

HOW CHILDCARE IMPACTS
NORTH CAROLINA'S
WORKFORCE PRODUCTIVITY
AND THE STATE'S ECONOMY



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Untapped Potential: How Childcare Impacts North Carolina’s Workforce Productivity and the State’s Economy

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The childcare coverage gap in North Carolina is not only a barrier to parents' ability to participate in the labor force, but also a hindrance to the state's potential for growth and success.

Introduction

The U.S. Chamber of Commerce Foundation (USCCF) recognizes childcare as a two-generation workforce issue—essential to supporting the workforce of today and developing the workforce of tomorrow. Unfortunately, the current supply of childcare falls short of demand due to a tight labor market and lack of sustainable funding for childcare programs. North Carolina’s childcare gaps drive parents out of the workforce, reduce tax revenue for the state, and put undue strain on households—particularly among the most economically vulnerable. While these challenges are complex and persistent, they are addressable, and the business community can play a central role in developing solutions that benefit all North Carolinians.

Recognizing that a data-driven understanding of the impact of childcare breakdowns on working parents, their employers, and the state economy is prerequisite to creating meaningful solutions, USCCF partnered with the NC Chamber Foundation and NC Child to produce this report, which aims to understand the unique needs of working parents in North Carolina by exploring the current childcare landscape. The report estimates how often parents leave the workforce, are absent from school or work, or miss educational opportunities due to insufficient childcare support.

Data for this report was gathered by surveying a representative sample of 517 parents of children under the age of six across North Carolina. Survey results were then used to model an estimate of the direct financial impact of insufficient childcare coverage on North Carolina’s economy—\$5.65 billion each year.

The issue to overcome is multifaceted. Childcare is a central determinant in whether and how reliably a parent can participate in the labor force, a reality that is on full display as the state continues to push for job growth. North Carolina ranks 36th in labor force participation relative to other states,¹ and the findings indicate many parents may not be able to continue working without adequate childcare options. The childcare coverage gap in North Carolina is not only a barrier to parents’ ability to participate in the labor force, but also a hindrance to the state’s potential for growth and success. North Carolina has an unemployment rate of 3.5%, tying it for 27th among U.S. states.² This analysis shows that childcare issues could hinder North Carolina’s economic performance.

The complexity of childcare challenges will require collaboration across sectors to ensure that North Carolina’s children, families, businesses, and economy are strong. Childcare is a crucial support piece of North Carolina’s economic infrastructure, and, if properly addressed, can unlock the full economic potential of the state, allowing it to thrive. The goal of this report and the data presented is to create opportunities for partnerships and cooperation that further the economic potential of the state of North Carolina.

¹ Bureau of Labor Statistics, 2021

² <https://www.bls.gov/web/laus/laumstrk.htm>

Executive Summary

Numerous studies have highlighted the developmental benefits of high-quality childcare for young children. Children given appropriate childcare perform better in school, are less likely to drop out, and achieve higher test scores.³

Access to childcare also allows parents the flexibility to pursue careers or enhance their education or vocational skills. Consequently, breakdowns in the childcare system result in valuable missed opportunities for children and their parents, who may experience disruptions to their work or education. Despite the well-demonstrated benefits resulting from high-quality childcare, families in North Carolina often struggle to access affordable arrangements for their children. This occurs to the detriment of the state's economy.

The results of this research during March 2024 suggest that insufficient childcare availability is costing North Carolina \$5.65 billion in lost economic activity each year. The report quantifies the direct economic impact due to childcare issues and builds on previous efforts to better understand the size of the childcare problem. Since 2019, the United States Chamber of Commerce Foundation (USCCF) conducted studies in twelve states. In each state, childcare breakdowns resulted in hundreds of millions—even billions—of dollars of lost economic activity. As state leaders consider next steps to position North Carolina for continued economic success, childcare initiatives could enable the state to capitalize fully on its resources.

³ (1998) Cleveland and Krashinsky, <https://files.eric.ed.gov/fulltext/ED435452.pdf>

TOPLINE FINDINGS

-\$5.65B

THE UNTAPPED POTENTIAL:
Childcare issues result in an estimated \$5.65 billion annual loss for North Carolina's economy.

-\$1.36B

North Carolina misses an estimated \$1.36 billion annually in tax revenue due to turnover and absence costs stemming from childcare issues.

-\$4.29B

Childcare-related employee turnover and absenteeism costs North Carolina employers an estimated \$4.29 billion per year.

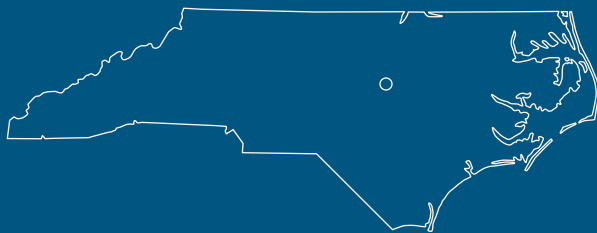
35%

of parents that experienced disruptions to their employment in the past year reported leaving the workforce as a direct result of issues with childcare.

46%

of parents attending school or work training needed to make a significant adjustment to their schedule due to childcare issues in the past year.

The NCEEC classifies North Carolina as a “childcare desert”, with an average of over five families competing for every one available licensed childcare slot statewide.



Population: 10.8 million

Average Household Income: \$94,353

Minimum Wage: \$7.25 per hour

Capital: Raleigh

Surveyed: 517 parents of children under the age of six

NORTH CAROLINA'S PROFILE

As of 2023, North Carolina is the ninth most populous state in the United States with a population of approximately 10.8 million people.⁴ In 2023, North Carolina ranked third in numeric growth, with almost 140,000 new residents.⁵ The trend is expected to continue, with the state's latest population projections indicating that North Carolina will reach 14 million people by 2050.⁶ However, the state's future population will skew older than today, and it is increasingly vital that North Carolinians have the childcare support they need to thrive in the workforce.

Manufacturing is the dominant industry in the state, generating nearly \$85 billion in GDP for North Carolina in 2023.⁷ The state economy also focuses on industries such as banking, pharmaceuticals, agriculture, and technology. North Carolina's economy has been growing, with Charlotte becoming the second-largest banking center in the nation, and Research Triangle Park being the home of over 200 companies. Statewide, two-thirds of children under six live in households where all parents work. The need and availability of childcare is essential for the State of North Carolina's economic development and stability.⁸

According to the 2022 American Community Survey, 12.8% of North Carolina's population lives in poverty, including 1-in-6⁹ children, disproportionately affecting people of color. According to the North Carolina Early Education Coalition (NCEEC), low-income parents without access to assistance spend over one-third¹⁰ of their total yearly income on care. The average cost for full-time childcare at childcare centers in North Carolina is \$9,255 per year for an infant and \$7,592 for a 4-year-old. The price of childcare forces parents to consider alternative arrangements—mainly informal care arrangements that may come at the cost of employment and education. For parents who prefer to work, flexibility in their employment is a key component of workforce participation.

The NCEEC classifies North Carolina as a "childcare desert," with an average of over five families competing for every one available licensed childcare slot statewide. Additionally, licensed childcare programs for infants and toddlers only have capacity to serve 18.7%¹¹ of the infant-toddler population, largely due to workforce costs and shortages. Compared to the national average, North Carolina has one of the highest rates of working mothers with young children.

⁴ <https://www.census.gov/popclock/>

⁵ <https://www.census.gov/newsroom/press-releases/2023/population-trends-return-to-pre-pandemic-norms.html#:~:text=Texas%20experienced%20the%20largest%20numeric,%25%2C%20respectively%2C%20in%202023>

⁶ <https://www.osbm.nc.gov/blog/2022/12/30/ncs-population-reach-140-million-2050#:~:text=Our%20latest%20population%20projections%20show,trends%20in%20future%20blog%20posts>

⁷ <https://www.ibisworld.com/united-states/economic-profiles/north-carolina/#:~:text=The%20largest%20industries%20by%20revenue,and%20%2442.4b%20in%202023>

⁸ <https://ncchildcare.ncdhhs.gov/County/Child-Care-Snapshot#:~:text=Compared%20to%20the%20national%20average,in%20regulated%20child%20care%20arrangements>

⁹ <https://www.wunc.org/news/2023-09-15/child-poverty-rate-joe-biden-tax-credit-north-carolina>¹⁰ <https://data.census.gov/cedsci/>

¹⁰ <https://www.dailytarheel.com/article/2023/02/city-childcare-in-nc>

¹¹ <https://www.dailytarheel.com/article/2023/02/city-childcare-in-nc#:~:text=Licensed%20child%20care%20programs%20for,especially%20for%20infants%20and%20toddlers>

Childcare concerns have led to new policy developments and the dedication of funds to safeguard the future of childcare in North Carolina. The state of North Carolina is set to test a “Tri-Share” childcare model in the short-term: a cost-sharing model in which the state government, employer, and employee each pay for one-third of the cost of childcare.¹² Tri-Share, which first launched as a pilot program in 2021 in Michigan, is recognized for its innovative approach to the childcare problem and has been replicated in multiple locations across the United States. Additionally, the North Carolina Partnership for Children (NCPC) was granted \$900,000 from the N.C. General Assembly to run a two-year pilot across three regional hubs. However, outside of federal pandemic-relief funding, there has been no substantial funding dedicated toward addressing childcare concerns in North Carolina.

While recent state-level initiatives are promising, the survey results show that there is still work to be done to maximize North Carolina’s economic potential. Parents face both immediate and lasting consequences as a result of insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience and capability, and continue their education. To quantify the full economic impact of childcare, one must consider questions like these:

For parents: When parents leave the workforce, how much income are they sacrificing? Are they missing out on promotions or raises? What is the value of these missed merit increases across a lifetime? What educational and personal development opportunities are parents skipping?

For businesses: When employees leave or miss work due to childcare disruptions, how are business operations affected? **How much larger could the employee talent pool be if parents could work without being limited by childcare necessities?** What is the lost economic value from training replacements for parents who leave work to care for their children?

For the state: How are the state’s public programs impacted by childcare disruptions? **How much more growth could North Carolina see if parents struggling with childcare could return to the workforce?** How would tax revenues increase if household wages went up? How would quality of life improve for families if they had adequate childcare options?

