For Love or Money:  
Costs of Child Care by Relatives

Karen Fox Folk  
University of Wisconsin at Madison

ABSTRACT: A substantial proportion of employed mothers of young children, especially low-income mothers, use relatives to provide child care. This study uses data on interhousehold exchange of gifts, loans, and household services from the National Survey of Families and Households to examine monetary and nonmonetary costs of child care by relatives. Results show that mothers who use relatives for child care are more likely to give services and to have given gifts or loans to other relatives living outside the household than mothers using other forms of child care or mothers who are not employed. Monetary payments for child care by relatives are made more often for full-time than part-time care and less often to grandparents than to other relatives providing care. Implications for government child care assistance programs are discussed.

KEY WORDS: child care, employment, interhousehold transfers.

Introduction

Labor force participation of mothers of children under age 6 reached 58.2% in 1990, making arranging adequate child care an increasingly crucial issue for family well-being (Veum & Gleason, 1991). Researchers have focused on the shift to market-supplied child care arrangements, but child care by relatives continues to enable many mothers of young children to join the labor force. Care by relatives other than parents was the primary arrangement for 19% of preschool
children with employed mothers in 1990 (Hofferth, Brayfield, Deich, & Holcomb, 1991). Care by relatives is even more prevalent for low-income families, and 28% of preschool children with an employed mother are cared for by an extended-family member, most often a grandmother (Brayfield, Deich, & Hofferth, 1993).

Although much child care by relatives involves no monetary payment, close to half of such care is paid for, averaging about two-thirds the cost of market-purchased care (Leibowitz, Waite, & Witsberger, 1988; Presser & Baldwin, 1980; U.S. Bureau of the Census, 1992). Previous research has assumed that care by relatives is often chosen for its lower monetary cost, dependent on availability. Although unavailability certainly constrains the choice of using relatives for child care, it may be less problematic than commonly perceived. In a detailed study of parent-child relations, Rossi and Rossi (1990) found that 60% of their respondents had parents living within 35 miles. In the National Survey of Families and Households, 50% of mothers of preschoolers had a maternal grandmother living within 15 miles.

Care provided by relatives for no monetary cost could be viewed as a grant, defined by Boulding (1981) as a one-way transfer from one household to another with no expectation of receiving any tangible commodities, either goods or services, in return. In this case, relatives providing child care would be doing so for purely altruistic motives, that is, for love, but the fact that one-half of relative care is paid for suggests that exchange motives, that is, reciprocity, may also play a role. In the informal transfer economy, child care may also be paid for with in-kind services, adding nonmonetary costs to using relatives for care.

Both monetary and nonmonetary costs of child care by relatives depend on the terms of trade acceptable to the person providing the services and to the parents needing them. Little is known about whether relatives providing child care free or lower than market cost expect recipients of the care to reciprocate with in-kind services or gifts in lieu of or in addition to any monetary payments. Presser (1989) found that 12% of grandmothers providing child care received other services in return and one-third received monetary payments. Understanding the factors affecting monetary payments for child care by relatives and determining the extent of nonmonetary payments have important implications for child care policy. If most relative care is based on altruism, that is, a desire to increase the well-being of the recipients of care, changes in government child care subsidies may