

# Child Care Vouchers and Unregulated Family, Friend, and Neighbor Care

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## *Child Care Vouchers and Unregulated Family, Friend, and Neighbor Care*

Many parents receiving child care subsidies have family or friends care for their children while they are at work. This type of care is referred to in different ways (family, friend, and neighbor care; kith and kin care; informal care; and so on) and is of particular interest to policymakers. One primary reason for this interest is that since 1988, public funds have been used to pay for care provided by family, friends, and neighbors (also referred to as FFN care) through a state's voucher subsidy program, currently funded by the Child Care and Development Fund (CCDF, also known as the Child Care and Development Block Grant).<sup>1</sup> In some states—though there is considerable variation—these caregivers represent a large proportion of the providers receiving subsidy payments from the state voucher system. For example, more than half the families receiving subsidies in Illinois in 2001 used family, friend, and neighbor caregivers (Andersen, Ramsburg, and Rothbaum 2003), while a 1999 study found 72 percent of subsidized families in Connecticut were using this form of care (Pine 1999). Although such caregivers can make up a significant proportion of caregivers in the voucher system in some states, research suggests that they can compose a relatively small proportion of providers in the voucher system in others; while precise estimates are not available, it appears that roughly a quarter (or less) of children receiving subsidies nationwide are in family, friend, and neighbor care.<sup>2</sup>

Another reason for the policy interest in this form of care is because these caregivers are generally exempt from state child care licensing regulations, although requirements vary by state. As such, family, friend, and neighbor caregivers are not required by law to meet any specific standards in order to be considered legally operating (though they can be required to meet some basic health and safety standards in order to receive voucher payments for the care they provide).<sup>3</sup> As a consequence, assuring quality and accountability with these types of caregivers is different than for licensed providers, who have to meet a baseline of quality.

A third reason is that the growing amount of research on family, friend, and neighbor care indicates these caregivers differ from other types of providers in their

characteristics and their motivations for providing care (see, for example, Brown-Lyons, Robertson, and Layzer 2001 and Susman-Stillman 2004). As a result, voucher agencies can face unique issues in designing policies for, and working with, these types of providers, though limited research has been conducted in this area.

This paper focuses on providing insights in this last area—specifically, how subsidies operate for unregulated family, friend, and neighbor care. It focuses on three questions:

- 1) What are the characteristics of the unregulated family, friend, and neighbor caregivers participating in our focus groups, and how do they view the care they provide?
- 2) What voucher subsidy policies have been developed for these providers in these sites? How do both agency administrators and staff perceive these policies, and how do family, friend, and neighbor caregivers experience them?
- 3) What are voucher agencies' broader experiences with family, friend, and neighbor caregivers?

The findings here complement and replicate findings by other researchers, extending the analysis to new sites and slightly different voucher policy contexts.

As is described in more depth below, the information on which this paper is based is from a larger Urban Institute study focusing on child care providers and the voucher subsidy system. These data were collected from interviews with voucher agency administrators and staff in five counties (Jefferson County [Birmingham], Alabama; Monterey County, California; San Diego County, California; Hudson County [Jersey City], New Jersey; and King County [Seattle], Washington), as well as focus groups in three of these counties (Monterey, San Diego, and Hudson).<sup>4</sup>

The terminology in the field of family, friend, and neighbor care is often challenging. Historically, researchers and policymakers have used several overlapping terms. These include, for example,

- *“informal”* care, which generally refers to the distinction between formal (also seen as professional and/or group child care) and informal care (nonprofessional care usually in someone’s home—e.g., babysitters, family members, play groups); and
- *“license-exempt”* or *“unregulated”* care, which applies to care that is legally exempt from regulation. This category can include care offered by center-based providers who are exempt from particular state licensing laws (i.e., depending on the state, can include care offered by faith-based organizations, schools, part-time care, and so on). It also includes some of or all the care offered by family, friend, and neighbors; states



differ in the point at which they require providers to be licensed when they care for children in their home.

This paper focuses on the intersection of these two groups. In particular, it focuses on those family, friend, and neighbor caregivers (both relatives and nonrelatives) who are providing care in a home-based setting *and* are legally exempt from licensing requirements. It does not focus on other forms of care that are also exempt from licensing (such as exempt centers), and it does not focus on family, friend, and neighbor providers who happen to fall under the licensing requirements in their particular state. Throughout this paper, we refer to this group interchangeably as “legally unregulated family, friend, and neighbor caregivers” or as “family, friend, and neighbor caregivers.”

## Research Methods

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This paper is based on information collected as part of a substudy to the Urban Institute’s larger project focusing on *Child Care Providers and the Child Care Voucher System* (see box 1 for more details on this study, as well as a list of related reports; see the acknowledgments for information about funders). The larger study focuses on child care centers and licensed family child care providers. It examines the characteristics of providers who serve children with vouchers (compared with those who do not) and explores how providers perceive and experience voucher subsidies. This larger study includes both survey and qualitative data collection components. The substudy on legally unregulated family, friend, and neighbor providers is more exploratory, so it relies solely upon collecting qualitative data from interviews and focus groups with agency staff in all our sites, as well as focus groups with providers in three sites. Specifically, this data collection includes the following:

- *Voucher policies/practices in five counties.* We collected information about voucher policies and practices related to family, friend, and neighbor providers in the five study counties through interviews with voucher agency staff and administrators, and other state and local respondents. In this component of the project, we interviewed a total of about 55 administrators, experts, staff, and individual providers. Many of these respondents were asked for their perspectives on family, friend, and neighbor providers as part of longer interviews for the larger study about regulated providers. Specific questions were asked about the range of voucher policies and how they functioned, whether and how policies and practices differed for these providers, and whether respondents perceived any particular opportunities or challenges faced by unregulated family, friend, and neighbor caregivers in working with the voucher agency or faced by agency staff working with these caregivers. This information was collected during in-person and telephone interviews conducted in 2004.

## Box 1. Child Care Providers and the Child Care Voucher System: An Overview of the Urban Institute Research Project

This report is one of several produced for the Urban Institute's major study, *Child Care Providers and the Child Care Voucher System*. The study explores the following questions:

1. What are the characteristics and quality of providers in the child care market, and do these vary by voucher status? In other words, do providers who serve children with vouchers differ from those who do not?
2. What are the experiences of providers in working with the voucher system? What are the characteristics of the child care voucher program, policies, and implementation that affect providers?
3. What are the implications of these experiences for providers' ability or willingness to care for subsidized children, for the quality of care they provide, and for their financial well-being? What are the implications of these issues for children and families, and for policymakers?

The study took place in five counties in four states: Jefferson (Birmingham), AL; Hudson (Jersey City), NJ; King (Seattle), WA; and Monterey and San Diego, CA. Data included:

- *A telephone survey* of centers and licensed family child care homes to develop a representative picture of providers in each community, discover how many care for children receiving vouchers, and explore whether providers caring for children with vouchers differ from other providers. The survey was designed and implemented in partnership with Mathematica Policy Research, Inc. (MPR). Data were collected in 2003.
- *Qualitative data collection* to develop a rich picture of how programs and policies were implemented and how they were experienced by providers. Data were collected through interviews with state or local voucher administrators and key experts, focus groups with child care providers (serving children with and without vouchers) and caseworkers, and reviews of relevant policy documents. These data were collected in early 2004.

We also completed substudies on three additional topics that were not the primary focus of the data collection. First, in three sites, we explored voucher policies and implementation practices from the perspective of legally unregulated family, friend, and neighbor caregivers. Second, we assessed the prevalence of faith-based providers in the market for child care and explored their experiences with the voucher system. Finally, we used the center-based survey data to determine how many centers serve children who were, or might be, affected by state prekindergarten initiatives and to describe some key characteristics of these centers.

When complete, six reports from the study will be available through <http://www.urban.org>:

- *Centers and Family Child Care Homes Caring for Children Receiving Publicly Funded Vouchers: A Descriptive Study in Five Counties*, by Rohacek and Kisker
- *Child Care Voucher Programs: Provider Experiences in Five Counties*, by Adams, Rohacek, and Snyder
- *Exploring Child Care Provider Involvement with Voucher Programs and Potential Implications for Financial Well-Being and Quality*, by Adams and Rohacek
- *Child Care Vouchers and Unregulated Family, Friend, and Neighbor Care*, by Snyder, Bernstein, and Adams
- *Prekindergarten Programs and Community-Based Child Care: Exploring Challenges and Opportunities through Characteristics of Centers in Five Counties*, by Rohacek and Adams
- *Child Care Centers, Child Care Vouchers, and Faith-Based Organizations*, by Rohacek, Adams, and Snyder

- *Caregiver experiences in three counties.* We also held focus groups with unregulated family, friend, and neighbor caregivers. Because of budgetary constraints, we were able to conduct these groups in only three of the five study sites (Monterey County, CA; San Diego County, CA; and Hudson County, NJ). In each of the three sites, two groups were conducted, one in English and one in Spanish, reaching a total of 77 unregulated family, friend, and neighbor caregivers. Participants were asked to discuss such issues as their motivations for providing care, their experiences with the voucher subsidy system (including payment levels and processes, parent copayments, interacting with the agency, helping parents with the system, and notifications about changes in voucher levels), what would occur if payments stopped, their perceptions of the impact of the voucher payment on their care, benefits and challenges to serving children with vouchers, and supports participants wanted or needed. These sessions were conducted between January and April 2004 as part of the site visits for the larger study on regulated providers. For more information about these groups, including how the participants were recruited, see appendix A.