The next section of this report highlights the motivations behind parents’ decisions, the most important contributing factors, and the wide economic implications of these choices.

¹² <https://www.edsurge.com/news/2024-01-30-one-state-rolled-out-a-promising-child-care-model-now-others-are-replicating-it#:~:text=The%20cost%2Dsharing%20model%2C%20in,where%20it%20is%20furthest%20along>

Parents face both immediate and lasting consequences as a result of insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience and capability, and continue their education.

Survey Results

517 parents with children under the age of six were surveyed to gauge how childcare issues impacted their lives across employment and education. Survey respondents are reflective of North Carolina's racial demographics and are distributed across the socioeconomic spectrum. The decisions parents make regarding childcare were also captured—who they selected as providers and why. Stakeholders need to know the motivations behind parents selecting childcare providers so they can better align their efforts toward effective solutions.

Key Findings

Current Childcare Dynamics

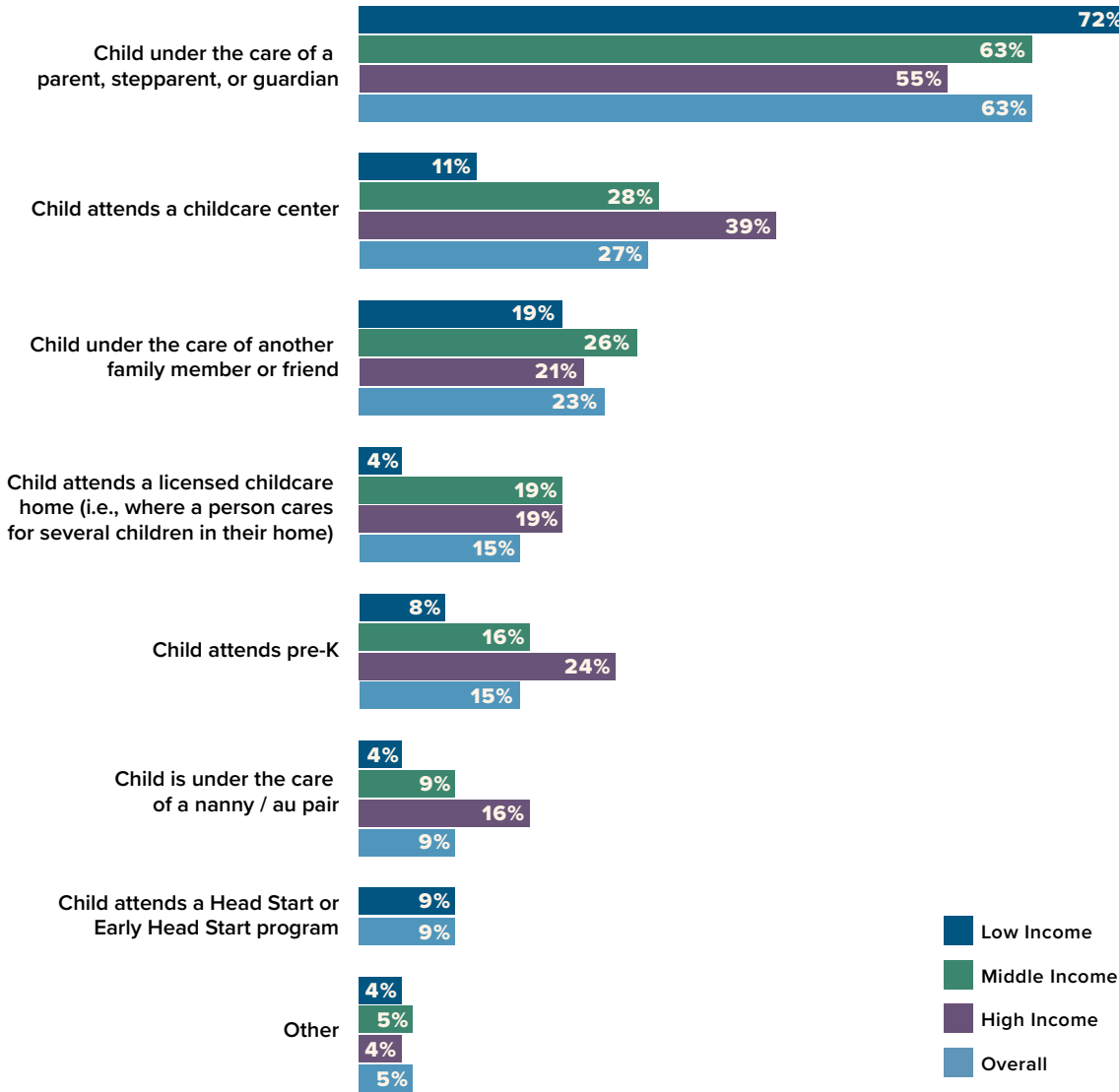
- Among parents of children younger than six, **81% pay for childcare.**
- Parents primarily pick their childcare provider based on **affordability.**
- **Families spend on average \$633 per month,** although costs vary by provider type and household income.

The survey confirmed that childcare arrangements vary greatly based on household income (**FIGURE 1**). In general, families in North Carolina elect to place their child under the care of close family members at least some of the time. Parents in lower income tiers are most likely to report that their children are under the care of a parent, stepparent, or guardian. Such households often forgo a second income, electing instead to subsist on one parent's salary. Parents in high-income tiers were more than four times as likely as their low-income counterparts to place their child under the care of a nanny or au pair. Many parents consider hiring a nanny to be the ideal childcare arrangement, but only the highest earners can comfortably afford this luxury. Overall, high-income earners have a wider range of care options available to them relative to low-income earners, and high-income parents are more likely than other groups to be using multiple childcare solutions at the same time.

FIGURE 01.

Current childcare arrangement by income group

*Parents could select more than one option



“The biggest challenge I have faced while trying to access affordable childcare is finding a situation that works well for us. It has to be close to home, affordable, safe, trusted, open at the right hours, and also provide the level of care or education that my child needs relative to her age at the time.”

— NORTH CAROLINA MOTHER OF A 5-YEAR-OLD

Preferences and motivations further reflect the childcare divide between socioeconomic classes. When asked why they chose a particular childcare arrangement, high-income earners were most likely to select “perceived quality / reputation” of all groups surveyed (FIGURE 2). Lower-earning families more often use price as the sole deciding factor when choosing their childcare arrangement, while high-earning families can consider several criteria and be more selective in their choice. Although personal preference plays a considerable role in all groups’ decisions, the typical North Carolinian is motivated primarily by concerns about affordability. Cost is a relatively income-agnostic criterion, as 65% of low-income parents, 63% of middle-income parents, and 50% of high-income parents agree that it is a key factor in the childcare decision. Proximity to home, work, or school is the next leading factor, with 40% of parents agreeing that it is a key decision criterion (including 54% of high-income parents).

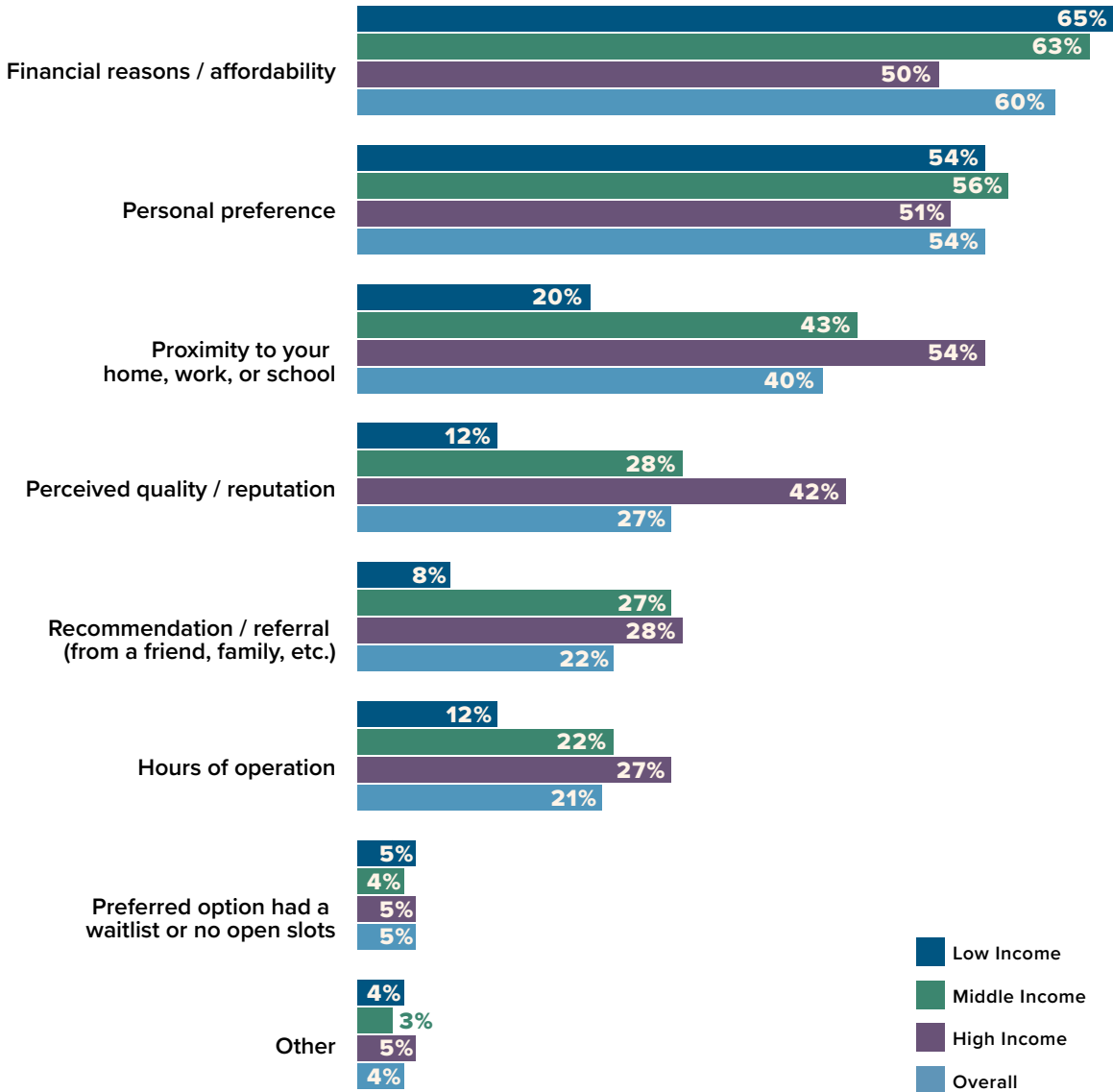
“I cannot manage the financial burden for a trustworthy childcare provider.”

