

# EMPOWERING WORK



*How Increasing Employment Among  
Parents of Young Children  
Can Grow North Carolina's Economy*



NORTH CAROLINA  
**DEPARTMENT of  
COMMERCE**

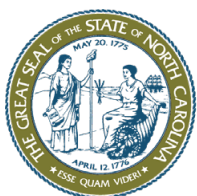
**NC Child**  
The Voice for North Carolina's Children

# Empowering Work: How Increasing Employment Among Parents of Young Children Can Grow North Carolina's Economy

OCTOBER 2024

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NORTH CAROLINA  
DEPARTMENT of  
COMMERCE

**NC Child**  
The Voice for North Carolina's Children



Dear Fellow North Carolinians,

For the fifth year in a row, North Carolina was ranked in the top three states to do business according to CNBC. CNBC's study evaluates all 50 states based on 10 categories ranging from Workforce to Quality of Life – the category that scores policies impacting employee recruitment and retention, like childcare. North Carolina again earned an 'A' in the Workforce category but has room for improvement in several metrics used to evaluate Quality of Life.

As of September 2024, over 13,000 jobs have been announced in North Carolina this year – a 57% increase over the same period in 2023. Since Governor Cooper took office in 2017, over 119,000 jobs and \$57.9 billion in capital investments have been announced. Companies are attracted to North Carolina because of our highly educated workforce and innovative workforce development and training programs. This creates enormous opportunities for North Carolinians to enter the workforce and earn family-sustaining wages. But unfortunately, a lack of high-quality, affordable child care prevents thousands of young parents from participating in the labor market, depriving businesses of the talent they need.

The Empowering Work report and analysis, conducted by the North Carolina Department of Commerce's Labor and Economic Analysis Division in partnership with NC Child, identifies disparities in labor force participation rates among working-age adults with and without young children, respectively, and offers estimates of the impacts on North Carolina's economy if the disparities were reduced.

North Carolina has a history of leadership in early childhood policy. Smart Start was established as a public-private partnership in 1993 and now 75 local partnerships for children serve all 100 counties in North Carolina. In 2023, Governor Cooper signed House Bill 76, expanding Medicaid for over 600,000 North Carolinians, including many early childhood educators. Now, we need to continue that tradition of leadership by implementing new and refined solutions to educate future generations, increase labor force participation rates among parents of young children, and support North Carolina's growing economy.

The state's First in Talent strategic economic development plan calls for increased access to high-quality early childhood education and decreased childcare expenses for working families as detailed in the [NC Early Childhood Action Plan](#) and the [Leandro Comprehensive Remedial Plan](#).

In April 2024, the Commerce Department created a new position devoted to addressing the insufficient supply of high-quality and affordable child care in North Carolina. The Child Care Business Liaison works in partnership with government entities, philanthropy, and employers to identify solutions to increase child care access and affordability and to support the early childhood workforce, often called "the workforce behind the workforce."

For the first time, the Commerce Department is equipped with experts on both labor market statistics and child care policy. This report leverages our expanded scope of work and examines how increasing employment among parents with young children can grow North Carolina's economy and offers child care policy recommendations intended for policymakers, employers, philanthropic organizations, and government entities.

I invite you to review the report and join the network of government entities, chambers of commerce, economic and workforce development organizations, and philanthropic organizations that are working collaboratively to respond to North Carolina's labor force and child care needs.

Sincerely,

Machelle Baker Sanders, Secretary



Dear Fellow North Carolinians,

At NC Child, we advocate for policies that improve the lives of all North Carolina children, and one of our biggest priorities is early childhood education. In our work we engage decision-makers and policy leaders, we listen to the stories of parents, youth, educators, providers, and fellow child advocates, and we conduct research on all of the issues that affect our state's children and families.

We've traveled across the state this year to hear from parents and families, caregivers, health professionals, school administrators, business owners, and local leaders about the challenges they're facing in their community. Everywhere we go, the child care crisis is top of mind.

We heard from teachers who were confronted with a difficult question: "If I can't go to work because I don't have child care, who is going to teach my students and make sure they have the support that they need?"

We heard from corporate leaders and small business owners who face their own difficult question: "How will I succeed if I can't recruit and retain the workforce that I need?"

We know that child care is "the workforce behind the workforce." For parents, child care access helps them provide for their families. For employers, child care access helps their businesses thrive. For children, child care access gives them the start they need to grow up happy, healthy, and prepared for their future.

The Empowering Work report shows us how challenges in child care hinder North Carolina's economy and how the state would benefit from implementing solutions to enable parents who want to re-enter the workforce but are not currently able to due to child care issues. Empowering Work also charts a possible course ahead, outlining policies and interventions that can bring down the cost of child care for families while increasing access and stability to child care services so parents can re-enter the workforce and employers can have the workforce they need.