This research approach allowed us to collect information that provides insights into the issues, challenges, and opportunities for family, friend, and neighbor caregivers in the voucher program from the perspectives of voucher agency administrators and staff, and the caregivers themselves. As is usually the case with focus groups, however, this information should not be considered representative of all providers in those sites, much less of all the sites in the study or the country. We only spoke with a small number of caregivers in each of the three counties where we conducted focus groups, and those caregivers who participated in focus groups may not have been a representative group of caregivers—particularly in this case, given that local voucher agencies helped us recruit participants.<sup>5</sup> Similarly, given the variation in program structure and implementation across localities, the findings presented in this report should not be viewed as representative of the states included in this study or of the nation as a whole.

Additionally, because of the nature of the focus group discussion format (in which not every participant responds to every question or probe), this report does not make any effort to quantify respondent answers. Instead, we focus on understanding participants' motivations for providing care to subsidized children and their experiences with the voucher program. For the most part, though, the themes discussed in this report represent issues raised across sites, while issues that appear more site-specific are noted as such.

## Family, Friend, and Neighbor Caregivers Serving Children With Vouchers: Characteristics and Perspectives on Providing Care

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The caregivers that compose legally unlicensed family, friend, and neighbor care vary depending on state laws (see box 2). Our focus groups provide insights into the characteristics of the individuals who make up this group and how they view the care they provide.

### Box 2. State Definitions of Legally Unregulated Family, Friend, and Neighbor Child Care

- **Alabama:** Relatives including those related by blood, marriage, and adoption; parents,<sup>a</sup> grandparents, siblings, stepparents, stepgrandparents, stepsiblings, half-siblings, aunts, uncles, and spouses; also includes nonrelatives caring for a child for less than four hours a week.
- **California:** Relatives defined as grandparents, aunts, and uncles; nonrelatives and relatives caring for unlimited number of children from the same family.
- **New Jersey:** Relatives related by blood, marriage, and adoption; nonrelatives caring for four or fewer children.
- **Washington:** Relatives defined as grandparents, aunts, uncles, great-aunts and great-uncles, and adult siblings; nonrelatives caring for children in the child's home.

*Sources:* Most information is from Toni Porter and Shannon Kearns, *Supporting Family, Friend, and Neighbor Caregivers: Findings from a Survey of State Policies* (New York: Bank Street College of Education, 2005b). Information about parents in Alabama was provided by Alabama respondents.

<sup>a</sup> Although state law includes parents in the definition of "relative," parents are not reimbursed as providers through the child care voucher program.

### Description of participants

Interestingly, while it is not possible to ascertain whether our focus groups were representative of family, friend, and neighbor providers in these sites—Monterey and San Diego counties in California and Hudson County in New Jersey—their characteristics were consistent with the characteristics of similar caregivers found in other research. In particular, as has been found in other studies, our focus group participants were mostly relatives, persons of color, over the age of 40, and with limited education (see, for example, Brown-Lyons et al. 2001; Porter and Kearns 2005a; and Susman-Stillman 2004).

Appendix B provides demographic information on the focus group participants and the care they provided. As shown, the participants were almost all female (96 percent). The majority (76 percent) were over 40 years old, which is not surprising given that almost half reported being a grandparent or great-grandparent to the children in their care. The majority of participants were related to the subsidized children; approximately half (49 percent) were the children's grandparents or great-grandparents and almost a third (30 percent) were an aunt or uncle. Across the six groups, a little over a third (38 percent) did not have a general equivalency or high school diploma. In addition, because of the demographics of the sites where the focus groups were conducted, the location of the focus groups, and the fact that we conducted half the focus groups in Spanish, a large percentage of the participants (73 percent) identified themselves as Hispanic or Latino. Our English-speaking groups also comprised a large number of Hispanics (42 percent) as well as African Americans (33 percent).

Another focus group participant characteristic consistent with other research is that participants were generally not caring for large numbers of children—2.4 children on average (Anderson, Ramsburg, and Scott 2005; Porter 1998, 2006). Across the sites, a third (36 percent) of the participants was also caring for children not receiving subsidies, though this share varied considerably by site (from 25 percent in San Diego County to 63 percent in Hudson County). About half the participants (53 percent) reported receiving voucher payments for less than a year. The majority of caregivers provided care in their own home (90 percent).

Additionally, through their responses on the participant information form and our conversations during the focus groups, it became clear that many participants were providing care that can be difficult to find (e.g., care for special needs children, evening/weekend care, care for parents with changing schedules). About two-fifths (42 percent) of the participants provided care during the evenings or weekends.<sup>6</sup>

### How do they think of themselves and the care they provide?

Providers in our focus groups varied in how they conceived the care they were providing. This variation makes sense, considering that the providers' relationships with the children, the circumstances around which they began providing care and receiving voucher payments, and the ways in which they used the voucher money differed from person to person. These differences might help to explain why some providers saw child care as their career and something they would continue for a long time, while others felt their caregiving was a one-time favor for a family member or friend. How these caregivers viewed themselves—and how much they depended on the voucher payment—may also influence their experiences with the voucher system in terms of how actively they are involved in understanding program policies and getting problems resolved.

Below we describe how the providers seemed to perceive themselves and the care they provided. Note that some differences between caregivers discussed below may be related to whether the caregiver was a relative of the parent. While the focus group format did not allow us to examine these issues, this question would be interesting to look at in future research.

### How and when did they start providing care?

The reasons and circumstances surrounding how a provider first began caring for a given child varied, but some common patterns and themes emerged from participants' stories that, again, were very consistent with findings in other research regarding motivations for care (see, for example, Brown-Lyons et al. 2001 and Porter and Kearns 2005a). Many focus group participants had begun caring for these children before they were involved in the voucher system. In fact, in one Hudson County group, every participant had started care before the family was receiving a voucher. In the second Hudson County group, all participants who answered the question also indicated that they had been caring for the child since before voucher receipt.<sup>7</sup> In the remaining four groups, participants were mixed: some had begun providing care before the child had a voucher, while others started only when the parent found out she or he was eligible and approached the participant.

Participants also discussed why they decided to begin caring for the subsidized children in their care. Their reasons generally were as follows:

- *Providing care to help the parent.* No matter the reason for starting care, providers frequently saw what they were doing as a favor to the parent. Many participants framed this in the context of aiding a family member or friend. A San Diego participant noted, "When my 19-year-old got pregnant, the father chose to sort of vanish, so I told my daughter I would help her [with child care], but only if after she had the baby she went back to work and she gave college a try." Some saw the care they provided as more global—they wanted to help young women in general. One woman in New Jersey empathized with single parents, noting, "It's hard when you don't have anybody ... to put my children into day care ... I couldn't afford it, and ... I wouldn't want anyone else to struggle the way I struggled."
- *Providing care to stay at home with own children.* A number of participants were parents themselves and saw providing care for other children as a way to allow them to stay home with their own children. Some participants in Hudson County and Monterey County, for example, noted that they were already at home caring for their own children. While in some cases it appeared that the voucher income allowed these women to stay home in the first place, in other cases participants indicated that caring for another child felt like less of an undertaking when they were already at home providing care for their own (while also providing a little extra income).



- *Providing care because the parent was not comfortable with another arrangement or wanted to keep care in the family.* In some cases, the care arrangements began because parents either did not feel comfortable with the other care arrangements they were finding or had care arrangements that fell through or with which they were unhappy. One participant in Monterey spoke of her daughter's search to find licensed care for her grandson: "It was just a nightmare ... even when they're licensed, there's a lot of scary people out there." Another Monterey participant joked that her own daughter was overprotective of her child, but added that "in this day and age," the daughter was more likely just being appropriately cautious. Multiple participants also expressed a desire to keep care in the family.
- *Providing care to ease a tumultuous situation.* Some participants talked about how providing care was a way to help family members who were having trouble. In Hudson County, one participant said of the child she cared for, "He's my cousin ... I can't say no. [That's] my family." A few participants seemed to start caring for children by default, when family turmoil left them as primary caregivers. Other providers had always cared for the child (frequently a grandchild), and a few participants had started out as foster parents and only later began receiving payment for the care they provided other children. One relative provider began caring for the child because the child's mother would go out and simply leave the child behind. Another caregiver, a grandmother, started caring for her grandchildren when her son's wife left the family. Yet another grandmother took custody of her grandchildren because otherwise they were going to be separated from each other. (In some cases, these participants described themselves as "foster parents." We were unable to ascertain how formally they were connected to the foster care system, and if so, how and whether this role interconnected with their role in the voucher system.)

