



Want to Grow North Carolina's Economy? Fix the Child Care Crisis

Impact of child care challenges felt by families, employers,
and taxpayers

Acknowledgements

Council for a Strong America is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be citizen-ready.

ReadyNation | Business. Kids. Workforce.

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life

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>5
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Summary

North Carolina's working parents know how difficult it is to find child care that's accessible, affordable, and high-quality. This problem is particularly acute for parents of very young children, as infant and toddler care is typically the least available and most expensive. Further, children under age three are experiencing one of the most crucial periods of brain development. North Carolina employers also know the economic impact of these child care challenges, that will only worsen as the child care crisis continues.

A new national study examining the economic impacts of the nation's child care crisis on working parents, employers, and taxpayers describes the consequences: **an annual cost of \$57 billion** in lost earnings, productivity, and revenue. An overwhelming 86 percent of primary caregivers of infants and toddlers

said problems with child care hurt their efforts or time commitment at work. Meanwhile, productivity problems cause employers to lose \$12.7 billion annually due to child care challenges faced by their workforce.

Nearly one-third of American parents report having difficulty finding affordable, quality child care. One-third of North Carolinians surveyed said that very few early education programs for infants and toddlers in their area are high-quality and affordable for lower- and middle-income families.

The business leaders of ReadyNation North Carolina are calling on lawmakers to protect and expand programs that enhance the affordability and availability of quality child care—and to foster continuing innovations at the state and local level that address this problem for parents and employers. In particular, policy makers must expand the child care subsidy program, create

incentives to expand the supply of quality infant toddler child care programs, and strengthen the education and compensation of early childhood teachers.

The stakes are enormously high for the many North Carolina families, who depend on parents' employment, as well as for children, who depend on nurturing, stimulating environments for healthy brain development during the first three years of life. Action and innovation now will improve life outcomes for North Carolina children today and strengthen the North Carolina workforce and economy both now and in the years to come.

Most parents of infants and toddlers are in the workforce and need child care

The majority of American parents with very young children are now in the workforce. Of the 14 million American parents with children under the age of three, 11 million—78 percent—are working.¹ In North Carolina there are approximately 365,000 children under age three and 62 percent of mothers of infants work outside the home.²

With parents working, many children are in child care.³ In 2016, about 66,000 North Carolina children under age three were in some form of regulated early care and education. Of these children, 93 percent were in child care centers and 7 percent were in child care homes.⁴ Parents need child care so they can go to work and build successful careers. To be productive at work, they also need to know that the care provides a safe, nurturing environment that supports their child's development and early learning.

Both North Carolina employees and employers grasp the importance of family-

friendly policies and benefits, with 94 percent of employees and 62 percent of employers stating that such policies and benefits help companies attract and retain talent.⁵

The current child care system does not meet the needs of North Carolina families or employers

Several interrelated challenges render the child care system less than optimal for children, families, and businesses:

- **Access:** National data indicate that child care availability is especially limited for families who have infants and toddlers, work evening and night shifts, or live in rural areas.⁶ North Carolina has a serious problem with infant/toddler child care “deserts”, with more than five children under age three for each licensed child care slot.⁷ One-third of North Carolinians surveyed said that very few early education programs for infants and toddlers in their area are high-quality and affordable for lower- and middle-income families.⁸
- **Affordability:** Infant care in a center in North Carolina averages \$9,254 per year, more than the \$7,385 cost for public college tuition.⁹ This high cost makes child care unaffordable for many families, particularly those with low incomes; this cost represents 61 percent of the annual income of a minimum wage worker in North Carolina.¹⁰ Statewide, there are more than 29,000 children on the waitlist for child care subsidies.¹¹
- **Quality:** High-quality child care centers and homes in North Carolina are less likely to care for infants and toddlers than preschoolers. For example, only about half of 5-star centers serve infants and toddlers.¹²

The economic impacts of insufficient child care on parents, employers, and taxpayers

When families do not have the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and, ultimately, taxpayers. ReadyNation commissioned a national survey of working parents of children under age three. This survey is one of very few national surveys covering this group. The survey yielded a nationally representative sample of 812 parents—both mothers and fathers—of children under age three. It provided evidence of the various ways in which parents' work commitments, performance, and opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modelled how the economy is affected by child care problems.¹³