NC Child, and the communities we serve, are grateful for the partnership of the North Carolina Department of Commerce Labor and Economic Analysis Division in the development of Empowering Work. We hope that this report starts a conversation that will lead to solutions for families, employers, communities, and the state that we love.

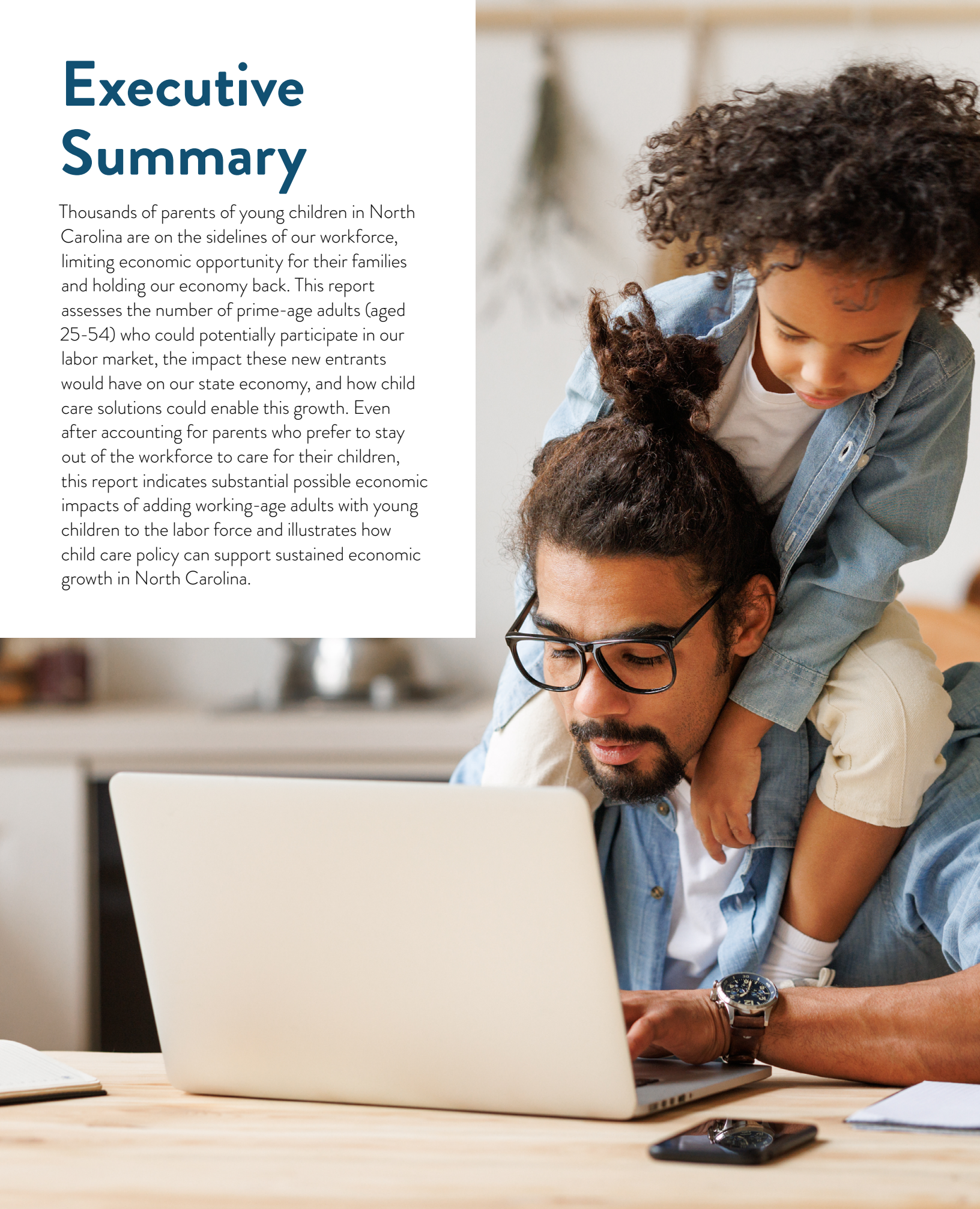
Sincerely,

A handwritten signature in black ink that reads "Erica Palmer Smith".

Erica Palmer Smith  
Executive Director, NC Child

# Executive Summary

Thousands of parents of young children in North Carolina are on the sidelines of our workforce, limiting economic opportunity for their families and holding our economy back. This report assesses the number of prime-age adults (aged 25-54) who could potentially participate in our labor market, the impact these new entrants would have on our state economy, and how child care solutions could enable this growth. Even after accounting for parents who prefer to stay out of the workforce to care for their children, this report indicates substantial possible economic impacts of adding working-age adults with young children to the labor force and illustrates how child care policy can support sustained economic growth in North Carolina.