### What does the voucher money do or mean for them?

The money providers received for the voucher meant different things for different people. For some, it was viewed as an important income source (although often not a reliable one), which allowed them to either work less at their other job or not have another job. One woman in Monterey mentioned she is very careful to complete all the paperwork and submit it herself (instead of relying on the parent to do so); she noted that she does this "because this is my car payment money." A participant in Hudson County noted that the voucher payment she received "helps, because everybody has bills to pay." At the same time, a number of participants across the groups noted that they did not feel it was a reliable form of income and that it was not something to depend on too much—because payments were not regular, could end, and so on. A few participants, however, saw it as extra income rather than a key part of their household income. Although it was difficult to be sure in all cases, these participants seemed to be individuals who had other household income (for example, from a spouse) to rely upon.

Additionally, several participants pointed out that the voucher payments went right back to the children—in the form of diapers, food, special activities, and so on. For example, one caregiver in Monterey (a great-grandmother) noted, “I feel that we help the children—I help the children with what I get,” while a grandparent in San Diego said, “I take the money and I’m able to help with the shoes and things because [my daughter’s] going to school, she has no money.” Another San Diego caregiver noted, “I can buy [my grandson] things, but it helps with the [gas bill] because he’s always cold and [the money] helps with a lot of other things.” Other research also suggests that voucher payments are sometimes used to provide additional items for the child (Anderson et al. 2003). While we did not discuss issues of quality of care in the focus groups, these findings suggest that voucher funds could in some cases support the provider being able to provide more to the child.<sup>8</sup>

The importance of the voucher payment for the caregiver was also apparent when participants were asked whether they would continue to provide care if the family lost the voucher. Not surprisingly, given the variation in participants’ motivation for providing care, answers varied. Some providers felt they would not be able to continue to care for the child, while others felt they would continue to care for the child (in some cases, because the parent would begin to pay, but in others the caregiver would go unpaid). In most cases, however, it seemed that even if care continued, the care arrangement might have to change in some way—fewer hours of care, less or no money paid to the caregiver, fewer things for the child, and so on. A participant in Monterey noted, “If they were to take the money away from me, then I would have to work more hours, and not be there to take care of [my grandchild] and then [my daughter] couldn’t work as many hours.” In one San Diego focus group, all the participants agreed that changes in the payment amount affected what they were able to do with the children; one participant noted

*My kids look forward to going to the park, going to McDonald’s or whatever. Going to the movies, they look forward to that. And when you’re not getting what you think you should be getting, it impacts on what you’ll be able to do with them.*

### **What do they see as the future of the child care arrangement and being a child care provider?**

Participants varied in how they viewed the future of their current care arrangement as well as whether they wanted to continue being a child care provider. Some did not see themselves continuing with their current arrangement for a long period or were not sure how long they would continue, though some caregivers did see themselves continuing to provide care as long as the parent needed it. A provider in Monterey noted

*I do it more out of necessity ... My son is a single father ... He doesn’t have any other support besides me so I see this as long term because he is going to have to*



*work and the children are going to need someone to ... get them up and teach them more.*

Additionally, in all the focus groups at least some caregivers were interested in the idea of getting licensed, and a few had already started the process.<sup>9</sup> The reasons behind their desire to become licensed varied. Some saw it as a way to get more money or have more children in care, some enjoyed being with children or helping out others, some liked the idea of being able to continue to stay home with their own children, and some had a combination of these and other reasons. A provider in Monterey who was interested in becoming licensed exemplified this, saying that it was “first out of necessity to work and another because I’m taking care of my children and I like to work with children ... to help other parents.”<sup>10</sup> Local agency respondents had varied opinions about whether family, friend, and neighbor caregivers wanted to become licensed. For example, a local agency respondent in one site suggested that, in her opinion,

*when dealing with a lot of the exempt providers, they are relatives and they really don't want to get a license. They're doing it to help out a family member or they're getting extra money on the side. To them, to get licensed is not a priority. That's not what they want to do as their job. They're just doing it to help out a family member.*

However, other agency respondents in two study sites felt that the programs they had in place to help these caregivers get licensed did help some providers and were valuable.

Our focus groups indicated how diverse these providers can be in their characteristics and motivations for providing care. It is unclear how these issues may affect family, friend, and neighbor caregivers’ interactions with the voucher agency. For example, caregivers that view providing care as their career possibly may take more interest in learning about the program, while those that view themselves as doing it to help a family member may be less concerned about things like late payments, turning in forms on time, and so on. Also, the degree to which caregivers are concerned about how the voucher program works may also vary depending on how much the caregivers depend on the voucher payment as part of their total income.

## Voucher Policies for Family, Friend, and Neighbor Providers: Agency and Provider Perspectives

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Most states allow legally unlicensed family, friend, and neighbor caregivers to receive voucher subsidy payments through the state’s CCDF voucher program. The voucher agency will pay the caregiver up to the maximum level set by the state minus a parent fee, if the parent is required to pay one. This section examines the voucher policies in place for family, friend, and neighbor caregivers and how they differed from licensed

caregivers across the five counties in our study, how agency staff perceived these policies, and—in the three focus group sites—how they were experienced by unlicensed family, friend, and neighbor caregivers. It discusses these topics within three main themes:

- how much providers receive in payment
- the payment process
- interacting with the voucher agency

While in some areas (described below) the policies affecting unlicensed family friend and neighbor caregivers differed from those for licensed providers, in many cases the payment policies and processes in the five sites were very similar for both groups. Family, friend, and neighbor caregivers articulated a similar mix of good and bad experiences with voucher agencies, and the areas where these caregivers found the most challenges often mirrored comments and concerns of licensed providers in the same site. (For more details on voucher policies for licensed providers, and their experiences with them, see the companion report by Adams, Rohacek, and Snyder, *Child Care Voucher Programs: Provider Experiences in Five Counties*.)

It is also important to note that discussions by focus group participants often focused more on the problems that they experienced with the system, though we also heard many positive experiences. The findings below represent both these perspectives but focus mostly on the policy issues that focus group participants found challenging. These problem areas may be of most interest to policymakers and administrators interested in improving their child care voucher systems.

## Policies related to how much payment family, friend, and neighbor caregivers receive

Many subsidy agency administrators and staff struggled with issues around how much to pay legally unregulated family, friend, and neighbor caregivers, and with related payment policies. Below we look at three policy areas that affect the total amount that family, friend, and neighbor caregivers could receive—the maximum rate ceilings, absent day policies, and parent fees or copayments.<sup>11</sup>

### Reimbursement rate ceilings

Under federal CCDF regulations, states are encouraged to set their rate ceilings for child care subsidies at a level sufficient to cover the prices of 75 percent of the child care market (also known as setting rates at the 75th percentile). States are also supposed to periodically survey the market rates of providers to set state rates accordingly. While this approach is used by states for setting rates for child care centers and licensed family

child care, it is difficult to use for unregulated family, friend, and neighbor care. These caregivers generally do not charge parents for their services, so they do not have a standard rate or price to report. They are also not part of any identifiable “market” and therefore are hard to identify and survey. As a result, states have a fair amount of leeway in determining how they set rates for these caregivers.<sup>12</sup> Another consideration that agencies struggle with is how the rates of these providers should compare with those of licensed providers—in particular, how much differential to factor in to account for the fact that unlicensed family friend and neighbor caregivers do not have to meet licensing standards.

Our sites varied markedly in how much they paid legally unlicensed family, friend, and neighbor caregivers. In Alabama and Washington, sites paid smaller amounts, whereas in California, they paid levels closer to (though still generally less than) the rates of other types of providers. For example, in Alabama, family, friend, and neighbor caregivers received \$35 a week per child for full-time care. In contrast, in San Diego County, the maximum reimbursement rate for family, friend, and neighbor caregivers caring for a child between the ages of 2 and 5 was \$130.50 weekly. In all sites, however, the maximum reimbursement rates for these caregivers were lower than those for centers and licensed family child care.