— NORTH CAROLINA MOTHER OF A 2-YEAR-OLD

FIGURE 02.

Primary reason for selecting arrangement by income group

*Parents could select more than one option



When asked how they primarily pay for childcare, 64% of respondents reported using their personal budget to pay for childcare (FIGURE 3). Low-income families relied on paying out of pocket the least and reported lower per-month childcare expenditures (\$554) compared to middle-income and high-income groups (FIGURE 4).

FIGURE 03.

Primary source of funding for childcare by income group

*Parents could select more than one option unless they reported no childcare costs

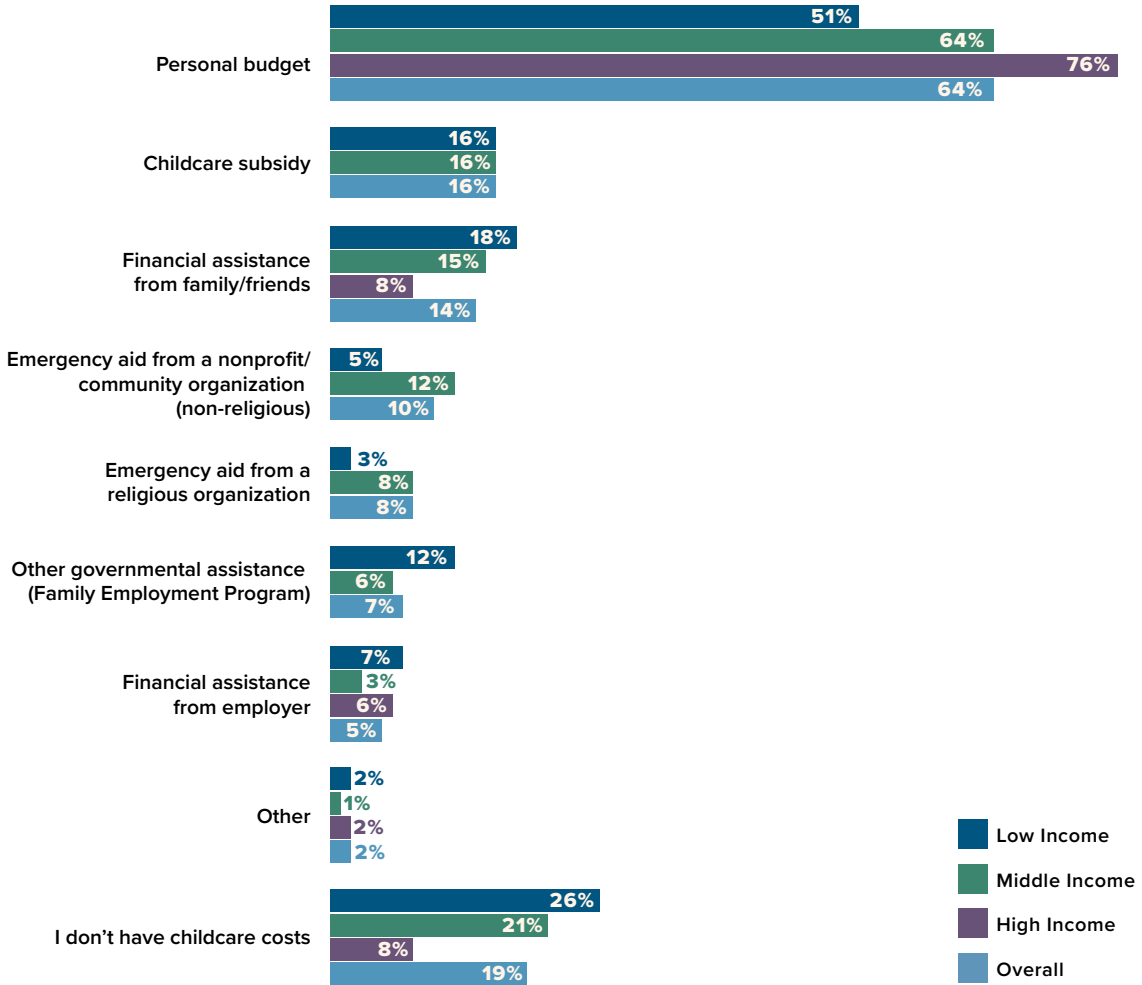


FIGURE 04.

Parents' reported monthly childcare expenditure by income group

*Parents entered a dollar amount manually



Current Employment Dynamics

Recent shifts triggered by the COVID-19 pandemic have changed working dynamics for parents locally in North Carolina and across the country. Parents especially benefit from flexible working options, such as remote work and flexible hours, which popularized beginning in 2020. A 2022 McKinsey study found that 58% of Americans reported working at least one day from home each week, and 35% had the option to work fully remote. Among the key findings in the study was the revelation that 87% of workers prefer to work remotely, given the option.¹³

However, many employees do not have the option of working remotely or have a flexible schedule—a fact particularly relevant to North Carolina, which boasts an above-average number of manufacturing and pharmaceutical jobs. High-income employees in technology, banking, business, and other white-collar jobs are more often able to have flexible schedules, while low-income parents usually have less flexible options.

In North Carolina, 60% of families with cohabiting parents with a child under the age of six have both parents participating in the labor force, while 39% have only one parent in the labor force, most typically the father.¹⁴ Parents who work full-time reported working almost 37 hours per week on average, while part-time parents average close to 22 hours (FIGURE 5). Most full-time employed parents in the study reported working a traditional “nine-to-five” weekday schedule, while part-time workers reported having a fixed schedule or the ability to choose their own schedule more often than full-time workers (FIGURE 6). A parent’s working schedule and job location frequently dictate the childcare options available to them. Thus, parents must weigh competing priorities, balancing their career or education goals with the responsibilities of raising children.

¹³ <https://www.mckinsey.com/industries/real-estate/our-insights/americans-are-embracing-flexible-work-and-they-want-more-of-it>

¹⁴ <https://data.census.gov/table?q=C23008&q=040XX00US37>

Parents were prompted to select the response option that best describes their current employment status and report the number of hours they work (if applicable).

FIGURE 05.

Average hours per week by employment status

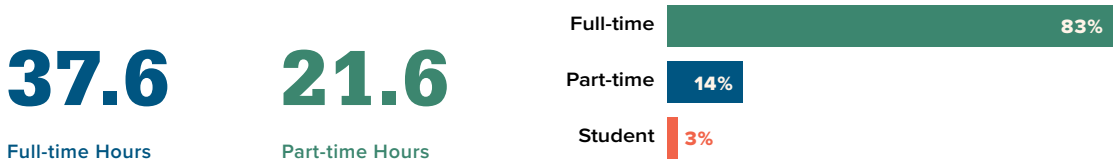
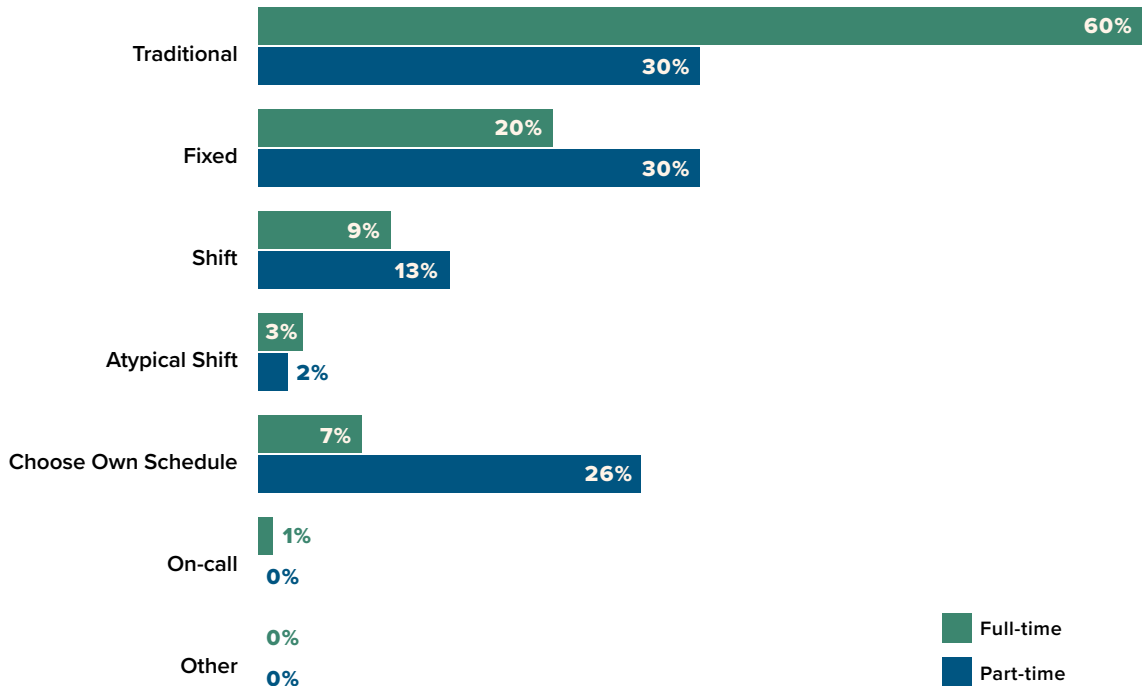


FIGURE 06.

Full vs. part-time job schedule²²



NORTH CAROLINA MOTHER OF A 2-YEAR-OLD

“I quit my high paying executive job to focus on raising my child. I initially went from full-time to part-time but securing childcare for my part time schedule was extremely difficult.”