## ► KEY RESEARCH FINDINGS

- One in five North Carolina employers attribute hiring challenges to lack of access to child care
- 100,000 fewer working-age parents with young children participated in North Carolina's labor force in 2023 than in 2019
- An estimated 14,498 – 31,067 working-age North Carolinians with young children could have potentially returned to the workforce in 2023
- These new 2023 labor market entrants would have created:
  - An additional \$5.7 - \$13.3 billion in annual economic output for North Carolina
  - Approximately 29,000 - 68,000 new jobs statewide
    - ◊ 14,550 - 37,150 of which would be new jobs created from downstream economic impacts
  - A \$3.2 billion - \$7.5 billion increase in North Carolina's GDP



## ► POLICY IMPLICATIONS

Government, philanthropy, and employers can help bolster child care infrastructure, ensure more North Carolinians have access to economic opportunity, and support a thriving economy by:

- Growing and sustaining access to high-quality child care through significant public investments, including:
  - NC Child Care Subsidy Program enhancements, including a statewide floor for subsidy reimbursements
  - NC Child Care Stabilization Grants
  - Child and Dependent Care Tax Credit expansion
  - NC Pre-K expansion
  - Smart Start expansion
  - NC Tri-Share Child Care pilot program
  - Child Care WAGE\$ Program expansion to increase retention, education, and compensation for the early childhood education workforce
  - Offering child care professionals free child care tuition through the state's Child Care Subsidy program
  - Postsecondary credential attainment programs, apprenticeships, and tuition assistance to improve pathways to early childhood education careers
- Supporting greater employer engagement with child care access solutions, including:
  - Child care tuition cost sharing
  - Dependent Care Flexible Spending Account contributions
  - Emergency backup child care or reimbursements for emergency backup care
  - Local child care expansion grants
  - Near-site or on-site child care
- Including child care access in local, state, and regional workforce and economic development efforts
- Identifying and scaling innovative public-private partnerships that improve child care access

# Introduction

A robust and engaged labor force is critical to North Carolina's economic prosperity. While labor market conditions have improved since 2022, challenges persist. According to the 2024 North Carolina Employer Needs Survey (ENS), 62% of employers attempting to hire in the past year faced difficulties, with two-thirds citing a lack of job applicants as the primary reason.<sup>1</sup>

*One in five North Carolina employers attribute hiring challenges to lack of accessible, affordable child care.*



Technical and Soft skill deficiencies and educational attainment are often viewed as major talent recruitment and retention hurdles, but the 2024 ENS uncovered that these factors accounted for only 25%, 26%, and 28% of hiring difficulties for entry-level positions, respectively. Notably, one in five employers attributed their hiring challenges to a lack of access to child care, nearly matching the rates tied to skills or education.

Aligned with this finding, the U.S. Census Bureau's Current Population Survey indicates that over 146,000 prime-age adults in North Carolina with children under 5 in the home (88% of whom are women) were not in the labor force in 2023. Further, there were 100,000 fewer prime-age parents with young children in the labor force in 2023 than there were in 2019. Despite a cooling job market, the state averaged over 276,000 monthly job openings in Q1 2024, underscoring persistent demand for workers.

By leveraging REMI's PI+ economic modeling, this report seeks to quantify the broader economic benefits of increased employment among working-age adults who are currently out of the labor force. This report also identifies policy solutions North Carolina leaders and policymakers can use to foster sustained economic growth by improving access to child care statewide.

This report joins recent research affirming that improving access to child care can unlock economic opportunity in North Carolina. An economic impact analysis announced by the NC Chamber Foundation, the US Chamber of Commerce Foundation, and NC Child in June 2024 estimated that gaps in North Carolina's child care system result in an annual loss of \$5.65 billion to North Carolina's economy due to child care-related employee turnover and absenteeism, as well as foregone state and local government tax revenue.<sup>2</sup>

<sup>1</sup> NC Department of Commerce, LEAD, 2024 NC Employer Needs Survey. [https://analytics.nccommerce.com/employer-needs-survey/PDF/Employer\\_Needs\\_Survey\\_Report\\_2024.pdf](https://analytics.nccommerce.com/employer-needs-survey/PDF/Employer_Needs_Survey_Report_2024.pdf)

<sup>2</sup> NC Chamber Foundation, US Chamber of Commerce Foundation, and NC Child. *Untapped Potential: How Childcare Impacts North Carolina's Workforce Productivity and the State's Economy.* [https://ncchamber.com/wp-content/uploads/Untapped\\_NORTHCAROLINA\\_053124\\_DIGITAL.pdf](https://ncchamber.com/wp-content/uploads/Untapped_NORTHCAROLINA_053124_DIGITAL.pdf)