Our four study states also varied in how the state voucher agency determined rates for legally unregulated family, friend, and neighbor caregivers:

- In California and New Jersey, these rates were determined as a percentage of the rates for other types of care. In California, these caregivers received 90 percent of the maximum rates of family child care providers, while in New Jersey, their rates were determined as a percentage of the center rate.<sup>13</sup> Rates also varied by the age of the child.
- In Alabama and Washington, it was less clear how reimbursement rate levels for family, friend, and neighbor care were originally set up, though respondents reported that it was not based on any recent survey of family, friend, and neighbor providers. Rates did not vary by the child’s age, but, in Washington, caregivers were paid an hourly rate (\$2.06) for the first child in care and a lower hourly rate (\$1.03) for each additional child.<sup>14</sup>

As noted earlier, the voucher payment was very important for many family, friend, and neighbor caregivers in our focus groups, adding income to their household that was used to help pay bills or put back into the children in their care.<sup>15</sup> Focus group participants varied in their feelings about how much they received in payment. Some participants (mostly those from our New Jersey site) expressed satisfaction with the amount they received and were thankful for it. In the words of one participant: “I can’t complain.” Other participants—particularly in our two California sites—were very vocal

about the fact that they did not feel they received enough in payment.<sup>16</sup> A few participants pointed out that they received less than minimum wage, which they felt was not enough. For example, one caregiver noted:

*It's not even minimum wage. My granddaughter, it's \$2.90 an hour that I get for her and [for] my grandson it's \$2.50. When my granddaughter goes into first grade, I'll probably go back to work because I cannot afford this. It's just not enough. How can they expect you to survive on this?*

Some feelings of not receiving enough in payment appear related to other underlying issues discussed by participants. For example, some participants believed that they were not respected for the care they provided, and others felt that child care providers overall are not paid enough for what they do. A number of participants also noted that they were providing care for more hours than they were actually paid for. While it was not always clear the circumstances surrounding these additional hours of care (i.e., was the parent working or was he or she doing another activity—such as going to the movies or shopping—that would not have been an allowable activity for voucher payment), the fact that caregivers were providing additional hours of care that they were not paid for might have added to this feeling of not receiving enough in payment. Finally, the level of discontent expressed in the California sites in particular may be at least partly the result of rate changes occurring around the time of our site visit that—while not clear in all cases—might have reduced the payment for these providers.

### Absent day policies

One interesting voucher subsidy payment policy difference between licensed providers and unregulated family, friend, and neighbor care concerns paying for days that the child is absent because of illness. Licensed programs are considered businesses where private-paying parents pay in advance, usually monthly, to purchase a place in the program for a given period. The parent is responsible for this payment regardless of whether the child is ill, as the provider still must cover the same costs (i.e., teaching staff, rent, utilities, etc.) if the child is there or not. Accordingly, states usually pay licensed providers for at least some days in a given month if a child receiving a voucher subsidy is legitimately absent, though they usually limit the number. This is true of all the study states examined in this study (see Adams, Rohacek, and Snyder 2008).

However, three of the four study states (New Jersey was the exception) did not have the same policy of paying for absent days for unregulated family, friend, and neighbor caregivers. Agency respondents noted that family, friend, and neighbor caregivers were only paid for the actual care provided, and some felt very strongly that this policy was appropriate for these providers. A respondent in California noted, "I think that they're not a business such as a licensed provider so they wouldn't be placing another child in that spot or have to make sure they have the right teacher-child ratio." She felt not paying for absent days was the correct policy, adding, "I also don't believe if I went to

my neighbor and asked her to watch my child and I didn't go for a week, that I would have to pay my neighbor." Focus group participants did not speak about these issues in their discussions of how much they received in payment, though it is possible that they may not have been aware that the policy for regulated providers was different.<sup>17</sup> However, this policy difference is interesting to consider when seen in the context of the earlier discussion about what the funds mean to the providers. For providers who primarily use these resources to provide extra treats for the children or as extra discretionary money, this approach seems appropriate. For providers whose primary income comes from caregiving, and who are providing this care instead of doing other work, the appropriateness of this policy is less clear.

### Parent fees

States are required to charge parents receiving voucher subsidy payments a parent fee (or copayment) based on a sliding scale. In our four study states, this parent fee was generally collected by the provider (as is the common policy in most states), though one voucher agency in Monterey County collected these fees itself.<sup>18</sup> Parent fee amounts do not differ according to the provider the parents choose. However, very low income families in some states (like California and New Jersey in our study) do not have to pay a parent fee.

While agencies in our sites were clear that all providers were supposed to collect fees (except for the one agency in Monterey), our research on licensed providers serving children with vouchers indicates that a significant minority do not collect the fees, for various reasons (Adams et al. 2008). This pattern also appears to be true for unlicensed family friend and neighbor caregivers, as our focus groups and interviews suggest that at least some family, friend, and neighbor caregivers choose to not collect the parent fee. Note, however, that our data are somewhat limited on this issue given that some focus group participants did not have a parent fee to collect (since very low income families in both states did not have a parent fee) or—in the case of Monterey—the agency collected the fee. Subsidy agency staff suggested that family, friend, and neighbor caregivers may be more likely to waive this fee than other types of providers, though it is not possible to prove this suggestion given these data.

Through our discussions with administrators, staff, and family, friend, and neighbor caregivers, we discovered a number of reasons a family, friend, and neighbor caregiver may not collect the parent fee. Some agency staff felt that it could be because of the relationship between the caregiver and the parent. A staff person in San Diego noted

*[The parent fee] is stated on the attendance sheet ... we explain in our handbook so it's not very difficult for them to collect. But if [the provider] is grandma, it's difficult for us to make them understand they need to collect it. They're like "Oh it's just my daughter, don't worry about it." We're like, "No, you need to collect it because that's what [our] policy is."*

In our focus groups, some providers reported that they did not collect the parent fee because they were concerned that the parent could not afford it—a sentiment expressed by some licensed providers as well (Adams et al. 2008). For example, a caregiver in San Diego discussed why she didn't collect the parent fee: "There was a time when my daughter wasn't working, but she was still required to be out looking [for work] and was supposed to pay a copayment even though she had no income." In some cases, it also seemed the caregiver was providing money, goods, or services to the parent outside of caring for the child—so, in some ways it did not make sense to collect money from the parent when the caregiver was helping the parent out. When asked if she collected money from the parent, a caregiver in Monterey responded: "I give *her* money" (which was met with laughter from the group). It also appeared that some caregivers felt that they were paid from the parent in other ways—such as through food or furniture.

## Policies related to the payment process

Generally, the policies related to the payment process—timing, paperwork requirements, and who was paid—were the same for licensed providers as they were for unlicensed family, friend, and neighbor caregivers in the five study sites (Adams et al. 2008). There were, however, some differences in the approval process and—in King County—who actually was paid for the care. Also, family, friend, and neighbor caregivers in our focus groups reported some challenges with payments, particularly around receiving the initial payment and understanding paperwork, though these were also issues raised by licensed providers.

### Approval process

All unlicensed family, friend, and neighbor providers who want to care for children receiving subsidies need to be approved by the voucher agency before care can be reimbursed. One main purpose of the approval process is to ensure that providers are legally operating and meet relevant health and safety requirements for their type of care. Requirements differed for licensed and family, friend, and neighbor providers in the five sites. For licensed providers, this process generally entailed providing their child care license and rate information (with the licensing agency responsible for ensuring that the provider met all licensing standards). For family, friend, and neighbor caregivers, the subsidy agency was responsible for ensuring that they met the state health and safety requirements. These health and safety standards, and the approval process for family, friend, and neighbor caregivers, varied across the five study sites, but they included such requirements as providing documentation of the caregivers' relationship to the child (Alabama), completing background checks (California, Washington), or having a home inspection (New Jersey). As box 3 indicates, the approval process also varied somewhat by agency within our two California sites.



### Box 3. Approval Requirements for Unlicensed Family, Friend, and Neighbor Caregivers, April 2004

- *Jefferson County, Alabama:* Family, friend, and neighbor caregivers need to complete a registration form that differs from the one required of other providers. They also need to provide their Social Security number or a taxpayer ID. Relative caregivers need to prove relationship (such as through birth certificates) to the child that fits with state definition for an exemption.
- *Monterey County, California:* Process varies somewhat by voucher agency. At both agencies, family, friend, and neighbor caregivers need to complete a rate agreement and provide a picture ID and Social Security number. One subsidy agency allows caregivers to mail this information, while the other requires an in-person visit. These caregivers also have to sign a health and safety self-certification, though this certification differs for relatives and nonrelatives. Nonrelatives also need to complete a criminal background check (which includes getting fingerprinted) as part of the state's Trustline process. Trustline is a database of unregulated providers who have passed the criminal background check.
- *San Diego County, California:* Process varies somewhat by voucher agency. In all agencies, nonrelated family, friend, and neighbor caregivers need to be "Trustlined" (see description under Monterey, above). The caregivers also need to provide picture IDs and Social Security numbers. Depending on the agency, family, friend, and neighbor caregivers may also be required to attend an orientation, complete a health and safety certification, complete a W9 form, or have a tuberculosis test.
- *Hudson County, New Jersey:* Family, friend, and neighbor caregivers need to complete the same form (the provider section of the parent and provider agreement form) as other providers. These caregivers also need to have a home inspection. Following our site visit, the state also implemented a child abuse record check requirement.
- *King County, Washington:* Family, friend, and neighbor caregivers need to complete the same forms as other providers. In addition, a criminal and child abuse background check needs to be completed.

Sites did not consistently report any differences in requirements between relatives and nonrelatives, or what may be required for other adults who may be living in the household.

Unlike licensed providers, who could get approval relatively quickly, family, friend, and neighbor caregivers experienced lengthier approval processes since completing the required checks took time. Although we did not collect comprehensive data on how long these processes would take (and the timing would likely vary depending on what the process entailed), agency respondents' estimates ranged from two to eight weeks across the four sites with background checks or home inspections.<sup>19</sup> For example, one agency respondent in San Diego said that once the agency gets all the information needed, it could take two to three weeks before it would get an approval or denial of the caregiver.