Impact of Childcare on Employment and Education

According to the survey, 25% of households have experienced changes to their own employment situation due to childcare challenges in the last twelve months (FIGURE 7). North Carolinians who responded to the study reported that their employment was affected in more ways than one, including voluntarily or involuntarily leaving their jobs, decreasing their hours from full-time to part-time, or being unable to increase their hours or accept a new position. In addition to those who have already experienced changes to their work, 15% of working parents plan to leave their job in the next 12 months (FIGURE 8). 56% of those who indicated plans to leave their job within the next year cited a desire to seek new work opportunities, while 37% cited childcare concerns, and 30% are leaving primarily to access remote opportunities. Low-income groups were the most likely to be planning on leaving their current employment (FIGURE 9).

The survey asked a question from the National Survey of Children’s Health (NSCH) to provide a comparison to the national data from 2019:

“During the past 12 months, did you or anyone in the family have to voluntarily leave a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0-5 years?”

“I have personally left the workforce because we could not justify spending a majority of my salary on childcare. The compromise between financial aspects and quality of childcare made it so that me staying home was the obvious option.”

— NORTH CAROLINA MOTHER OF A 4-YEAR-OLD

“I had to decline a job due to the hours of the job and my childcare time. I would have been able to make more money, but I could not find childcare for the hours I would be at work.”

— NORTH CAROLINA MOTHER OF A 4-YEAR-OLD

FIGURE 07.

Percentage of parents who experienced employment changes due to childcare issues, by income group



FIGURE 08.

Parents planning to leave employment over the next 12 months, by gender



FIGURE 09.

Parents planning to leave employment over the next 12 months, by income group



According to the NSCH, in 2019 just over 9.4% of parents in the U.S. reported that childcare issues are causing significant disruptions to their employment, with North Carolinians experiencing disruptions above the national average (16.8%). (FIGURE 10). Post-pandemic, the parents in the survey reported much higher rates (25.1%) of childcare issues significantly impacting employment for their household. Aside from differences in survey design that affect the comparison of the data to the NSCH, the COVID-19 pandemic and ongoing economic uncertainty have likely contributed to an increase in the proportion of parents who feel that their employment has been disrupted by the childcare crunch.

FIGURE 10.

Percentage of parents who answered “Yes” to the NSCH question, comparison by state
During the past 12 months, did you or anyone in the family have to quit a job, not take a job, or greatly change your job because of problems with child care for this child, age 0-5 years? ¹⁵

| COMPARED NATIONALLY | PERCENT |
|--|---------|
| Nationwide NSCH (2019) | 9.4% |
| North Carolina NSCH (2019) | 16.8% |
| North Carolina Untapped Potential (2024) | 25.1% |

Childcare issues also pose significant challenges to parents who are seeking to further their education. 25% of parents in North Carolina are pursuing, or have pursued in the last 12 months, some type of school or work training program (FIGURE 11). Most often, parents are enrolled in work training programs or a 4-year college or university (FIGURE 12). Unfortunately, many of these parents went from full-time to part-time in school or a work training program, were dropped from a class roster, or left a program entirely due to issues with childcare.

¹⁵ <https://www.childhealthdata.org/browse/survey/results?q=8354&r=1&r2=35>

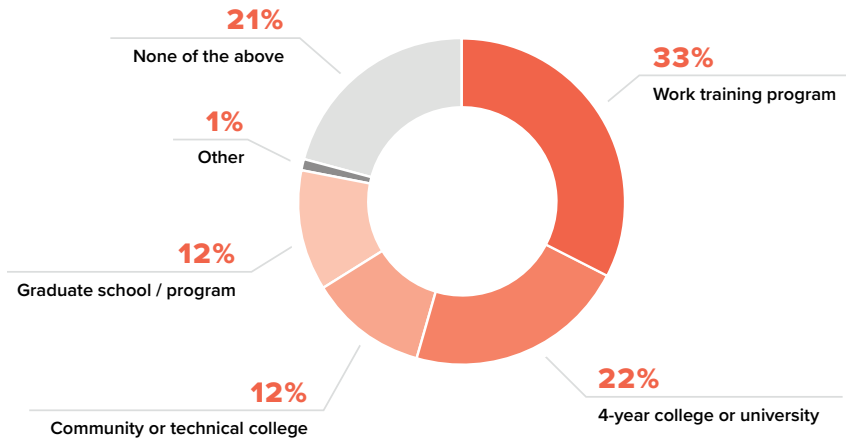
FIGURE 11.

Percentage of parents who attended a school or work training program in the last year



FIGURE 12.

Type of education being pursued



“I stopped attending university in order to work more while my wife was the primary caregiver of our child. I couldn’t support us well enough, so my wife got a new, full-time job and I dropped my hours to part-time. I split caregiving of our child between myself and my in-laws who watch him 3 days a week while we are both working.”

— NORTH CAROLINA FATHER OF A 1-YEAR-OLD

Childcare Subsidies, Benefits, and Accommodations

According to this survey, for many North Carolinian parents financial support for childcare comes from a wide range of courses. To support families in caring for their children, the federal government provides various subsidies and tax benefits. The state of North Carolina funds programs like NC Pre-K and receives federal funding for programs such as North Carolina Head Start and Early Head Start. Parents in the study also reported using a number of tax benefits to help pay for childcare, the most common being the Child Tax Credit (43%), followed by the Child and Dependent Care Tax Credit (14%) (FIGURE 13). In all, most North Carolina parents are taking advantage of at least one government assistance program or tax break.

While these programs are helpful, employers can play a role in bridging the gap between state-sponsored or subsidized care and parents' capacity to access childcare. In this study, only 16% of respondents reported that their employer offered some type of childcare assistance, benefits, or accommodations, with the most frequently shared examples being flexible work hours and flexible working days. National trends indicate employers are increasingly offering more flexibility to parents, a trend sparked by the pandemic that is proving to be highly appealing.¹⁶ When asked to name the benefits they believe to be most important or useful, parents most often mention flexible hours, flexible days, and remote work (FIGURE 14). Employees prioritize flexibility, and in turn, businesses that provide these benefits support and incentivize participation in the workforce, reduce turnover, and improve employee satisfaction.¹⁷

“I have made significant changes to adjust my work schedule on days that daycare does not open for whatever reason. Luckily, I have the ability to be very flexible with my work schedule. Some days I work 8-5 and others 11-7. I do all of this to ensure that adequate childcare is available.”

— NORTH CAROLINA FATHER OF MULTIPLE CHILDREN UNDER SIX

¹⁶ <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/married-to-the-job-no-more-craving-flexibility-parents-are-quitting-to-get-it>

¹⁷ <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/How%20We%20Work/Gender-parity/Brief-Benefits-of-flexible-working-arrangements-en.pdf>

Respondents were provided with a brief explanation of each of the below programs.

FIGURE 13.

Parents use of assistance programs

*Parents could select more than one option

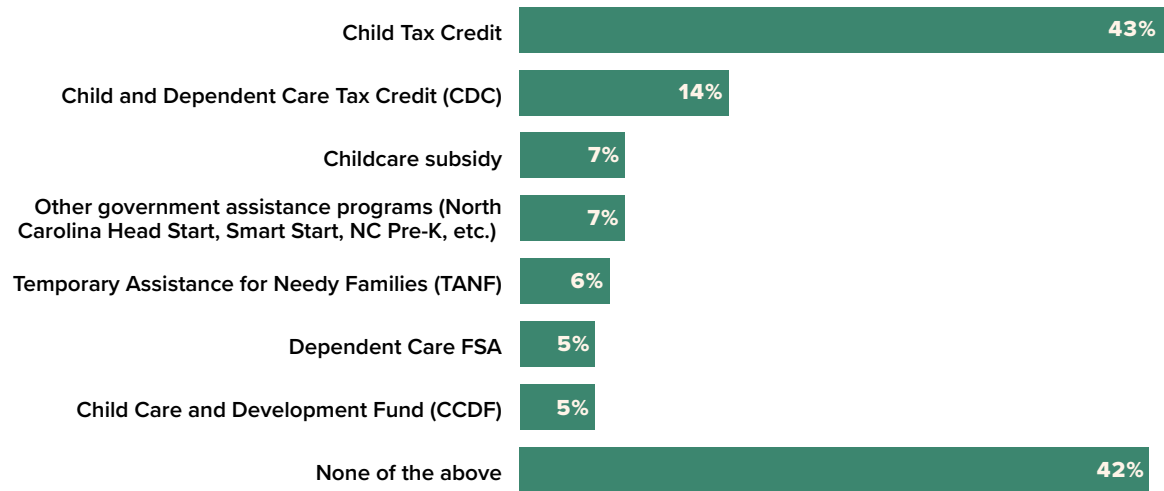


FIGURE 14.

Top three most important employer benefits selected by parents

*Parents could select more than one option



NORTH CAROLINA FATHER OF A 3-YEAR-OLD

“My biggest challenge is finding childcare that is conveniently located and has a good reputation and is also affordable and trustworthy.”

Parent Preferences and Decision Criteria

In deciding between available childcare options, parents must weigh their individual preferences against practical matters such as ease of access, affordability, and level of trust and safety. Parents face difficult tradeoffs between cost, convenience, and quality, and often settle for childcare solutions that do not match their preferences.

Overall, 70% of parents in North Carolina are satisfied with their current childcare arrangement. However, satisfaction is not evenly distributed, and tends to vary based on income level, gender, and race. Satisfaction peaks among middle-income parents, 72% of whom are satisfied with their current childcare situation, compared to 69% of low-income parents and just 64% of high-income parents (FIGURE 15). Additionally, women are more likely to express satisfaction with their childcare arrangements than men, and nonwhite parents experience higher satisfaction relative to white parents.

In North Carolina, the childcare arrangement with the highest levels of satisfaction is hiring a nanny or au pair. These options are expensive, rendering them available only for higher-income families, but parents are reassured by the constant presence of a qualified caretaker who is fully invested in their child. Parents also have a high level of trust in licensed institutions such as childcare homes and pre-K and would send their child there nearly as frequently as they would hire a nanny (FIGURE 16).

“My biggest challenges with accessing affordable and quality childcare are just finding the right childcare provider for my child and my family. They need to be capable, trustworthy, affordable, educational, and located close to our home.”