# The State of the Labor Force

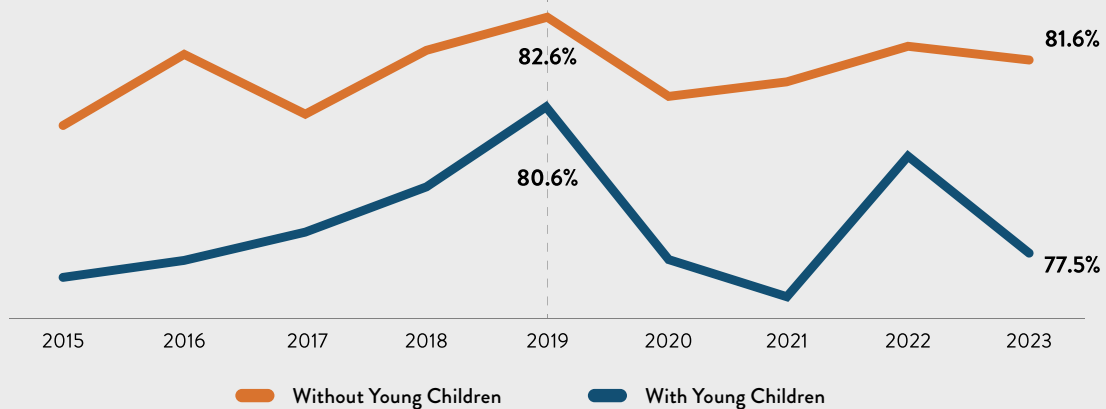
North Carolina's labor force participation rate has been in a slow decline for decades, reflecting both demographic shifts and economic realities. However, a notable disparity persists between prime-age parents of children under 5 years old and adults without children.

Data reveals that the labor force participation rate among prime-age parents of young children in North Carolina is 77.5%, markedly lower than the 81.6% rate observed among prime-age adults without young children.<sup>3</sup> Women's participation is lower than men's, but the number of men staying home to care for children has increased in recent years. This highlights the challenges faced by parents in balancing work and family responsibilities, particularly when child care options are limited or financially burdensome. Moreover, the state's low unemployment rate, which has remained under 4.0% for more than two years, has created a tight labor market and intensified the demand for skilled workers.



**Figure 1: Consistently lower labor force participation among prime-age parents of young children vs. those without young children**

*Share of prime-age parents of young children working or looking for work vs. without young children*



Source: Analysis of US Census Bureau & BLS Current Population Survey data

<sup>3</sup> US Bureau of Labor Statistics CPI



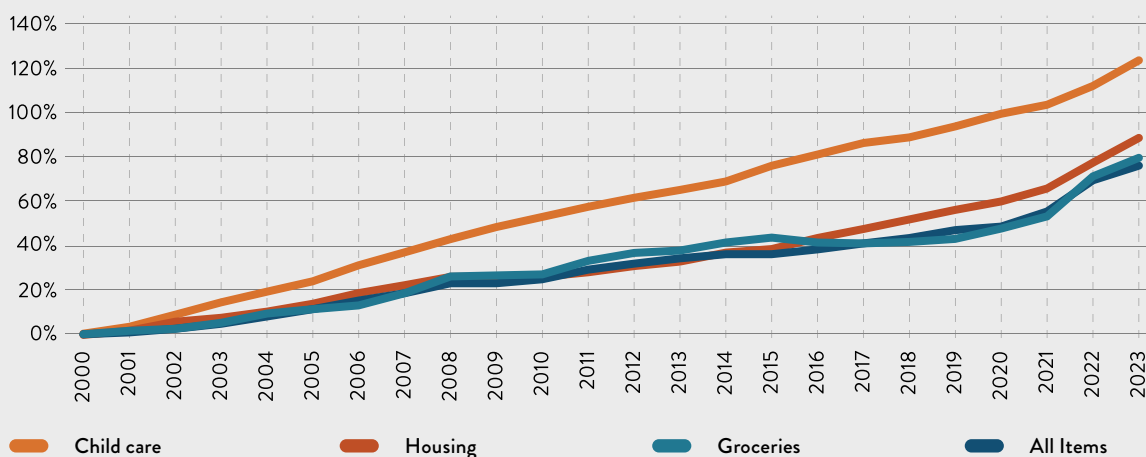
# Costs of Child Care

Child care is a source of financial strain for many parents of young children in North Carolina. Recent data reveals a concerning trend, with the share of parents with children under age 18 reporting that they were at least “financially okay” falling by 5 percentage points from 2022 to 2023, continuing a trend that’s seen that percentage decline from 75% in 2021 to 64% in 2023. In contrast, other adults without young children at home saw a less severe decline, with 75% reporting being financially okay in both 2022 and 2023, down from 79% in 2021.<sup>4</sup>

A significant contributing factor to this financial struggle is the rising cost of child care. Over the past 23 years, from 2000 to 2023, the price of child care in the United States has skyrocketed by 123%, far outpacing overall inflation (77%), the rising costs of housing (89%), and even grocery expenses (81%).<sup>5</sup>