These issues were further complicated by challenges around getting the required information from caregivers, which also could delay the approval process. In Jefferson County, agency respondents discussed challenges with making sure they got the

documentation needed from relative caregivers to show that they were related to the child. One staff person in that site noted, “If you’re getting a piece [of paperwork] here this week and a piece not until two more weeks and you still don’t have everything you need, it could drag out”; another said “I’ve known where it’s taken almost three months” to get approved because the agency doesn’t get all information it needs. Part of the challenge may be in getting caregivers to understand what they are supposed to do. A San Diego respondent spoke about how the enrollment process can be difficult for unlicensed providers: “It’s a little more helping them understand the process and helping them go through it. It’s a little more detailed when I’m enrolling a license-exempt provider ... it involves more explanation.” Added to this are the delays that can result from the “back and forths” with the voucher agency, which can occur if something is not filled in correctly on the paperwork. It also seems likely that literacy, education, and language issues present particular challenges to some providers.

Sites varied in whether they would pay for care before the approval. In all sites, however, a certain amount of information was needed before care could be paid for. In our focus groups with unlicensed family, friend, and neighbor caregivers in New Jersey and California, we found that one of the most frequent complaints from the participants was a delay in receiving the first payment (this was also something mentioned by regulated caregivers across the five sites). A San Diego caregiver who had started receiving voucher payments discussed the challenges she faced initially getting payments: “It was almost three months before the first payment came. So it was hard at first because I quit my job to care for her kids and I was like ‘Wow!’”

### Regular payments

The payment processes for family, friend, and neighbor caregivers were generally the same as those for licensed providers in each site with one exception. In King County (and in Washington State overall), voucher payments were made to parents (who were then expected to pay their caregiver) who used license-exempt providers. While we did not speak with family, friend, and neighbor caregivers in this site to find out their experiences with the policy, Washington respondents noted that one issue is that parents do not always then pay the provider.<sup>20</sup> Shortly after the site visits, this policy was changed; now, the state pays unlicensed family, friend, and neighbor caregivers directly.

In terms of family, friend, and neighbor caregivers’ experiences with payments, for the most part participants in the three focus group sites reported having few issues with paperwork and receiving payments once they got into the system, though there were some situations where participants found it difficult to complete paperwork or experienced delays in payments. These findings are very consistent with comments from our licensed provider focus groups. Though it is impossible to quantify, there appeared to be somewhat more discussion in our unlicensed family, friend, and neighbor focus groups about difficulty in initially figuring out paperwork than in our licensed provider focus groups. Across the three focus group sites, at least one participant (and sometimes



multiple participants) expressed experiencing challenges with initially figuring out the payment paperwork. For example, one participant in Hudson County came to the focus group hoping to learn how to do the paperwork correctly. A caregiver in Monterey reported that “It took me three months to figure [the paperwork] out” because some of the language was confusing to her. And a San Diego caregiver said that although the paperwork was actually easy to do, it required some help from staff to figure it out:

*At first when you get those time sheets, they don't say exactly how they should be filled out. The time sheets [seem] very confusing when they're actually very easy [once you understand them], but until someone actually sits down with you, 'cause I had to catch up with the worker and ask her how do I fill them out, because if you don't, if you put one little thing on there wrong, you won't get paid.*

As is discussed in greater depth later in the report, some agency staff felt that some family, friend, and neighbor caregivers faced problems in understanding how to work with the system and policies as well. It also seems that unlicensed family, friend, and neighbor providers who take care of children whose parents have fluctuating work hours (a population likely to need the flexibility of this kind of caregiver) can face particular challenges, as some agencies require the provider to closely track the parent's changes in hours. This issue also presents challenges to licensed providers, who find it difficult to meet the extra paperwork requirements required of some agencies for parents with these work schedules (Adams et al. 2008).

## Interacting with the voucher agency

In addition to policies and practices related to payments, family, friend, and neighbor caregivers' experiences with the voucher program can be affected by their interactions with the voucher agency. Again, their experiences were similar to those reported by licensed providers (see Adams et al. 2008). For example, several unlicensed family, friend, and neighbor caregivers in our focus groups across the three sites discussed experiencing difficulties with contacting agency staff, paperwork getting lost, and workers changing frequently. Some participants also discussed that they felt they were not respected by agency staff. When asked what changes she would like to see, one caregiver said that she'd like it if the voucher agency could “not see us more like the enemy, see us more as providers” since they were all working for the benefit of the child. She went on to say the reason providers care for the children “can't be for the money ... because [if] they really look at what we get, it's not really that [much].” Interestingly, some providers suggested that unlicensed family, friend, and neighbor care may be more likely to put up with challenges in the system. For example, in discussing some payment issues she had faced, one caregiver noted: “[My daughter's] whole thing was ‘Well if it wasn't you, Mom, do you think that [if] the person that was

taking care of my child was getting paid like this, [the person] would still be taking care of [my child]?’ I said ‘Of course not.’ The only reason I stay is because it’s my grandson.”

Not all participants, however, had negative experiences with caseworkers. A participant in one site noted that her agency was “good,” while another in the group said “sometimes it’s hard to get in touch with them [but] they do return phone calls.” Some participants in another focus group also felt that the subsidy agency they dealt with was good at returning phone calls, with one caregiver noting “[The agency will] tell you they’ll get back with you in 24 hours ... and they’re generally back to me within that 24-hour period that they said they would.”<sup>21</sup>

## Voucher Agency Perspectives on Family, Friend, and Neighbor Caregivers

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Voucher agency staff discussed positive aspects of the role that family, friend, and neighbor caregivers play for families, as well as a number of areas of concern. Below we first highlight some benefits agencies noted about this form of care; we then look in greater depth at some challenges agencies faced. The more in-depth focus on the problem areas serves to identify areas where voucher administrators and workers are struggling and need more support.

### The important role of unlicensed family, friend, and neighbor caregivers in supporting families

A number of agency and key expert respondents discussed the critical role that these caregivers played in helping meet the child care needs of low-income working parents. As one respondent noted, “License-exempt providers provide a valuable service for our families.” The most commonly noted benefits are described below, and corroborate what has been found in other research in this area:

- *Trust.* The importance of trust, and the fact that some parents do not feel comfortable with more formal caregivers, was noted by some agency respondents. For example, one respondent noted, “For a lot of parents ... it’s the most feasible way for them to get the kind of care they need, close to home with people that they trust.” Another respondent noted that some families have “family values that say only family members are going to care for my children.”
- *Meeting the needs of families with parents that have nontraditional work schedules.* Many respondents noted the important role that unlicensed family friend and neighbor caregivers played in meeting the needs of parents who work odd hours—for

example, one respondent noted that this form of care is “a great avenue for customers to have, because you have nights, weekends, when people need care, and we certainly do have 24-hour jobs, and people work nights and they work off shifts and whatever, and if the provider can come into the home it certainly makes life easier on the kids, on everybody.”

Another respondent noted the particular value that such providers can play for TANF parents who are “in a job search or getting early jobs [who] have much more fluid work situations,” as unlicensed family, friend, and neighbor care can work best to fit their variable schedules.

- *Meeting the needs of families in culturally and linguistically appropriate ways.* Some agency staff highlighted the critical importance of this form of care in meeting the needs of families who are seeking caregivers who are culturally sensitive to their needs, and/or who can speak their language. For example, one agency respondent noted, “Clearly, another aspect of quality is the fact that a child can be in care in an environment that is culturally and linguistically appropriate to their needs and issues.” Many low-income families with limited English proficiency, or those who belong to ethnic, racial, or immigrant groups, can have difficulty finding licensed caregivers who are able to speak their language and are culturally aware and sensitive to their needs.
- *Providing care when the supply is inadequate.* Some respondents also noted that in some communities, parents had almost no other options. For example, one respondent noted that in rural areas, parents “don’t have a lot of options for child care, and so they are choosing grandma and aunts and older siblings”; another commented that “in rural areas, that’s the only thing available. And that’s a fact.” Other respondents noted the important role that such caregivers can play in caring for children with special needs, given the difficulty that parents with special needs children can face in finding child care options.
- *Working with the voucher agency.* Although agency respondents discussed many challenges that can occur with these caregivers (as described below), some agency staff also pointed out issues that were easier with family, friend, and neighbor caregivers than with other types of providers. Some agency respondents noted that setting up rates with these providers is more straightforward than with other providers. For example, Jefferson County has only one rate for family, friend, and neighbor caregivers and no holidays, making it easier to set up the caregiver in the computer system. Additionally, some agency respondents noted that family, friend, and neighbor caregivers may be less likely to complain about problems, corroborating the comments noted earlier from caregivers.

Although not the focus of this study, it is useful to point out that some agency respondents also discussed the importance of the voucher program and other state and local initiatives in supporting unlicensed caregivers, providing them in some cases with resources that they could use to take care of children, as well as other kinds of training and supports.<sup>22</sup> One respondent noted her concern that perhaps the initiatives being directed toward these caregivers in her state were not actually reaching those who were in the voucher system, though other respondents in other sites felt differently.

