.6	1,883,000	93.3
PA	4,964,400	88.9	52,276	78.8	68,927	83.7	68,946	94.0
<b>Employer</b>								
U.S.	72,520,000	56.6	404,100	19.3	875,500	46.4	1,447,000	71.7
PA	3,354,400	60.1	14,307	21.6	45,490	55.2	58,835	80.2
<b>Dependent</b>								
U.S.	29,124,000	22.7	902,300	43.0	351,600	18.7	576,000	28.5
PA	1,497,300	26.8	31,051	46.8	19,211	23.3	20,678	28.2
<b>Medicaid</b>								
U.S.	3,863,000	3.0	143,000	6.8	187,100	9.9	19,698	1.0
PA	176,175	3.2	3,650	5.5	7,118	8.6	680	1.0
<b>Number &amp; Percent Uninsured</b>								
U.S.	22,070,000	17.2	512,600	24.4	479,000	25.4	135,300	6.7
PA	618,772	11.1	14,081	21.2	13,467	16.3	4,433	6.0

Source: KRC based on the CPS.

## ENDNOTES

<sup>1</sup> Suzanne W. Helburn et al., *Cost, Quality, and Child Outcomes in Child Care Centers: Executive Summary* (Denver: Department of Economics, University of Colorado, 1995), p. 1.

<sup>2</sup> Ellen Galinsky, *The Study of Children in Family Child Care and Relative Care* (New York: Families and Work Institute, 1994).

<sup>3</sup> The Pennsylvania Department of Labor and Industry reports the average weekly wage in the Child Day Care Services industry as \$245 in 1999. Multiplied by 52, this projects to \$12,740 per year. This figure is comparable with the \$14,910 average annual wage of Pennsylvania child care workers according to the Occupational Employment Statistics data base (on line at [ftp://ftp.bls.gov/pub/special.requests/oes](http://ftp.bls.gov/pub/special.requests/oes)). The figure in the text is also comparable with the \$7.00 median wage of child care workers computed from the CPS (\$7.00 per year translates into annual earnings of \$14,560 for a full-time, full year worker).

<sup>4</sup> Legislative Budget and Finance Committee (LBFC), *Salary Levels and their Impact on Quality of Care for Child Care Workers in Licensed Child Day Care Programs* (Harrisburg: LBFC, 1999).

<sup>5</sup> LBFC, *Salary Levels and their Impact on Quality of Care for Child Care Workers*.

<sup>6</sup> Personal communication from Susan S. Aronson MD, FAAP, co-chair for the American Academy of Pediatrics of the Steering Committee for the Preparation of the 2nd edition of *Caring for Our Children*. See also American Academy of Pediatrics, American Public Health Association and the Maternal and Child Health Bureau of HRSA/HHS, *Caring for Our Children: the National Health and Safety Performance Standard for Out-of-home Child Care* (Elk Grove Village, Illinois: AAP, Washington, D.C.: APHA, Rockville, MD.: MCHB of HRSA/HHS, 2nd edition in press 2001). The 1st edition was published 1992 and can be accessed on the web site of the National Resource Center for Health and Safety in Child Care <[www.nrc.uchsc.edu](http://www.nrc.uchsc.edu)>.

<sup>7</sup> Sara De La Rica and Thomas Lemieux, *Does Public Health Insurance Reduce Labor Market Flexibility or Encourage the Underground Economy? Evidence from Spain and the United States*, Working Paper No. 4402, National Bureau of Economic Research, Cambridge, July 1993. E. Richard Brown, Roberta Wyn, and Stephanie Teleki, *Disparities in Health Insurance and Access to Care for Residents Across U.S. Cities*, the Commonwealth Fund and UCLA Center for Health Policy Research, 2000, on line at [www.cmf.org](http://www.cmf.org) and [www.healthpolicy.ucla.edu](http://www.healthpolicy.ucla.edu).

<sup>8</sup> The health insurance questions in the CPS pertain to coverage in the prior year, so that the period 1997-99 corresponds to responses to the 1998-2000 March CPS. By contrast, the employment questions (from which occupation and industry codes are gathered) pertain to the week prior to the CPS interview. Analysts of CPS data have concluded that survey respondents usually answer the health insurance questions based on their current situation, so that responses "can be interpreted as point-in-time coverage rates." (Janet Currie and Aaron Yelowitz, *Health Insurance and Less Skilled Workers*, UCLA and National Bureau of Economic Research, revised June 1999; see also Lara Shore-Sheppard, *Stemming the Tide? The Effect of Expanding Medicaid Eligibility on Health Insurance Coverage*, Working Paper 361, Industrial Relations Section, Princeton University, April 1996). If there is some mismatching of health insurance status and industry and occupation, this would tend to reduce differences across industries.

Hence our estimates of how many child care workers have health insurance through their job may be too high.

<sup>9</sup> We define “employed people” to include “(1) all civilians who, during the survey week did any work at all as paid employees or in their own business or profession, or on their own farm, or who work 15 hours or more as unpaid workers on a farm or a business operated by a member of the family; and (2) all those who have jobs but who are not working because of illness, bad weather, vacation, or labor-management dispute, or because they are taking time off for personal reasons, whether or not they are seeking other jobs.”

<sup>10</sup> The CPS codes of these five occupations are 406 (private household child care workers), 466 (family child care providers), 467 (early childhood teacher’s assistants), 468 (child care workers n.e.c.), and occupation code 014 in industry code 862 or 863 (administrators in the child care industry). According to the CPS, there are about 40 percent as many administrators in child care as there are workers in the other four occupations. This suggests that most administrators are actually what child care centers call “group supervisors” rather than center directors. In Pennsylvania child care centers, there must be at least one group supervisor for each 40 children and group supervisors must have at least an Associates Degree. Typically, group supervisors will have one class of their own, while supervising perhaps two “assistant group supervisors,” who may also be alone with children in a room. Based on the presumption that most “administrators” are group supervisors, we concluded that they belong in the aggregate “child care worker.”

<sup>11</sup> For simplicity of presentation, we present industry comparisons only in the body of the text. Occupational comparisons tell a similar story and are presented in Appendix Table A1.

<sup>12</sup> “All Types” of insurance is the percentage of the group covered by a private health plan (COV-HI), medicare (MCARE), Medicaid (MCAID), or Champus (CHAMP). This is the same methodology as the CPS measure (see <http://www.census.gov/hhes/hlthins/historic/hihist4.html>)

<sup>13</sup> “Employer” coverage is actually the maximum percentage with health coverage through their employer. This variable is maximum percent, rather than just percent, because the CPS question asks if people are covered by a health plan provided by a “current or former employer or union.”

<sup>14</sup> “Dependent” coverage is the percentage covered as a dependent by a health plan through an employer or union (DEPHI=1).

<sup>15</sup> Randall Wilson, Elaine Werby, and Donna Haig-Friedman, *Health Care Coverage: Are We Shortchanging Those Who Care for Our Children?* (Boston: Center for Social Policy, University of Massachusetts-Boston, November 1999).