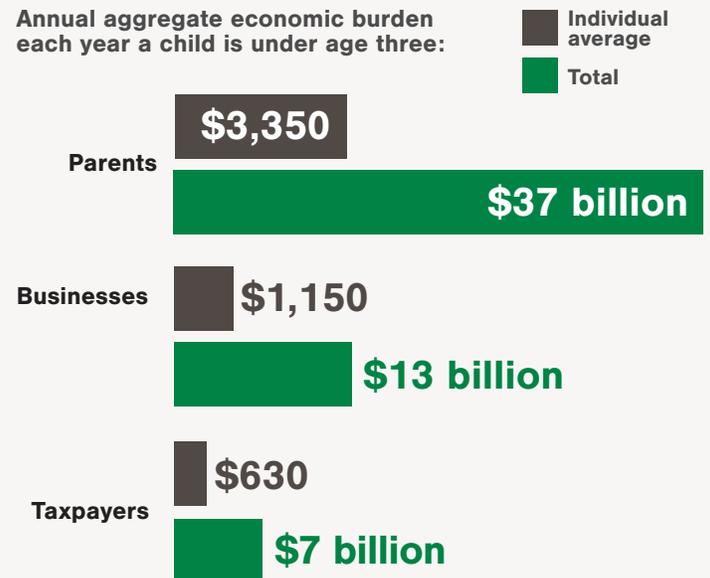
Overall, the costs of insufficient child care are immense. Each year a child is under age three without sufficient child care.

- **Families lose an average of \$3,350 per working parent**, in lost earnings and in more time looking for work. Across the 11 million parents of children under age three, this burden is **\$37 billion per year**.
- **Businesses lose an average of \$1,150 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **\$13 billion**.
- **Taxpayers lose an average of \$630 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **\$7 billion** each year.

These costs total to an annual cost of \$57 billion in lost earnings, productivity, and revenue nationwide. North Carolina's gross

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Insufficient care for children under the age of three costs individuals, businesses, and the country billions of dollars each year.



domestic product and population represent roughly 3 percent of the nation's gross domestic product and total population. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to **\$1.7 billion in annual costs for North Carolina**.

The impact of insufficient child care on parents

The survey results provide a window on how the economic impacts occur. Parents were asked how child care problems affected their work. They reported spending less time at work—an average of two hours per week lost—by arriving late, leaving early, missing days, or being distracted. In turn,

less time at work can lead to reduced income. Child care problems also decreased parents' productivity at work, undermining their job stability. One quarter of the parents reported problems participating in education and training that would improve their productivity. Most seriously, eight percent of parents reported being fired due to child care problems. Further, problems with child care impacted parents' long-term career prospects. Sixteen percent reported rejecting a promotion, while 15 percent went from full-time to part-time work. An additional 13 percent had quit a job due to insufficient child care. Narrower career prospects reduce parents' future earning potential. And less parent income, along with parental stress, can have harmful short- and long-term impacts on children.

The impact of insufficient child care on employers

For employers, insufficient child care results in reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer's workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience.

The impact of insufficient child care on taxpayers

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues.

The main impact is on federal income tax revenues, although state income tax and sales tax revenues can also be affected. These effects are also long-term, due to parents' decreased earning potential.

Policymakers should promote access to affordable, high-quality infant and toddler care

Parents, particularly those with infants and toddlers, often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient child care are enormous, impacting parents, employers, and taxpayers.

North Carolina has made substantial progress over the past several years in increasing the supply and quality of care for infants and toddlers, through Smart Start, higher reimbursement rates and the T.E.A.C.H. Early Childhood® Scholarship Program for teachers.¹⁴ However, this progress lags behind that made for four-year-olds and more needs to be done for our infants and toddlers. The business leaders of ReadyNation North Carolina call on policymakers to support families' access to affordable, high-quality child care, particularly for infants and toddlers by expanding the child care subsidy program, creating incentives to expand the supply of quality infant toddler child care programs, and strengthening the education and compensation of early childhood teachers. Effective, well-funded policy initiatives, as well as continuing innovations at the state and local levels, will yield a child care system that will support a more productive workforce and economy for North Carolina, both now and in the future.

Endnotes

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- 13** For details on the survey and economic analyses, see the accompanying technical report at: <https://strongnation.s3.amazonaws.com/documents/522/3c5cdb46-eda2-4723-9e8e-f20511cc9f0f.pdf?1542205790>
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