**Figure 2: Cost of child care outpaced other household essentials & overall inflation**  
Percentage change in child care, housing, groceries, and all items in the Consumer Price Index



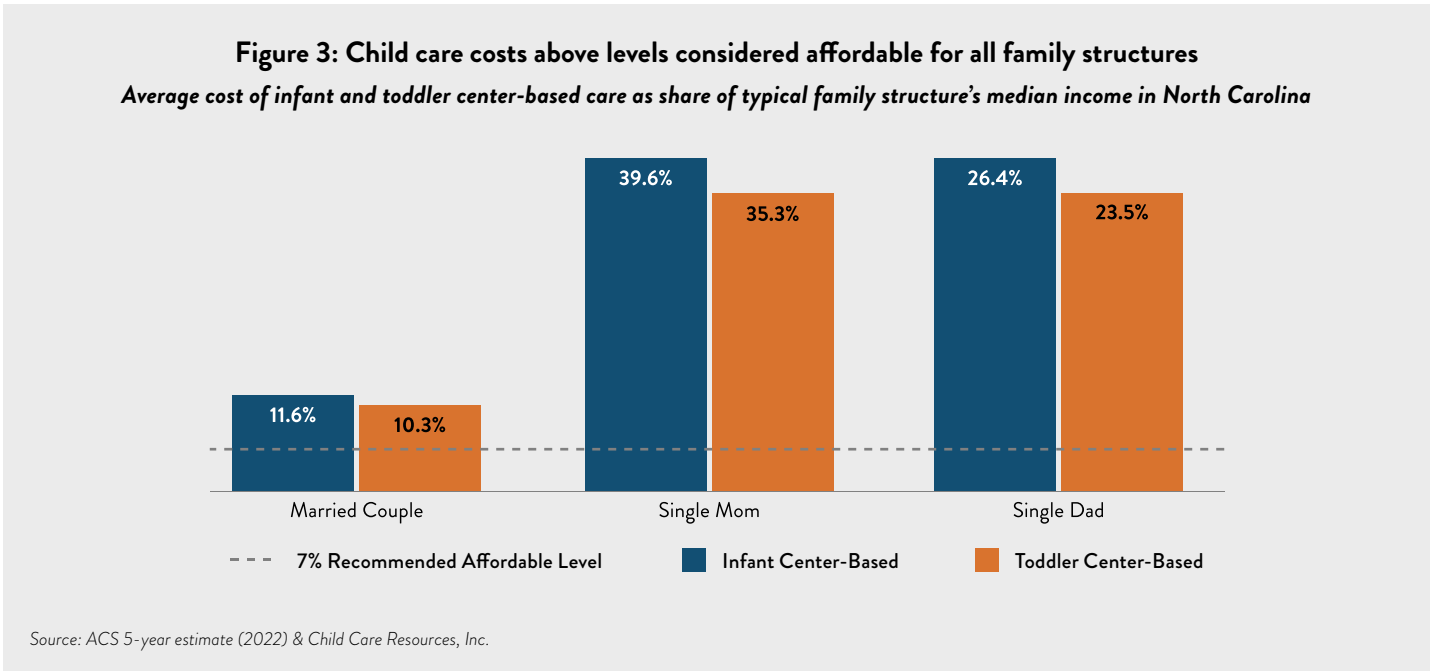
Source: US BLS Consumer Price Index data

<sup>4</sup> Federal Reserve Board of Governors. *Economic Well-Being of U.S. Households in 2023*. <https://www.federalreserve.gov/publications/files/2023-report-economic-well-being-us-households-202405.pdf>

<sup>5</sup> US Bureau of Labor Statistics CPI

The cost of child care is a financial hardship for households across North Carolina. The average annual cost of center-based care for one infant is nearly \$13,000, while a single toddler's center-based care amounts to \$11,500 annually. These staggering figures represent a substantial portion of the state's median household income, accounting for 21% and 19%, respectively. Average infant and toddler child care costs take up about 11.5% and 10%, respectively, of the median household income of married couples.

*The average annual cost of care for a single toddler in North Carolina represents 19% of median household income.*



For single parents, the burden is even more severe, with child care costs consuming over 35% of the median income for single mothers and over 23% for single fathers.<sup>6</sup> For all family structures in North Carolina, the average cost of care far exceeds the 7% of household income benchmark the US Department of Health and Human Services considers an affordable level.

These expenses hold many parents back from the workforce, potentially perpetuating cycles of financial insecurity, limiting economic opportunity for their families, and hindering North Carolina's economic growth.

<sup>6</sup> US Census Bureau ACS 5-year (2022) & Child Care Resources, Inc.