## Challenges faced in working with unlicensed family, friend, and neighbor caregivers

Despite their recognition of the important role played by unlicensed caregivers, a number of voucher administrators and agency staff discussed concerns they had about some of these caregivers, as well as challenges they could face in working with them.<sup>23</sup>

- *Quality of care.* One of the agencies' biggest concerns was about the quality of care provided in these settings, particularly because the care was not regulated in the same way as family child care and center-based care. One administrator noted the challenges of balancing parent choice with concerns about quality:

*We recognize that for a lot of parents ... it's the most feasible way for them to get the kind of care they need, close to home with people that they trust ... [however,] you are always balancing safety and quality against accessibility and what the parent's comfortable with.*

The common nature of this concern was indicated by another respondent making a similar point:

*There is a concern with how we manage the delicate balance between a parent's right to choose and wanting to ensure that children are in ... an environment that's going to be responsive to their developmental needs and prepare them for school.*

Finally, another respondent noted her concern that the voucher program didn't support quality because "exempt providers and relative providers don't have to have any training ... you can pay anybody under the sun and there are no strings attached to that money other than filling out attendance records."

To put these concerns in context, it is useful to note that research is somewhat mixed on the question of the quality of family, friend, and neighbor care, though there are concerns about whether existing measurement approaches can accurately capture the quality of this caregiving environment. Nonetheless, research suggests that these settings are generally warm and responsive, with low numbers of children

per caregiver. The research also finds, however, that a significant proportion of these settings has inadequate health and safety provisions, allows prolonged exposure to television, and inadequately supports children’s language, cognitive, and social development (Adams, Tout, and Zaslow 2007).

- *Challenges in communicating with some unlicensed family friend and neighbor caregivers.* Some respondents also noted that language barriers and literacy issues, as well as different cultural expectations, with some family, friend, and neighbor caregivers can further complicate attempts to communicate information to them. In many ways, this problem results from what was earlier noted as a strength of unlicensed family, friend, and neighbor caregivers—specifically, the fact that they can be more linguistically and culturally relevant for families. In addition, as noted earlier, some of our respondents had fairly low levels of education, a characteristic found in other research on these caregivers as well (Anderson et al. 2005).
- *Less understanding of the voucher program.* Agency respondents also noted their experience that unlicensed family, friend, and neighbor caregivers often have less understanding of how the voucher program works. As a staff person in Jefferson County said, “[These caregivers are] more difficult to communicate with and [to] help them to understand how we work.” Agency staff suggested that unlicensed family, friend, and neighbor caregivers often have little or no experience with the voucher program or other public agencies, and therefore the process is unfamiliar to them. They also felt that these providers were less likely to “view it as a business.” While this was not discussed as much in the interviews and focus groups for *licensed* providers, some discussion suggested that this problem is one shared by at least some licensed providers who are new to working with the voucher system. This issue may also be related to the education, literacy, and language issues noted above.

This lack of understanding about the program can lead to numerous problems—such as challenges in completing paperwork, not turning in paperwork promptly, or not collecting copayments. And it can mean agency staff spend more time explaining procedures to these providers and fixing errors. A San Diego staff person noted: “I think licensed providers have a better handle on filling [paperwork] out because a lot of them have more than one subsidized family under their care. The exempt providers, we have to do a little more training with them.” This sentiment was echoed by a staff person in King County who noted: “We have to explain the process, the new rules ... the payment start dates, it’s much more difficult [compared with licensed providers]. [It is] more time-consuming dealing with those providers.” Another respondent noted that sometimes the agency had unlicensed providers call to say they hadn’t received payment, but when they checked the files they realized the provider hadn’t realized he or she needed to bill the agency.

- *Delays in approval process.* As noted above, agency respondents also discussed how the initial approval process could be complicated for these providers. This is because the process was not simply a matter of getting the licensing information from the caregiver; instead, it relied on the caregiver to provide the necessary paperwork, which could be challenging if the caregiver had difficulty understanding the policies or had language or literacy barriers. Discussions with agency respondents indicated that this process could be stressful and time consuming for staff.
- *Potential for fraud.* A number of respondents across sites suggested that it was harder to detect fraud (e.g., situations where the provider receives payment when care is not provided) with family, friend, and neighbor caregivers because of the close relationship between the parent and caregiver. The level of concern about this problem was indicated by some agency staff making comments such as “99 times out of a 100 that’s where all the fraud takes place,” and “80% of the [fraud] problems are with license-exempt providers,” though it was not evident to the site visitors whether these were opinions or statements of fact. Nonetheless, as a result of these concerns, one San Diego subsidy agency reported conducting unannounced visits to family, friend, and neighbor caregivers. It is important to note that it is not always clear why “fraud” happens: some cases are obviously intentional, but fraud can also occur unintentionally when a provider does not understand the program (which is something more likely to occur with family, friend, and neighbor caregivers).
- *Family disputes can get in the way of care.* Another issue discussed by agency staff that can affect relative caregivers in particular is the challenge of the care getting tangled up in the relationships between family members and the family disputes that occur. For the most part, it seemed that staff stayed out of these disputes. A Monterey caseworker noted, “We don’t get involved; we let them know that this is something they have to deal with because that’s their issue, it has nothing to do with the agency.” Another caseworker in the same site noted that having relative care means the agency gets involved in situations with “one family member against another family member,” something that does not happen with other forms of care. Although staff generally stayed out of these disputes, such tensions can add to the challenges agencies face with these caregivers and can lead to disruptions in care.
- *Less stable form of care.* There were also mixed reactions to the issue of whether there was more turnover with family, friend, and neighbor caregiving arrangements than with other types of arrangements. Some respondents felt clearly that there was higher turnover with this population: as one respondent in Monterey noted, “You see more turnover in the [license] exempt relative [providers] ... that’s when you see a lot of changing in providers.” A study of license-exempt providers in Alameda County found that 69 percent of the license-exempt providers receiving voucher payments in December 2000 were no longer receiving voucher payments in



December 2001 (Whitebook et al. 2003). While this research supports the idea that voucher receipt may be unstable for these caregivers, it is unclear whether the care arrangement may have continued even though the caregiver was no longer receiving voucher payments. It is also important to note that research suggests that voucher receipt may be fairly unstable in general: a study of five states found, for example, that subsidy spells averaged between three and seven months (Meyers et al. 2001). Finally, other agency respondents pointed out that some family, friend, and neighbor arrangements can last longer than licensed care arrangements—for example, because of a commitment to a grandchild or family member.

Overall, though, discussions with agency staff illustrated the struggles agencies can face with family, friend, and neighbor caregivers. In fact, when asked about challenges they faced with providers overall, agency administrators and staff often responded by bringing up issues with family, friend, and neighbor caregivers. In some ways, that is not surprising given that many issues discussed above would add to the workload of sometimes already overwhelmed staff, particularly given that family, friend, and neighbor is the most common type of care used by subsidized families in some of these counties. At the same time, however, administrators and staff also recognized the important role that family, friend, and neighbor caregivers could play for parents who really wanted or needed to use this form of care.

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## Conclusions

The information discussed in the preceding pages makes it clear that a number of important issues need consideration as we seek to understand how the voucher system is working for unlicensed family, friend, and neighbor caregivers. Key findings from this study include the following seven points.

1. *Family, friend, and neighbor caregivers in the voucher system are not a homogeneous group.* Our conversations with unregulated family, friend, and neighbor caregivers revealed that the caregivers vary widely in their relationship to the family, their motivation for providing care, the role that voucher money played for them (and what the money was used for), their level of interest in becoming licensed, and their level of understanding of the voucher program. It also appears that these caregivers are much more varied on these dimensions than are more formal providers—particularly child care centers—where the basic questions of who they are, what services they provide, and so forth falls within more clearly established parameters. It is commonly understood that there is a continuum in child care overall, from less formal arrangements (such as unlicensed family, friend, and neighbor caregivers) to more formal arrangements. However, there is also a continuum within the family, friend, and neighbor caregiver group themselves, with

some seeing their arrangement as a one-time gesture of help to a family member while others see it as a career.

This continuum presents particular challenges to policymakers, as it means that a one-size-fits-all policy is unlikely to be appropriate for all providers. This challenge can be illustrated by two policies which in some ways are designed for different ends of the continuum. Most of our study states decided to not pay these caregivers for days that the child was absent due to illness. This policy assumes that the provider is not caring for the child as their primary income or as their “job”—an assumption that in some ways implies that most of these providers are on the less formal end of the continuum. Yet, states require that these providers collect parent fees or copayments from the parents. This policy assumes that providers have a relationship with the parent that is formal or business-like enough to be able to collect copayments from them—in some ways the opposite assumption than is made in the preceding example. In each of these cases, the data presented earlier in the report suggest that these policies are appropriate for some providers but not for others.