— NORTH CAROLINA FATHER OF A 5-YEAR-OLD

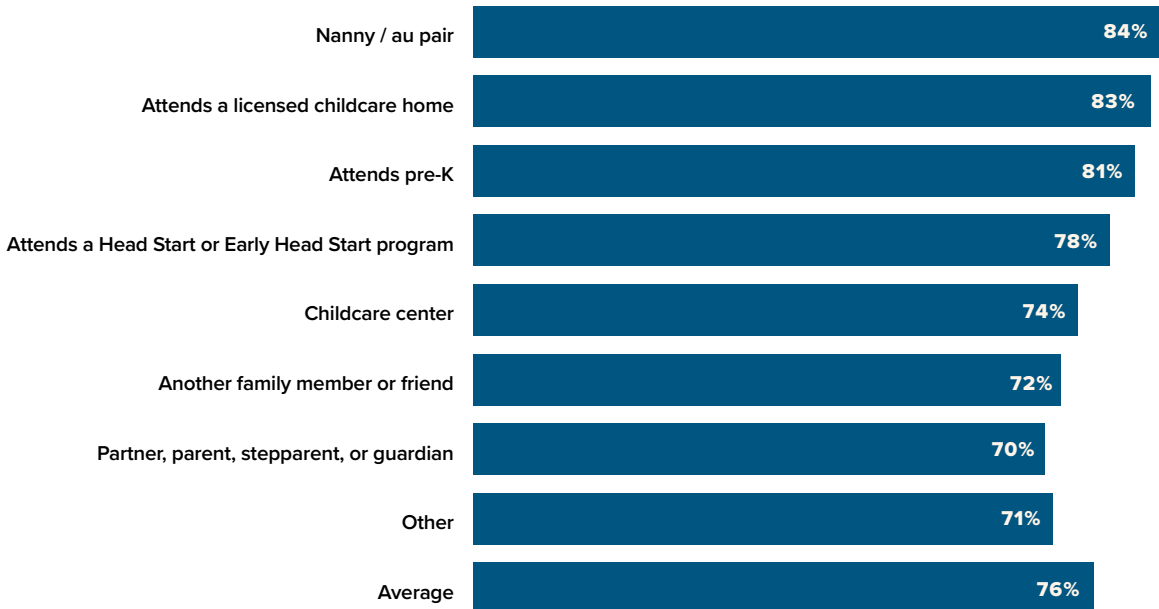
FIGURE 15.

Satisfaction among parents, stratified by income level

| SATISFACTION WITH CURRENT CHILDCARE ARRANGEMENT | LOW INCOME | MIDDLE INCOME | HIGH INCOME | OVERALL |
|---|------------|---------------|-------------|---------|
| Satisfied | 69% | 72% | 64% | 70% |
| Unsatisfied | 9% | 8% | 4% | 7% |
| Neither satisfied nor unsatisfied | 21% | 20% | 32% | 23% |

FIGURE 16.

Percentage of parents who are satisfied with their given arrangement



When it comes to decision criteria, parents primarily select a childcare arrangement based on financial considerations; affordability is key. Cost is viewed as the biggest hurdle to accessing quality childcare, with almost two-thirds (60%) of parents mentioning it as a primary driver behind selecting their current childcare arrangement (FIGURE 17). However, when asked what their top consideration would be when choosing childcare in an ideal scenario, most parents selected quality of care and health and safety (FIGURE 18).

Moving forward, parents will continue to seek childcare that matches their needs and preferences while reflecting their financial constraints. Minorities and low-income parents are especially feeling the strains of inflation and rising childcare costs—they want better care for their child, but do not know where to find it or how they will pay. Understanding these diverse perspectives will allow businesses, the state of North Carolina, and local communities to align on solutions to address the most pressing problems.

FIGURE 17.
Reason for selecting current arrangement

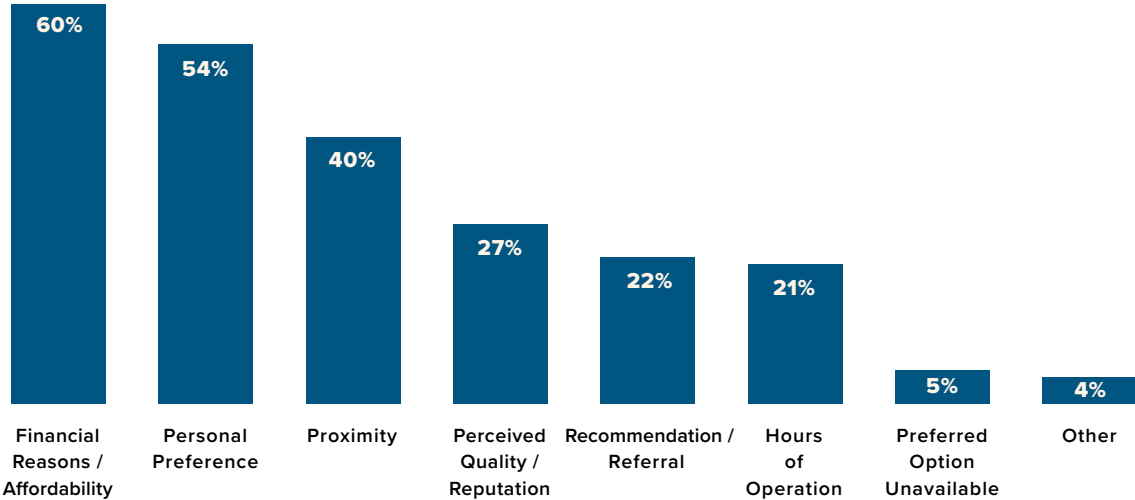
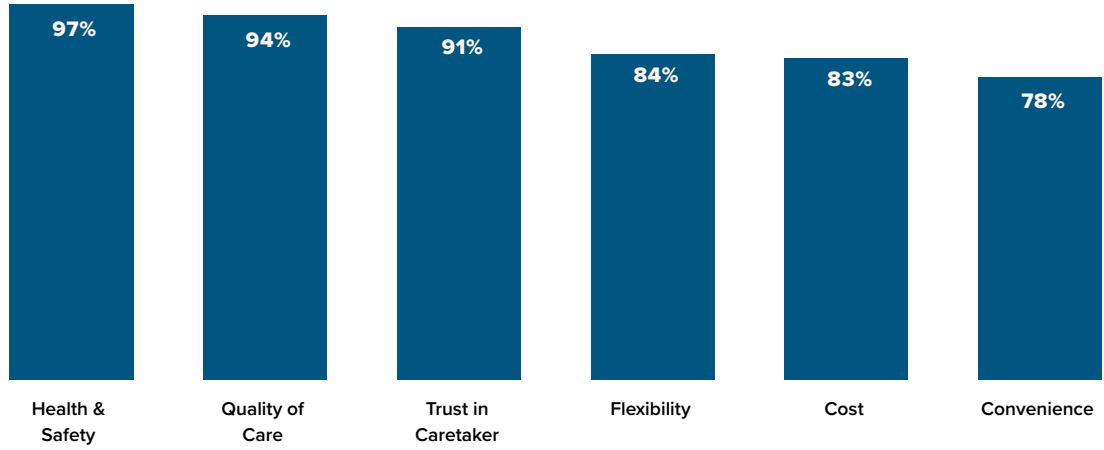


FIGURE 18.

Percentage of parents who indicated a given factor is of high importance



NORTH CAROLINA FATHER OF THREE CHILDREN UNDER SIX

“Daycare has really put a dent in our finances. We live very close to paycheck to paycheck with all three of our children in daycare. A lot of the money we used to invest or use to pay down student loans has now gone into childcare.”

Economic Impact

The economic model estimates that breakdowns in childcare are costing North Carolina \$5.65 billion in untapped economic potential annually. Workplace disruptions in the form of absenteeism and employee turnover and lost tax dollars from unearned wages account for North Carolina's lost economic value.

Working parents often struggle with employment due to childcare issues and may be absent, arrive late, or otherwise be interrupted at work if they are unable to access adequate care for their children. In North Carolina, 67% of parents missed work at least once in the last three months due to childcare issues, and those that missed work did so for an average of 14 days per year. Parents who miss work incur costs to themselves and their employers; families suffer from reduced wages, and businesses bear the financial cost of making up for the lost work by paying overtime or hiring temporary workers. When accounting for these issues, it is estimated that the direct employer cost due to absenteeism in North Carolina is \$1.61 billion per year.

Parents who experience a significant change in their childcare arrangement or life situation may choose to voluntarily leave the workforce. At times, difficulties balancing work and childcare concerns lead to parents being involuntarily let go from their work positions. As employees leave the workforce and face their own financial consequences, employers face significant replacement costs. Secondary research indicates that it costs about one-fifth of an employee's yearly salary for them to be replaced.¹⁸ Using this benchmark, it is estimated that the turnover cost to employers in North Carolina to be \$2.68 billion annually. This number represents a significant cost to employers each year replacing parents who perhaps could have continued in their current position if they had access to adequate childcare.

Costs from breakdowns in childcare are not isolated to employers and families. As people miss work or leave employment, there is an economic cost to North Carolina through decreased tax revenues. The consequences of decreased household income are felt repeatedly in the form of reduced sales and excise taxes. It is estimated that every year North Carolina fails to capture \$1.36 billion in taxes not excised because of insufficient childcare resources.

The \$5.65 billion in lost economic value for North Carolina each year is not an abstract number; it represents money from North Carolina's families, businesses, and governments. The annual loss to the state of North Carolina's is certainly eye-opening; compounded over decades, and measured in terms of unaddressed human need, it becomes staggering.

¹⁸ <https://www.americanprogress.org/article/there-are-significant-business-costs-to-replacing-employees/>

THE UNTAPPED POTENTIAL

- \$5.65B

Childcare issues result in an estimated \$5.65 billion loss annually for North Carolina's economy

DIRECT EMPLOYERS COSTS

\$2.68B

Turnover costs to employers

+ \$1.61B

Absences costs to employers

\$4.29B

Total

DIRECT TAX REVENUE IMPACT

\$1.21B

State tax loss from turnover

+ \$150M

State tax loss from absences

\$1.36B

Total

Immediate Effects on Employment and Education

Almost half of parents enrolled in education programs have had their education disrupted by childcare issues. Women were more likely to report that childcare affected their education than men (FIGURE 19).