# Access to Child Care

While not every child aged 6 or under will need child care, as some parents decide to care for their children full time inside the home, many parents do rely on child care to work and provide for their families. But even if working parents can afford child care, they often struggle to find available slots in their communities. One 2018 analysis found that 44% of North Carolinians live in child care deserts, or areas where there are either no child care providers or there are more than three times the number of children as licensed child care slots.<sup>7</sup>

Across North Carolina, child care providers struggle to offer wages competitive enough to recruit and retain early childhood educators, requiring them to serve fewer students than they could if fully staffed. In 2023, average monthly enrollment at licensed

*North Carolina's licensed, high-quality child care professionals could only serve 66% of children with all parents in the labor force.*

child care facilities in North Carolina totaled around 218,000, according to data from the North Carolina Department of Health and Human Services' Division of Child Development and Early Education.<sup>8</sup> This figure represents just 48% of children under 6 with all parents in the household working and a mere 30% of all children under 6 in the state.<sup>9</sup>

**Figure 4: Capacity and enrollment at licensed child care facilities not enough to serve all children of working parents**  
*Number of children with all parents in labor force (2022), licensed child care capacity (current), and average licensed enrollment (2023)*

Number of Children with All Parents in Labor Force

458,969

Licensed Child Care Capacity

371,526

Average Enrollment at Licensed Facilities

218,387

Source: ACS 5-year estimate (2022), Child Care Resources, Inc., & NC DHHS DCDEE data  
Note: Average enrollment in 2023 averages over the six months for which DHHS published data.

<sup>7</sup> Malike, Rasheed, Hamm, K., Schochet, L., Novoa, C., Workman, S., and Jessen-Howard, S. *America's Child Care Deserts in 2018*. Center for American Progress. December 2018. <https://www.americanprogress.org/wp-content/uploads/sites/2/2018/12/AmericasChild-careDeserts20182.pdf>

<sup>8</sup> North Carolina Department of Health & Human Services, DCDEE, Child Care Statistical Reports

<sup>9</sup> DCDEE Child Care Statistical Reports, US Census Bureau ACS 5-year estimate (2022), and US Census Bureau State Population by characteristics (2022).

Capacity at licensed child care facilities in North Carolina can only serve about 81% of children under 6 with all parents in the home either working or looking for work.<sup>10</sup> Within high-quality child care centers and family child care homes, North Carolina's licensed capacity could only serve 66% of children with all parents in the labor force.<sup>11</sup> Child care supply as a percentage of all children under 6 in the state falls even shorter: total licensed capacity and high-quality licensed capacity only covers about 52% and 43% of all children under age 6 in North Carolina, respectively.<sup>12</sup>



<sup>10</sup> US Census Bureau ACS 5-year (2022) & Child Care Resources, Inc. Note: licensed child care facilities include all star-rated, religiously affiliated, probationary, provisional, special provisional, and temporary child care centers or family child care homes.

<sup>11</sup> US Census Bureau ACS 5-year (2022) & Child Care Resources, Inc. Note: high-quality centers and homes defined as those with 3-, 4-, or 5-star quality ratings.

<sup>12</sup> US Census Bureau State Population by Characteristics (2022) & Child Care Resources, Inc.

# Impact on North Carolina's Labor Force

The broader labor force participation rate in North Carolina is impacted by parents foregoing employment to take care of their children, whether by choice or because of lack of available or affordable child care options. According to the Bureau of Labor Statistics' and Census Bureau's Current Population Survey (CPS), in 2023, the percentage of employed prime-age adults (aged 25-54) with children under age 5 was as follows:

## Employment Changes in Prime-Age Adult Groups, 2023

	WITH CHILDREN UNDER 5		WITH SCHOOL-AGED CHILDREN	
	Men	Women	Men	Women
<b>Population</b>	299,871	351,696	398,380	507,793
<b>Employment to Population (EPOP) Ratio</b>	92.9%	61.5%	<b>90.1%</b>	<b>72.7%</b>
<b>Employment</b>	278,448	216,425	359,136	369,058
<b>Adjusted EPOP Ratio</b>	<b>90.1%</b>	<b>72.7%</b>	n/a	n/a
<b>Adjusted Employment</b>	270,331	255,609	n/a	n/a

If adults with young children had worked at the same rate as those with older children, employment among women with young children would have risen by 39,184, while the number of employed men with young children would have fallen by 8,117, for a total increase of 31,067 new employed workers.