While not providing answers to this fundamental challenge, this report suggests that a valuable next step would be for policymakers and researchers to examine how policies such as these work for providers at different ends of the continuum, and work to develop policies that are more tailored and targeted toward their particular needs. It also suggests that there may be policies in the voucher program that were initially designed with licensed child care providers in mind—such as collecting copayments—that should be reexamined for unlicensed family, friend, and neighbor caregivers. But taking these steps is not an easy task, given the complexity of assessing where providers fall on the continuum, the fact that they may change over time, and the fact that agencies are already struggling to find the right balance of creating a system that is equitable across providers while also recognizing differences.

- 2. Entering the voucher system can be complicated for family, friend, and neighbor caregivers.* Our research also indicates that starting to receive voucher payments can be challenging for these providers in two ways. First, because the voucher agency has to perform health and safety checks—which vary in intensity—there can be delays in getting payments started. Second, the lack of knowledge about the voucher program and requirements can result in providers not understanding what is required to get approved or how to complete paperwork. The health and safety check is an important requirement to ensure that these caregivers meet at least some basic standards, so at least some delays in the initial entry process may be inevitable (although states should look to see if there are ways to streamline this process).

It seems, however, that agencies can assist caregivers in this process by finding ways to help caregivers understand the requirements and what is expected of them



(e.g., having a designated staff person handle these issues, having an orientation, providing clearer instructions). Agencies might also work to ensure that the mechanisms used to explain voucher policies and procedures to unregulated family, friend, and neighbor caregivers are appropriate for individuals with a range of education levels and literacy and language skills.

3. *Family, friend, and neighbor providers have varied perspectives on the voucher payment.* Some of the more interesting discussions with the focus group participants centered on how they viewed the voucher payment. While participant comments varied significantly, it was interesting that for at least some participants this payment was primarily used to support the care of the child (i.e., through providing special activities, diapers, food, etc.) rather than used as income or financial support for the provider. The payment also clearly enabled many caregivers to care for the child since many of them noted that the child care arrangement would have to change in some way if they no longer received the voucher payment. It would be interesting to look at these issues in more depth and to explore any connections between how these providers used their payment and the quality of care provided.
4. *While many family, friend, and neighbor caregivers are not interested in becoming licensed, at least some are.* As mentioned earlier, in each of our focus groups, though many providers were not interested in becoming licensed, at least some were. This suggests that voucher agencies and community groups should continue to offer information about this option, along with incentives to those family, friend, and neighbor caregivers who are interested.
5. *Issues around level of payment are more complex for family, friend, and neighbor caregivers.* The issue of paying family, friend, and neighbor caregivers is inherently more complex than it is for licensed caregivers because there is not a “market rate” upon which those payments are based, and the relationship between parents and caregivers is not one usually based primarily on payment. Consequently, the voucher program is effectively monetizing something that may not otherwise be monetized. Generally, these caregivers do not have established rates and payment rules, so voucher agencies struggle with figuring out how to best determine rates and to understand whether and how to deal with payment-related policies. As noted above, this struggle can be a particular challenge given the variation in the types of caregivers (in terms of how strongly they see child care as their profession) that make up the family, friend, and neighbor caregiver group. Some issues that can pose challenges for policymakers include the following:
  - *How to determine rates.* How states determine rates for these caregivers seems more of a question of policy strategy and program goals than one with a “right” answer. These caregivers do not generally have an existing rate, so determining the voucher payment level is primarily determined by other agency values and

priorities, rather than by setting it at a particular level. The fact that these providers generally are not running a business and do not have to meet the same licensing standards as other providers suggests that a rate differential is appropriate for them, though it is unclear how much is appropriate. While we only examined four states in this study, they vary in how they set rates for these caregivers and how different the rates are between family, friend, and neighbor caregivers and other types of providers.

- *Paying for absent days.* Only one of the four states in our study paid family, friend, and neighbor caregivers for days the child was absent from care. All the states paid regulated providers for at least some absent days because the provider was considered to be operating a business with fixed costs that did not vary if a child was out. Again, whether this policy is appropriate depends somewhat on where the caregiver falls in the continuum described earlier. For those caregivers who are doing a personal favor for their grandchild, it makes sense to not pay for absent days given that the parent likely would not normally pay for these days of care. On the other hand, not paying for absent days is challenging for family, friend, and neighbor caregivers who may be taking care of children as a business or relying upon it as a steady source of income.

To add further complexity to the issue, it appears this approach is sometimes used for other reasons—for example, this policy difference between unregulated and regulated caregivers may act as an added “bonus” of becoming licensed. It is also unclear how often children are “absent” from family, friend, and neighbor caregivers. Given the informality of the relationship and the fact that fewer children are in care, these caregivers may often care for children when they are sick. Considering all these issues together makes it clear that there is not likely to be an easy “right” answer for this policy area. It also appears, however, that this policy issue is worth further discussion and exploration.

- *Collecting parent fees.* While establishing and collecting parent fees are mandated by the CCDF and make sense from a policy perspective, it is not clear that the policy always makes sense for unlicensed family, friend, and neighbor caregivers. The most obvious example of this is where the caregiver is financially supporting the parent, so requiring them to collect a copayment is basically requiring them to pay themselves. This provides some interesting questions about how parent fees should function. There are some very important reasons a parent fee is assessed (such as encouraging parent responsibility), but it is also important to recognize that certain policies may not work for some family, friend, and neighbor caregivers. It would be useful to consider whether these policies are necessary and/or appropriate in all circumstances, under what circumstances these policies could be waived and how that could be done equitably, and

whether this is an area where caregivers may need more information to understand why the policies are in place.

6. *Once in the voucher system, family, friend, and neighbor caregivers care about many of the same issues as licensed providers.* Once the levels of payment are determined and the family, friend, and neighbor caregiver is approved, the concerns of these caregivers are very similar to concerns indicated by licensed providers in the focus groups conducted for the rest of the overall study (see Adams et al. 2008). These include difficulties communicating with agency staff (e.g., challenges contacting staff or getting problems resolved), sometimes feeling disrespected by staff, feeling uncertain about program rules, and experiencing delays in receiving payments.

As a result, it appears that when a particular policy does not seem to work for regulated providers, it also does not seem to work well for family, friend, and neighbor caregivers. This finding suggests that unregulated caregivers would likely benefit from many of the policies that would help licensed providers, such as improving communication, providing more information about the program, and streamlining the process to receive the first payment. In fact, family, friend, and neighbor caregivers may benefit even *more* than regulated providers from changes in these policy areas since family, friend, and neighbor caregivers face more challenges in these areas. For more information on several of these policy areas and strategies for improvement, see Adams and colleagues (2008).

7. *Unlicensed family, friend, and neighbor caregivers can pose challenges for voucher agencies.* Our research indicates that many issues somewhat specific to family, friend, and neighbor caregivers can present special challenges to voucher agencies. For example, agency staff in our study felt that these providers had less understanding of the voucher program than other providers, there was more fraud with this type of care, it was a less stable care than other arrangements, family disputes could get in the way of the care, and the approval process could take longer with these caregivers. While it is unclear whether agency staff perceptions in any of these areas are completely accurate—particularly their feelings that these caregivers are more likely (either intentionally or unintentionally) to commit fraud—these opinions are worth noting as they indicate the challenges present in developing a positive relationship between some voucher agencies and caregivers. It also suggests that a significant amount of staff time and energy is being spent on family, friend, and neighbor caregiver issues, so policies designed to alleviate these issues may help reduce staff workload—and may also help strengthen the relationship between caregivers and agency staff.

Despite the fact that unlicensed family, friend, and neighbor caregivers have been part of the voucher system for almost 20 years, voucher agencies are clearly still struggling with identifying ways to effectively design and manage the voucher program

for this essential part of the provider community. Obviously, family, friend, and neighbor caregivers differ from other types of providers in many ways—and pose some complex policy questions for voucher programs. But they are also similar in some ways to more formal providers, for example in how they experience certain policies, as well as their general love of children and desire to help families. Given the important role that family, friend, and neighbor caregivers play for subsidized families, it is clearly critical that we continue to explore how to strike a balance between taking into account the differences and unique challenges that family, friend, and neighbor caregivers pose while working to develop policies that are fair to providers and ensure that subsidized children receive quality care.

## APPENDIX A

### *Focus Group Information*

We conducted a total of six focus groups with unregulated family, friend, and neighbor caregivers. Two focus groups were conducted in each of the three study sites (Monterey County, CA; San Diego County, CA; and Hudson County, NJ.) In each study site, one focus group was conducted in English and one in Spanish. A total of 77 individuals participated in these focus groups.

To recruit participants, lists of family, friend, and neighbor caregivers receiving voucher payments were obtained from the local voucher agency, and either the agency or a local partner contacted these providers. Focus group facilitators followed a scripted protocol of questions and optional probes that was used in all three sites. For the Spanish focus groups, a bilingual facilitator from the agency or state child care resource and referral agency was brought in to run the group. Focus group participants were asked to complete a form (called a participant information form) that collected basic demographic information about the participant (such as age, race/ethnicity, and education level), as well as the child care they provided (such as number of children cared for, their relationship to the children, and whether they provided care on evenings or weekends).