For the purposes of this report, immediate and long-lasting effects were examined through the dual lenses of education and employment. The Bureau of Labor Statistics maintains historical educational attainment and employment data that charts a strong correlation between an individual's level of education, their lifetime earnings, and their likelihood of being unemployed. Stated simply, more education equals more money and better job security.¹⁹ Thus, hurdles preventing parents from finishing school are detrimental to the economy on both a micro and macro scale.

Across North Carolina, 25% of parents have been enrolled in school or work training programs at some point throughout the past year. These parents are studying to ultimately provide better lives for their families by advancing their career prospects, but find their educational goals threatened by childcare gaps. Of those who have attended a school or work training program in the last year, 46% have found their education interrupted by childcare concerns, including going from full-time to part-time (17%), choosing to stop attending an education program (17%), or being dropped from their class or program entirely (20%) (FIGURE 20). Educational disruptors negatively influence the earning potential of parents and their ability to contribute to the economy.

FIGURE 19.

Childcare issues impacted postsecondary education or training program, by gender



¹⁹ <https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>

²⁰ <https://www.americanprogress.org/article/child-care-crisis-keeping-women-workforce/>

Overall, 25% of employed parents in this survey experienced recent disruptions to their employment. 35% of those parents left the workforce by either being let go (11%) or quitting (24%) as a direct result of issues with childcare. These effects were not experienced equally by all groups. Low-income households were the most likely to experience a change in work due to childcare (FIGURE 21). Women (30%) were more likely than men (18%) to experience employment changes due to childcare issues (FIGURE 22). Women reported a higher rate of quitting or declining a job and were more likely to be completely removed from the workforce than men (FIGURE 23). These gender differences with regards to employment are consistent with other findings.²⁰

FIGURE 20.

Education changes due to childcare

| HOW PARENTS SAID CHILDCARE ISSUES IMPACTED POSTSECONDARY EDUCATION OR TRAINING PROGRAM | OVERALL |
|--|---------|
| * Parents could select more than one option | |
| Stopped attending school or a work training program | 17% |
| Went from full-time to part-time | 17% |
| Dropped from a class roster at school or at a work training program | 20% |
| Did not go / declined going from part-time to full-time | 6% |
| None of the above | 54% |

FIGURE 21.

Percentage of parents that have had their employment impacting by childcare by income group



FIGURE 22.

Percentage of parents who have had their employment disrupted by childcare by gender



FIGURE 23.

How parents said childcare issues impacted their employment by gender

| HOW PARENTS SAID CHILDCARE ISSUES IMPACTED THEIR EMPLOYMENT BY GENDER * Parents could select more than one option | FEMALE | MALE | OVERALL |
|--|--------|------|---------|
| Quit a job | 30% | 13% | 24% |
| Went from full-time to part-time | 20% | 20% | 21% |
| Was let go / fired by employer | 7% | 18% | 11% |
| Declined a promotion | 8% | 13% | 10% |
| Declined / turned down / could not accept a job | 23% | 15% | 20% |
| Declined a raise | 3% | 2% | 2% |
| Did not go / declined going from part-time to full-time | 6% | 7% | 6% |

FIGURE 24.

Actions taken over the last 6 months

| WHAT PARENTS SAY THEY HAVE DONE IN THE LAST 6 MONTHS TO PROVIDE CHILDCARE, BY INCOME GROUP | LOW INCOME | MIDDLE INCOME | HIGH INCOME | OVERALL |
|--|------------|---------------|-------------|---------|
| Worked (onsite or virtually) while simultaneously caring for a child | 21% | 20% | 34% | 24% |
| Work less hours | 26% | 19% | 25% | 22% |
| Work outside of normal business hours | 15% | 19% | 35% | 22% |
| Alternate work hours with someone in my household | 20% | 23% | 28% | 23% |
| Left employment (voluntarily or involuntarily) | 18% | 16% | 9% | 15% |
| Take paid leave | 4% | 17% | 24% | 16% |
| Travel to extended family or friends for childcare support | 9% | 11% | 14% | 11% |
| Delayed entry into the job market | 12% | 14% | 9% | 12% |
| Had a relative move in with you for childcare support | 14% | 8% | 9% | 10% |
| Take unpaid leave | 13% | 9% | 11% | 11% |
| None of the above | 32% | 27% | 20% | 26% |

In the study, 74% of working parents reported that in the last six months they were forced to adjust their schedules via means such as working while simultaneously caring for a child (24%), alternating work hours with someone else in their household (23%), and working fewer hours (22%) or outside business hours (22%) (FIGURE 24). When adjustments cannot be made, parents are forced to neglect work responsibilities; 67% of parents missed work or school at least once in the last three months due to childcare issues. Short of being absent, parents may experience interruptions at work or school due to childcare. 64% of North Carolina parents reported being late to work or school at least once due to childcare—including 73% of fathers. Similarly, 63% of parents reported feeling disrupted, and 63% confessed to being distracted at least once in the past three months (FIGURES 25 TO 28). Employers without flexibility in their work policies may see parents, especially those from low-income households, opt to exit the labor market when forced to decide between balancing a work schedule and paying for childcare services or staying home.

Survey findings indicate that whether or not childcare issues drive parents completely out of the workforce, there are immediate effects on employment and education. The data helps businesses understand in what ways parents may be most vulnerable, helping employers tailor their childcare benefits to the parents who need them most. Such decisions have an immediate effect on an employee's hours and income, but also have a lasting impact by altering the trajectory of an individual's career and professional development.

“I had to turn down a promotion because it would require the hours that the childcare facility isn't operating.”

— NORTH CAROLINA MOTHER OF A 2-YEAR-OLD

FIGURE 25.

Frequency of missing work or class in the last 3 months, by gender

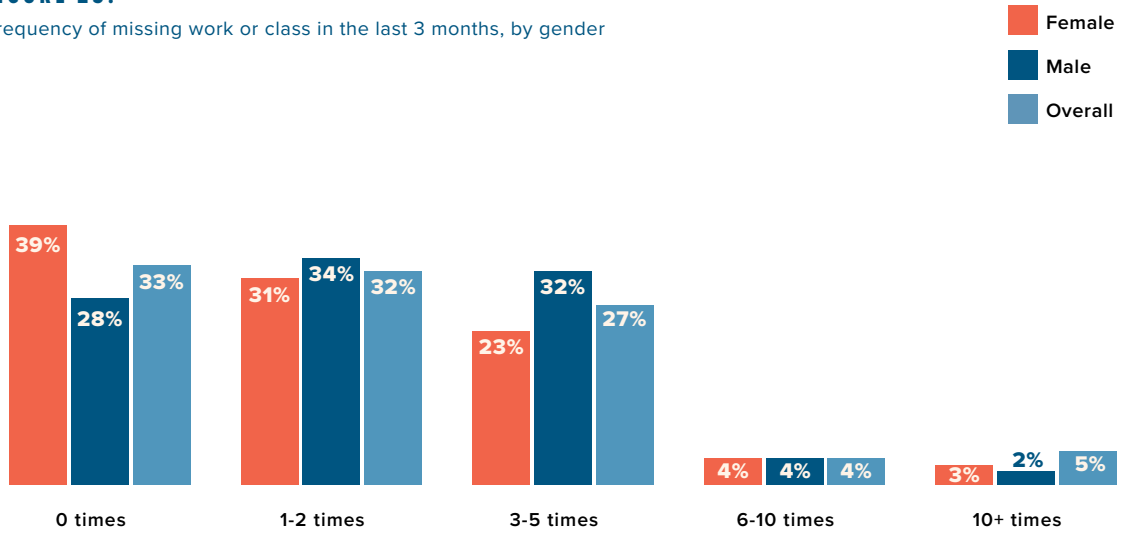


FIGURE 26.

Frequency of being late to work or class in the last 3 months, by gender

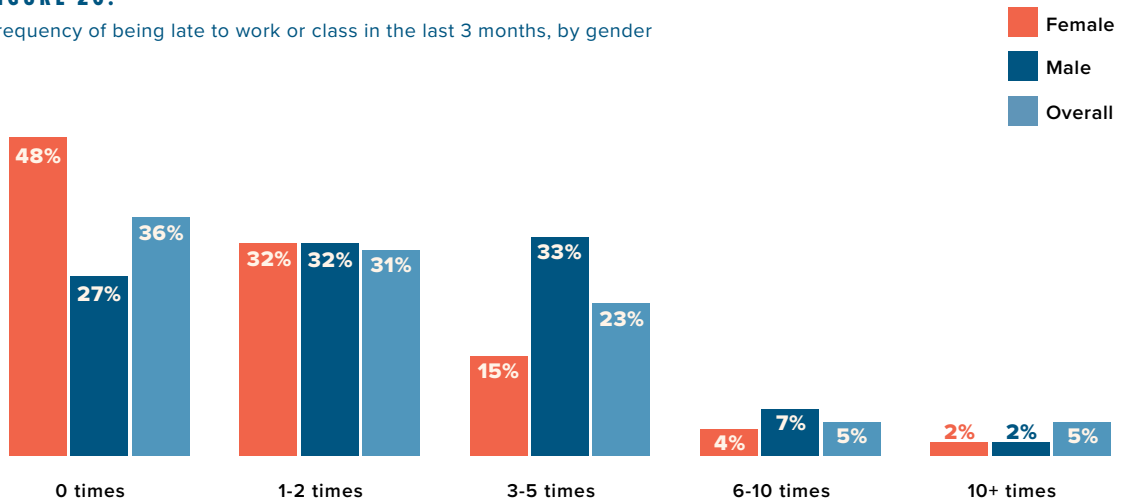


FIGURE 27.