For some prime-age adults with young children, the choice to stay home and care for their children may be a voluntary and preferred option, but for others,



the lack of accessible and affordable child care options can significantly limit their ability to participate in the workforce, full-time, part-time, or at all. A national US Gallup survey conducted between 2014 and 2015 revealed that 37% of not-employed women with children under 18 expressed a preference for working outside the home, while roughly double the percentage of not-employed men with children under 18 (76%) preferred to find employment outside the home. These findings suggest that a substantial number of adults may be constrained from entering or remaining in the workforce due to child care responsibilities and associated challenges.<sup>13</sup> Gallup has released more recent polling data on preferences for working outside the home or staying home to care for the house and family. In recent years, these figures for men and women overall match those in the 2014 and 2015 surveys. However, more recent publicly available data does not break down these preferences by men and women with children under 18 who are not currently employed. We use the 2014 and 2015 estimates instead because these are more directly applicable to the proportion of men and women who might enter the labor force if child care was more widely available.

<sup>13</sup> Gallup <https://news.gallup.com/poll/186050/children-key-factor-women-desire-work-outside-home.aspx>

# The Economic Impact Model

For this report, researchers employed REMI's PI+ model to estimate the potential impacts of reemployment of additional working-age adults who stayed home to care for children in 2023. Recognizing the variable nature of how the availability, affordability, and accessibility of child care influence the labor force participation of parents of young children, we modeled multiple scenarios to gauge the potential impacts.

The PI+ model is a robust and widely used tool for conducting economic impact assessments. It captures the complex relationships and ripple effects that occur within an economy when new economic activity is introduced. By simulating the addition of new labor force participants, the model can estimate the direct, indirect, and induced impacts on factors such as employment, economic output, and overall economic growth.

Both of this report's scenarios assume that North Carolina's current volume of job openings could absorb new entrants to the labor market while maintaining its unemployment rate. This assumption is based on the understanding that the current economy has the capacity to create additional jobs and economic opportunities as more individuals become available for work. The model also assumes that each worker would acquire one job. Non-simulated labor dynamics might result in some of these workers acquiring multiple part-time jobs due to available child care options and/or other factors.

**Scenario One**, the High Estimate, assumes that 31,067 prime-age adults (aged 25-54) with children under 5 who were not employed would have gained employment in 2023 due to increased accessibility of child care. We arrived at this number by assuming that, with greater access to child care, the employment-to-population (EPOP) ratio of prime-age parents of young children would rise to meet the EPOP ratio of prime-age adults of school-aged children. It is important to note that this scenario almost certainly over-counts the number of adults who would enter the labor market, as some parents choose to care for

their children at home full-time regardless of child care access. At the same time, the parents of young children working part-time for care reasons and those under age 25, are excluded from this calculation for lack of quality data, thus under-representing the potential impact. In this scenario, parents are assumed to return to employment earning the average worker total compensation in North Carolina.

The introduction of new labor market entrants to North Carolina's economy would add to the number of statewide jobs, increasing economic output and value-added economic activity. This impact would ripple through the economy, creating additional indirect and induced impacts and ultimately producing an aggregated total impact on the state's Gross State Product. Furthermore, the new statewide jobs created would not be limited to those taken by the new labor market entrants; additional jobs would be created because of the increase in economic activity.

**Scenario Two**, the Low Estimate, takes a conservative approach. The number of prime-age caregivers returning to the labor force and finding employment (31,067) in 2023 is reduced to include only the proportion of not-working women who expressed a preference for working outside the home, 37%, as identified in the 2014-15 Gallup survey. This scenario results in 14,498 newly employed workers in North Carolina in 2023. Additionally, a lower-than-average compensation is assumed for the new jobs created, considering factors such as the gender wage gap, career stage, and income levels of parents with young children who may have been out of the workforce for an extended period. For estimate purposes, we applied the difference between the North Carolina's 2023 BLS OEWS average wage and the 25<sup>th</sup> percentile of wages, lowering total compensation by 53.3%.

# Economic Impacts on North Carolina



To quantify potential economic impacts for this report, researchers analyzed state-level effects of adding new labor market entrants to the North Carolina workforce in 2023 under the two scenarios outlined previously. The impacts described below reflect estimates of changes in annual 2023 values if these scenarios took place.

## Impacts on the North Carolina Economy, 2023

	HIGH ESTIMATE SCENARIO	LOW ESTIMATE SCENARIO
<b>Total Employment</b>	68,217	29,049
<b>GDP</b>	\$7.5 billion	\$3.2 billion
<b>Output</b>	\$13.3 billion	\$5.7 billion

Under the High Estimate Scenario, in which an additional 31,067 prime-age adults (aged 25-54) were added directly to the employed, the projected economic impact is substantially larger. The model estimates that this influx of new workers would have generated approximately \$13.3 billion in additional economic output (sales) in 2023 across various industries in North Carolina. Furthermore, it would have boosted the state's GDP by \$7.5 billion.

The economic ripple effects of this scenario extend beyond the direct employment of the new labor market entrants. The analysis estimates that approximately 68,000 new jobs statewide would have been created in 2023, including indirect and induced positions across various sectors. These additional jobs would result from the increased economic activity and demand generated by the new workers and their incomes. To reiterate, this model assumes that this new employment would be fully absorbed by the state's current labor demand,

as measured by monthly job openings, which averaged over 276,000 during Q1 2024.