All our interviews and focus groups were audio recorded. Detailed written notes of the interviews and focus groups were completed by one site team member and reviewed for accuracy by the other team member to ensure data quality and consistency. The Spanish family, friend, and neighbor caregiver groups were sent out for translated transcripts. All notes were coded into NUD\*IST, a computer program that enables researchers to organize and analyze qualitative data more easily.

APPENDIX B

*Demographic Information  
for Focus Group Participants*

**TABLE B1. Focus Group Participant Characteristics, by County**

	All Focus Groups				English-Speaking Focus Groups			
	Monterey, CA	San Diego, CA	Hudson, NJ	Mean	Monterey, CA	San Diego, CA	Hudson, NJ	Mean
Number of participants	23	34	16					
Female	96%	94%	100%	96%				
Age (%)								
20 years old or younger	4	0	0	1				
21–30 years old	4	9	19	10				
31–40 years old	22	24	25	23				
41–55 years old	48	41	31	41				
56 years or older	22	26	25	25				
Race/ethnicity (%)								
Hispanic/Latino	70	74	75	73	46	38	43	42
African American	9	18	19	15	15	46	43	33
White	13	9	0	8	23	15	0	15
American Indian	4	0	0	1	8	0	0	3
No answer	4	0	6	3	8	0	14	6
Highest level of education (%)								
No high school	13	21	6	15				
Some high school	22	15	44	23				
High school diploma or GED	30	35	31	33				
Child Development Associate credential	0	0	6	1				
Associate degree	4	3	0	3				
Bachelor or graduate degree	4	15	0	8				
No answer	26	12	13	16				

Source: The Urban Institute, 2007.  
GED = general equivalency diploma

**TABLE B2. Focus Group Participant Care Information, by County**

	Monterey, CA	San Diego, CA	Hudson, NJ	Mean
Number of participants	23	34	16	
Average number of children in care	2.5	2.4	2.3	2.4
Proportion also caring for non-subsidized children <sup>a</sup>	38%	25%	63%	36%
Proportion providing care during evenings/weekends <sup>b</sup>	43%	47%	31%	42%
Where care takes place (%)				
Caregiver's home	91	85	100	90
Child's home	9	12	0	8
No answer	0	30	0	1
Relationship of subsidized child(ren) to caregiver (%)				
Grandchild/ great-grandchild	65	47	31	49
Niece/nephew	22	38	25	30
Child of friend	13	21	25	19
Other				
How long ago did caregiver start receiving payment through vouchers (%)				
Less than 1 year	65	47	50	53
1-3 years	30	26	13	25
4 or more years	4	15	13	11
No answer	0	12	25	11
How often caregiver cared for a subsidized child in past 12 months (%)				
Usually	57	65	31	55
Sometimes	13	3	6	7
Rarely	9	6	13	8
No answer	22	26	50	30

Source: The Urban Institute, 2007.

<sup>a</sup> In Monterey and San Diego, two respondents did not answer (for total of four across the two sites), so the sample size was adjusted accordingly.

<sup>b</sup> In Monterey, two respondents did not answer, so the sample size is 21 for this question.



## Notes

1. States are not required to allow parents to use unregulated home-based caregivers other than certain relatives (grandparents, aunts, and uncles), though most states do. States are required to have at least some health and safety requirements in place for unregulated home-based caregivers who are not these relatives. Also, “family, friend, and neighbor” is not a term used in CCDF, although defined categories in CCDF regulations fall under the term family, friend, and neighbor as it is used in this paper.
2. From U.S. Department of Health and Human Services (HHS), “Child Care and Development Fund: Average Monthly Percentages of Children Served in Regulated Settings vs. Settings Legally Operating without Regulation (FFY 2005),” <http://www.acf.hhs.gov/programs/ccb/research/05acf800/table4.htm>. Although not strictly comparable to the definition of unregulated family, friend, and neighbor care used in this paper—defined later in this section—data from the U.S. Department of Health and Human Services suggest that in federal fiscal year 2005, the proportion of children receiving CCDF funds who were cared for in legally unregulated settings (which is an overestimate of family, friend, and neighbor care as in some states it would include children in license-exempt centers) ranged from 0 or 1 percent in some states to 65 percent in one state, with a national average of 25 percent (HHS, “Child Care and Development Fund: Average Monthly Percentages of Children Served,” <http://www.acf.hhs.gov/programs/ccb/research/05acf800/table4.htm>).
3. How states define which providers are exempt from regulations varies. For example, family, friend, and neighbor caregivers may need to be licensed if they are also caring for any unrelated children (in some states) or enough unrelated children to hit a level required by licensing in other states. See Porter and Kearns (2005b) for more information on these issues.
4. The California sites were selected because they were of particular interest to one of our funders. The New Jersey site was chosen because New Jersey has a higher percentage of subsidized children in family, friend, and neighbor care than our other two study states.
5. When agencies recruit participants for the focus groups, providers who are more comfortable with voucher agencies may be the most likely to respond positively to the recruitment efforts. This group could be providers who have fewer issues or problems or who have more experience with the system. Because of this, we may have more positive responses to our questions about experiences with the system than perhaps we would have received with a more representative sample of providers.
6. We also asked participants what the parents were doing during the evening and weekend care times (i.e., work, school, etc.). While the data were incomplete for this question, generally it seemed that parents were engaged in a work or school activity when caregivers had the children during the evening or weekend.
7. Because of the focus group format, it was rare for each participant to answer every question.
8. It would be interesting to explore whether this factor is at play in a recent study assessing quality in family, friend, and neighbor caregiving settings that finds the receipt of a voucher payment is related to higher scores for caregivers in the area of supporting children’s cognitive development (Porter 2006).

9. We could not assess whether relative and nonrelative caregivers differed in this area.
10. It is unclear how representative these viewpoints are of family, friend, and neighbor caregivers overall—and there may be some selection bias in our focus groups since individuals interested in becoming licensed may be more likely to attend a focus group.
11. In California, “parent fee” refers to what many other states call a parent copayment—the part of the cost of care that parents are supposed to be responsible for, usually set using a sliding fee scale. Parent “copayment” in California refers to situations where the provider’s rate is above the maximum limit paid by the state; providers are allowed to collect this differential from parents.
12. Many states use the minimum wage laws as a guideline for setting rates for in-home care (see <http://nccic.org/pubs/stateplan2006-07/index.html> Part 3.1.3).
13. Given the way rates were set for family, friend, and neighbor caregivers in California, a family, friend, and neighbor caregiver could be paid more than a licensed provider if that licensed provider’s rate was below 90 percent of the maximum family child care rate (i.e., the family, friend, and neighbor caregiver rate). One respondent pointed out that often family, friend, and neighbor caregivers received the maximum rate for their type of care by default because they don’t have a private pay rate to compare to. Family child care providers, however, have to set their rates at what private-pay families can pay, and that rate could be lower than the maximum rate for family, friend, and neighbor caregivers.
14. Respondents in Washington noted that in the state as a whole, licensed family child care were paid a higher daily rate, based on the market rate. But because unlicensed family, friend, and neighbor care was paid hourly, these providers could end up being paid more. This issue did not arise in King County because the local market rate was higher.
15. We did not speak with providers in the two sites that had the lowest payments. It is unclear what the voucher payment meant for these providers, though one agency respondent in Alabama felt that family, friend, and neighbor caregivers in their area did not always submit paperwork on time to get paid, which she thought was because the payment was so small (\$35 a week for full-time care; \$17.50 for part-time care). It would be interesting to explore whether family, friend, and neighbor caregivers view the importance of the voucher payment differently in states with lower payments compared with states with higher payments to family, friend, and neighbor caregivers.
16. Some participants did recognize (and informed others in the groups) that they could get more money if they got a license.
17. One family, friend, and neighbor caregiver in California did point out to others in her focus group that if they got licensed they would be paid for absent days.
18. This agency has changed its policy since our site visits, and it now requires providers to collect the copayments.
19. Jefferson County is an exception (and not included in the time estimates) because family, friend, and neighbor caregivers were not required to undergo any background checks or home inspection. So, the timing of payment seemed more up to how fast the parent and caregiver provided the required information.
20. According to Washington State policy, parents who do not pay the provider can be put on protective payee status, where a third party would make sure payments are made to the provider, but this did not seem to happen frequently. The issue of not being able to ensure that the provider gets paid in situations where parents are paid directly has been an issue of concern to state administrators for 20 years, and most states now pay providers directly as a result.
21. Owing to group dynamics, where participants may be more likely to want to share and discuss problems they have experienced, we might have been more likely to hear about challenges than positive experiences in our focus groups, although we asked for both positive and negative experiences.

22. Most states have undertaken initiatives to support child care quality in family, friend, and neighbor child care. Most of these initiatives focus on training and professional development, distributing materials and equipment to caregivers, and providing technical assistance. For more information on these initiatives, see Porter and Kearns (2005b).
23. Some in our licensed provider focus groups also had opinions about family, friend, and neighbor caregivers. In a number of focus groups, some participants discussed their frustration that family, friend, and neighbor caregivers were not required to meet the same standards as licensed providers, and their concern that these caregivers took business away from them.

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