Frequency of disrupted work or class in the last 3 months, by gender

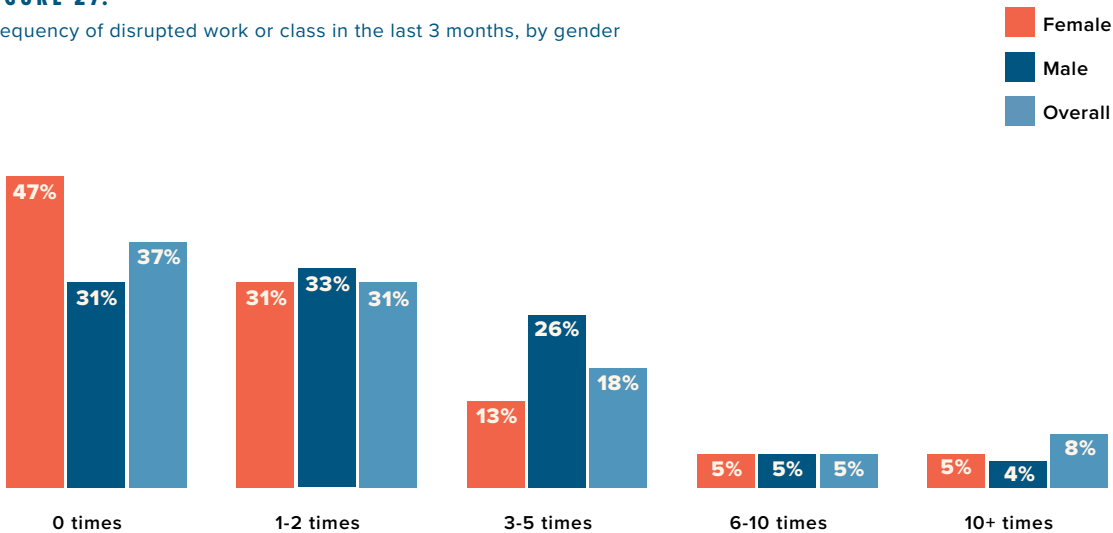
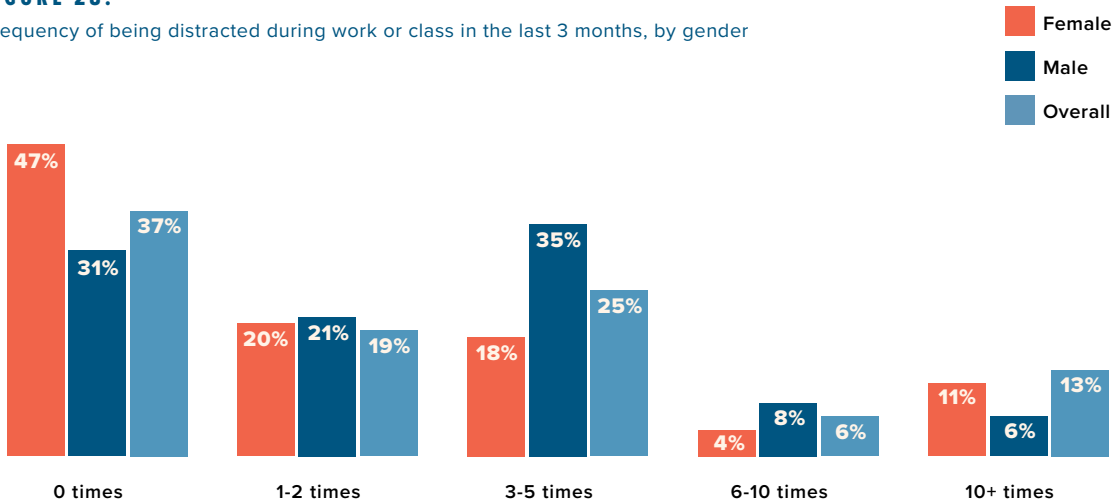


FIGURE 28.

Frequency of being distracted during work or class in the last 3 months, by gender



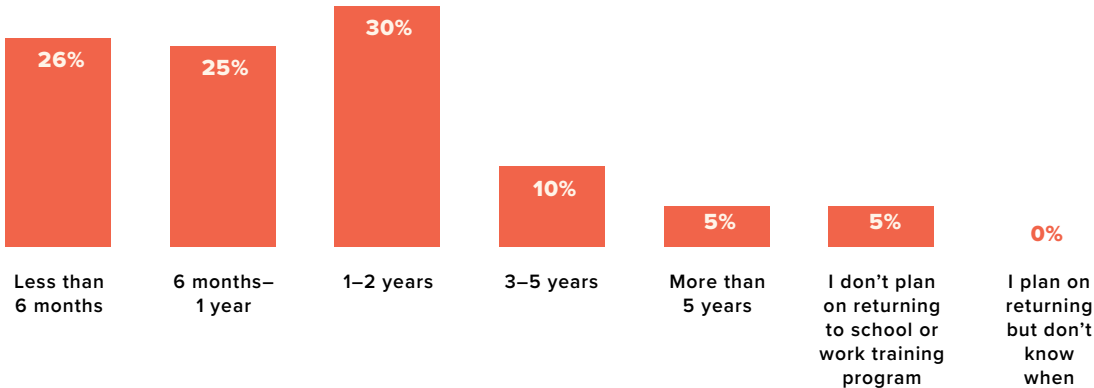
NORTH CAROLINA FATHER OF AN INFANT

“My wife had to take a leave of absence from her job because we were unable to find any consistent childcare.”

Lasting Effects on Education and Employment

The far-reaching effects of childcare gaps are complex and without simple solutions. Parents who have stopped attending education and work training programs usually take extended leaves before returning—if they return at all. The study shows that 51% of North Carolinians who depart from their education due to childcare issues, but plan to return, anticipate waiting at least a year, and another 5% either do not plan to return or do not know when they will be able to return (FIGURE 29). The longer people spend away from their education program, the less likely they are to return.²¹ Only 13% of students who drop out of school re-enroll, and they typically do not re-enroll at the same level of institution.²² Even for those who do return, the choice to delay education puts the potential for increased earnings on hiatus and pushes the attainment of a higher income to a later period in life. Doing so has long-term ramifications that can affect loan repayments, debt accumulation, interest, and retirement savings.

FIGURE 29.
Time to return to education for those leaving education



²¹ National Student Clearinghouse Research Center (October 30, 2019) Some College, No Degree

²² Ibid.

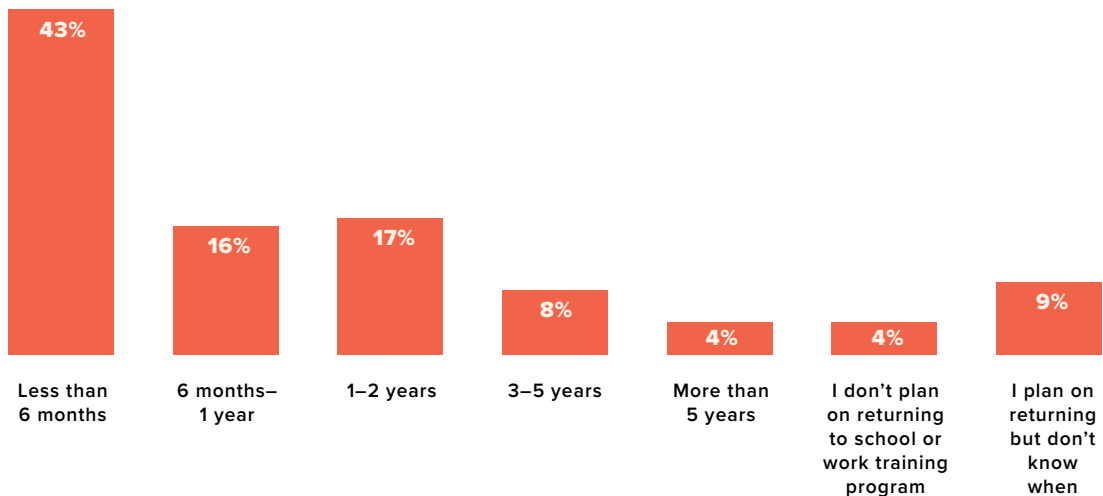
In contrast, 58% of those who have left or are planning to leave the workforce due to childcare concerns plan to spend less than a year away from employment (FIGURE 30). Parents are much more likely to feel a sense of urgency to get back to work than school. However, that still leaves 42% of those who have left or are planning to leave the workforce on the sidelines for potentially a year or more. Attempting to resume a career can also be intimidating for parents, who may feel pressured to maintain their skills and stay current on industry trends.

Women bear the brunt of the childcare-related economic losses; women with children earn slightly less than males with children earn, even after controlling for job and qualifications. The study revealed that women are also more likely than men to quit a job to care for a child, with similar reports from Payscale, McKinsey, and the Federal Reserve Bank of St. Louis confirming this assertion. Translated, this means women are not only leaving the workforce at higher rates but are also being penalized with a higher opportunity cost for doing so.

In short, childcare issues are exacerbating existing issues with poverty in North Carolina in two ways: first, by reducing the ability of parents to get ahead through education, and second, by contributing to gender inequality by keeping women from achieving their personal and career goals.

FIGURE 30.

Time to return to work for those leaving employment



NORTH CAROLINA MOTHER OF MULTIPLE CHILDREN UNDER SIX

“I have not been able to further my education because of childcare costs. I am a licensed real estate agent, and I cannot keep up with my continuing ed classes because of the costs. In addition, I cannot use my license to try to make extra money because of the lack of affordable childcare.”

Conclusions and Implications

This study is a conservative estimate of the economic toll of breakdowns in childcare coverage impacting employers and the state of North Carolina. The research indicates that access to childcare has a sizable impact on parents' career development and potential. Without access to childcare, working parents compromise on their futures to meet immediate childcare needs.

Turnover and absenteeism stemming from childcare issues results in costs for parents, their employers, and the state. Policymakers and executives can thoughtfully consider impactful measures that will alleviate existing childcare issues. In doing so, they can strengthen their human capital and increase the size of the available talent pool.

This research raises a tantalizing question: **What could North Carolina do with an additional \$5.65 billion each year?** It is the hope that smart solutions produced in cooperation with government, businesses, and parents, will benefit all North Carolinians, and lead the state to unprecedented economic success in years to come.

**What Could
North Carolina
do with an
additional \$5.65
billion each year?**



RESEARCH SPONSORS

The research for the *Untapped Potential* report was conducted by the U.S. Chamber of Commerce Foundation in partnership with the NC Chamber Foundation and NC Child.

APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

As with the previous studies conducted by the U.S. Chamber of Commerce Foundation, this study was conducted in two phases.