In the Low Estimate Scenario, in which 14,498 prime-age adults are assumed to enter employment based on survey data indicating preferences for work outside their home, the projected economic impacts are significant. Under this scenario, the model estimates an increase of \$5.7 billion in new economic output (sales) in 2023 across North Carolina's industries. The state's Gross Domestic Product (GDP) is projected to have grown by \$3.2 billion. Furthermore, this scenario would have created approximately 29,000 new jobs statewide in 2023, encompassing direct employment opportunities for the new labor market entrants as well as indirect and induced positions resulting from the increased economic activity.

It is important to note that these projections do not account for potential costs associated with implementing policies or programs to improve child care access, affordability, and availability. However, the analysis provides an overview of the potential economic gains that could be realized by addressing barriers to labor force participation related to child care responsibilities.

# Policy Implications

The research from this report quantifies the economic impact of adding parents of young children who currently aren't working to North Carolina's labor force. This brief does not address the impacts to businesses and state revenues, many of which are included in the North Carolina Chamber's [Untapped Potential in NC](#) report. Together, these reports illustrate the broad economic benefits of policies that address child care issues for parents, families, and employers in the state.

Government, philanthropy, and employers each have meaningful roles to play in increasing access to affordable, high-quality child care:

## ► TARGETED PUBLIC INVESTMENT

Public investment in high-quality child care can help providers remain open and serve more children. By enhancing the NC Child Care Subsidy Program, starting with creating a statewide floor for child care subsidy reimbursements, North Carolina could ensure that child care providers across the state receive reimbursement at a rate closer to the actual cost of care delivery, helping providers meet their costs, retain qualified teachers, prevent the need to close classrooms or programs, and stabilize tuition costs for families who pay full price. This step can also help providers afford to serve more children from households that qualify for child care subsidies. Further, a statewide floor would eliminate drastic swings in reimbursement rates between counties, which disproportionately impact rural providers.

State investments can also increase child care capacity by boosting education and training, recruitment, retention and compensation of early childhood educators. Since 2021, North Carolina has leveraged federal funding to help child care centers retain staff and remain open through the state's successful Child Care Stabilization Grants program. Employers and economic development organizations across the state have encouraged replenishment of Child Care Stabilization Grants to sustain the early childhood education workforce. Strengthening recurring investment in North Carolina's Child Care WAGE\$ Program and funding programs that reduce expenses associated with earning a postsecondary credential in early education are also important steps.

Expanding investment in initiatives like the Child and Dependent Care Tax Credit, NC Pre-K, Smart Start, child care subsidies, and the NC Tri-Share Child Care Pilot Program can also help more parents access and





afford high-quality child care. Additionally, innovative programs like Kentucky's initiative to offer free child care to child care workers through the state's subsidy program can encourage people to enter careers in early childhood education. By incentivizing parents to work in child care, providers are able to expand their workforce and serve more private paying families.

Finally, North Carolina's government agencies can continue to ensure access to high-quality child care is part of the program of work within state workforce and economic development efforts. In 2024, the North Carolina Department of Commerce in partnership with the [Invest Early NC](#) funding collaborative and the North Carolina Department of Health and Human Services, added a child care business liaison position to help the state identify successful local child care innovations and support employers in their efforts to add child care benefits for their workers and communities. The child care business liaison will continue working together with partners in state agencies, community-based organizations, employers, and philanthropy to identify and scale innovations that improve child care access in communities across North Carolina.

## ► **IMPACTFUL EMPLOYER INVESTMENTS**

Employers of all sizes and in all industries can engage with child care access solutions at a range of costs and engagement levels. The following employer contributions can yield significant return on investment through improved talent recruitment and retention:

- Advocating for public investment in child care
- Sharing the cost of child care tuition
- Matching worker contributions to Dependent Care Flexible Spending Accounts
- Purchasing child care slots
- Offering emergency backup child care on site or subsidizing emergency backup child care
- Subsidizing child care expansion grants in their communities
- Providing near-site or on-site child care for their workers



# Conclusion

Enabling more prime-age adults to enter or re-enter the workforce can help North Carolina unlock significant economic opportunities, fostering increased productivity and driving sustained economic growth that benefits families, businesses, and communities across the state. The scenarios modeled in this report demonstrate the potential benefits of increased labor force participation among prime-age adults currently out of the workforce due to child care responsibilities.

Policymakers, employers, and stakeholders are encouraged to consider these findings as they evaluate strategies related to workforce and economic development in North Carolina. Further research into the relationship between child care accessibility and labor force participation may provide additional insights to inform policy discussions aimed at maximizing the state's workforce potential and fostering broad-based economic development.