First, the U.S. Chamber of Commerce Foundation, the NC Chamber Foundation and NC Child partnered with Cicero Group to conduct a statewide survey of households with children under six who are not yet in kindergarten. Parents were asked a series of questions designed to investigate the intersection of workforce participation, education, and childcare issues. This survey was conducted online and sampled a population representative of North Carolina’s racial and income demographics (FIGURE 31).

As mentioned in the body of the report, those surveyed were allowed to select from response options that were inclusive of a “parent, stepparent, or guardian” when indicating their current and pre-pandemic childcare arrangement. Income was self-reported by respondents, who selected the range that best described their income before taxes. Responses were later regrouped to establish “Low” (less than \$30,000 per household), “Middle” (\$30,000 to \$100,000 per household), and “High” (greater than \$100,000 per household) income classifications.

Second, Cicero Group estimated the economic impact of childcare issues based on phase one survey results and secondary data sources such as U.S. Census Bureau. Cicero’s proprietary economic model is a simple quantification of lost economic activity resulting from insufficient childcare support. The model is an approximation only, though it is presumed by Cicero to be an accurate measurement of conditions in the State of North Carolina at the time of the study.

FIGURE 31.
Respondent characteristics

| RACE | White | Hispanic or Latino | Black | Asian | American Indian / Alaskan Native | Native Hawaiian /Pacific Islander | Multiple / Other |
|-------|-------|--------------------|-------|-------|----------------------------------|-----------------------------------|------------------|
| N=517 | 310 | 59 | 100 | 15 | 20 | 1 | 12 |

| GENDER | Female | Male | Other |
|--------|--------|------|-------|
| N=517 | 313 | 202 | 2 |

| REGION | Rural | Suburban | Urban |
|--------|-------|----------|-------|
| N=517 | 158 | 201 | 168 |

| INCOME | Low | Middle | High | Prefer not to say |
|--------|-----|--------|------|-------------------|
| N=517 | 117 | 264 | 127 | 9 |

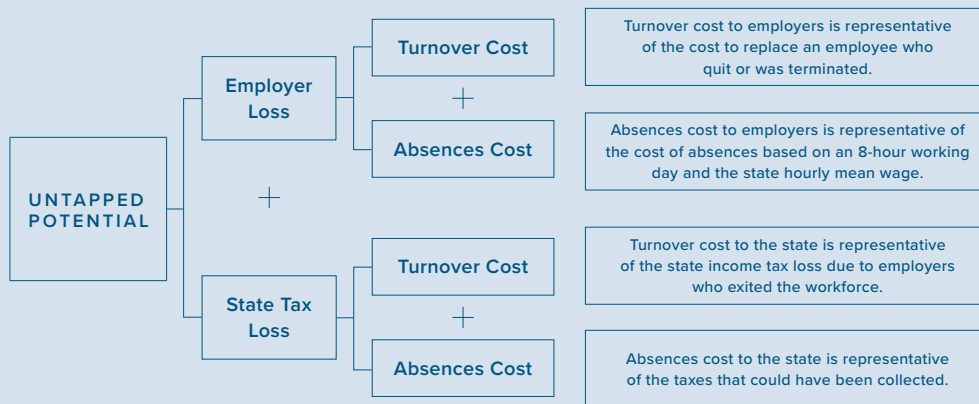
APPENDIX B: ECONOMIC IMPACT METHODOLOGY

Within these buckets, lost economic value is composed of turnover and absences costs.

The authors of this report pulled data from The American Community Survey (ACS) to calculate the total number of parents in the labor force with children under six. In North Carolina, there are an estimated 665,091 people in the workforce that match this description. This was calculated as follows:

- Multiply the percentage of households with children under six by the number of households with children under eighteen to obtain the number of households with children under six (457,502).
- Then, multiply the result by the average family size in the state to determine the total number of adults and children under six (1,372,507).
- Lastly, subtract the number of children under six to infer the number of parents with children under six (665,091).

Out of the parents who indicated in the survey that they experienced recent disruptions to their employment, 35% left the workforce either voluntarily or involuntarily as a direct result of issues with childcare. This percentage was then applied to the number of parents with children under six to estimate how many of them have left the workforce (230,667). Subsequently, the Boushey and Glynn’s cost of turnover (21%)²³ was applied to the annual mean salary for these workers, calculating the total cost to employers due to childcare-related employee turnover (\$2,684,399,273).



²³ For more on Boushey and Glynn and their calculations behind the average cost of turnover, reference their publication with the Center for American Progress, *There Are Significant Business Costs to Replacing Employees*²⁴.

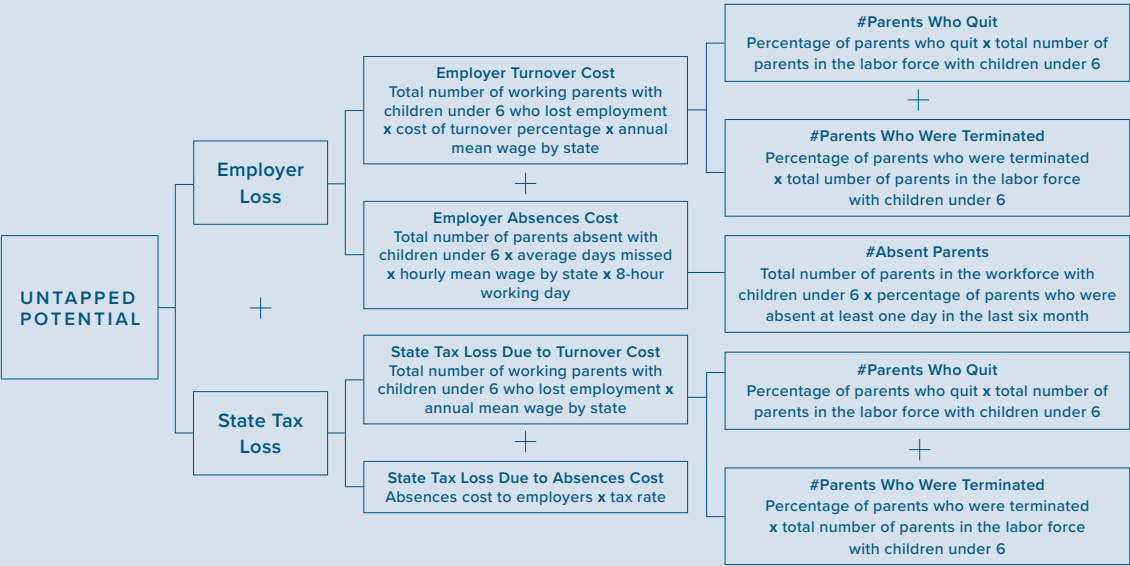
²⁴ *Who Pays?* <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>

For absences, the mean hourly wage was multiplied by the total number of parents who missed work, which was then multiplied by an 8-hour working day and the average number of days missed. Although non-salaried workers forgo wages when they miss work, employers still pay a cost in lost productivity to those absent workers. Additional costs to employers may be incurred via overtime pay to other workers who must cover shifts, or if the company is forced to hire and pay temporary workers. This was calculated as follows:

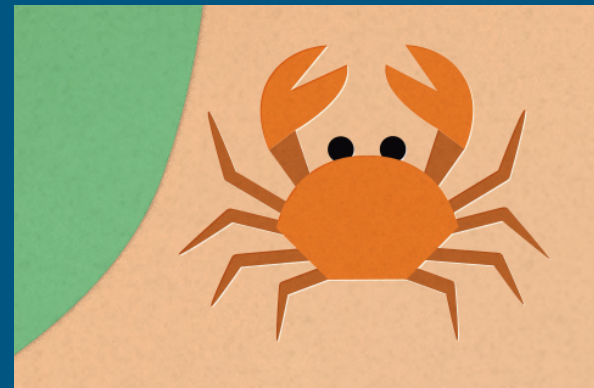
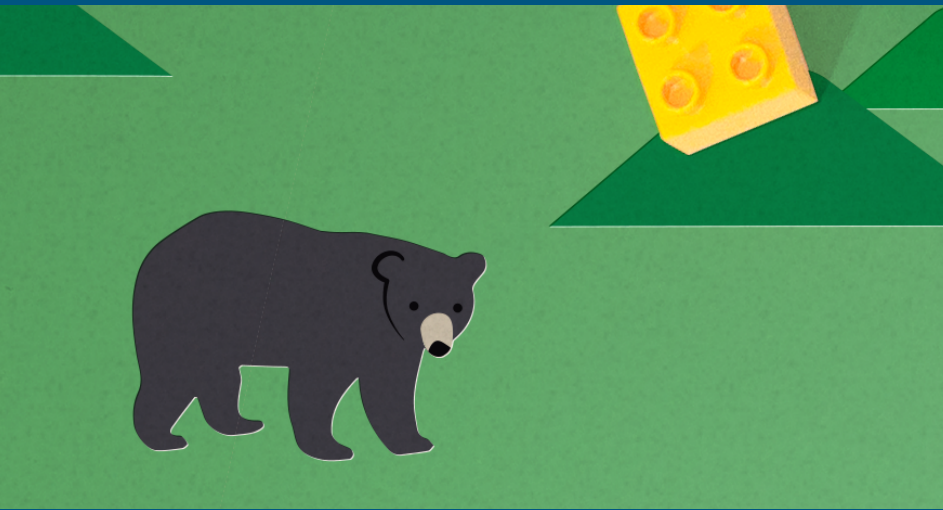
- Determine the total number of absent employees by multiplying the total number of parents in the labor force by the percentage of parents with absences determined by the survey (269,985).
- Then multiply the total number of absent parents by the average days missed (as determined by the survey) by the hourly mean wage in the state by an 8-hour working day to determine the absence cost (\$1,608,692,454).

Just as childcare-related turnover hurts employers, state taxes are directly and indirectly impacted when employees lose their jobs or miss out on wage increases. Estimates from The Institute on Taxation & Economic Policy were used to determine appropriate tax rates.²⁴ The economic impact was calculated as follows:

- State incurred turnover cost: multiply the total number of working parents with children under six who voluntarily or involuntarily left the workforce due to childcare by the annual mean wage by the state tax rate (\$1,206,034,456).
- State incurred absence cost: multiply the previously calculated absence cost by the state tax rate (\$149,608,398).



Notes:



U.S. Chamber of Commerce
Foundation