



*Working to make North Carolina
the best place to be and raise a child.*

FACT SHEET

THE BOTTOM LINE: INVESTING IN CHILD CARE IS GOOD BUSINESS May 2006

*Quality early care and education helps prepare children for later academic and economic success in the future. Today, child care is a significant income-generating, job-creating industry sector, contributing \$1.5 billion in annual gross receipts and accounting for more than 46,000 jobs in North Carolina alone. Child care subsidies allow working families access to affordable, reliable child care by defraying a portion of the cost of care. Currently **over 30,000 North Carolina children languish on a waiting list for child care subsidies.***

Quality early care and education provides a significant economic return on investment.

- Michigan's Perry Preschool Program studies tracked high-risk three- and four-year-olds at ages 15, 19, 23, 27 and 40 with the goal of identifying both the short- and long-term effects of a high-quality preschool education program for young children living in poverty. The Perry Preschool Program found that over a span of forty years, their program returned \$17 to society for every \$1 invested in the program. This return is due mostly to lower criminal rates from these children, resulting in lower justice system costs.¹
- In 2004, analysis for the Economic Policy Institute found that if the nation provided quality early education for all low-income three and four year olds starting in 2005, by 2050, \$61 billion in taxpayer dollars would be saved.²
- Art Rolnick and Rob Grunewald of the Minneapolis Federal Reserve Bank concluded that "investments in early education would yield a return that far exceeds the return on most other economic development projects."³
- Nobel Prizing winning Economist James Heckman affirmed that "investing in disadvantaged young children has a high economic return."⁴

Child care subsidies help businesses and employees.

- Companies that have taken steps to address the child care needs of their employees report an improved ability to attract and retain high-quality personnel and have potentially reduced absenteeism and employee turnover.⁵
- A survey of employees across multiple industries found that 45 percent of parents miss at least one day of work every six months due to a failure in child care arrangements and 65 percent are late to work or leave work early due to child care issues.⁶
- Studies have found that employee turnover produces disruption and inefficiency in the work environment and those employers also pay a price when parents lack stable child care arrangements. In 1998, employee absences related to child care breakdowns were estimated to cost U.S. businesses \$3 billion.⁷
- Merck & Co., Inc. found that it costs about 1.5 times annual salary to replace a manager and about 75 percent of salary to replace a clerical or technical employee. It also found that it may take considerable time to fill a vacant position and an average of 12.5 months for a new employee to become adjusted to the job.⁸
- Child care subsidies are important to employers because they help parents remain reliable, consistent, and productive employees. Employees who have access to high-quality child care are able to focus more on their job duties having the peace of mind that their families are secure.⁹

Child care subsidies are vital to working families.

- Child care costs are particularly burdensome for poor and low-income families, who pay a significantly higher portion of their income for child care than do upper-income families.¹⁰
- Child care subsidies enable families, especially low-income families, access to quality child care services while allowing them to work outside the home, remain in the workforce and seek additional educational training. Nearly one-in-three North Carolina workers has a child under age 18 and one-in-ten has a child under age six. In North Carolina, the annual average consumer price for center-based care for a three-year-old is nearly \$5,000 in rural counties and \$7,000 in urban counties.¹¹
- In North Carolina, one-in-six parents of low-income children has had to quit, refuse, or change a job because of problems with child care. This, in turn, can lead to other disruptions in family life or impede the ability of the worker to stay and advance in one job.¹²

Child care subsidies are good for early education.

- Quality child care programs help make future economic success in North Carolina possible. They prepare young children for future opportunities and attract business to North Carolina because of the state's skilled workforce.¹³
- Research demonstrates that the quality of early education opportunities is linked to positive outcomes in school for children in all income brackets, though studies have shown particularly striking findings in children from low-income families.¹⁴

Most parents work.

- Over the next ten years, it is projected that 85% of the workforce will be working parents.¹⁵ Sixty-one percent of children under age 6 live in households where both parents are in the labor force.¹⁶
- Women are participating in the workforce in record numbers. In North Carolina, two-thirds of mothers with children under age six are in the workforce.¹⁷ By the next decade, it is likely that working women will outnumber working men.¹⁸
- Single fathers also need child care. Two million-one hundred thousand workers are single fathers.¹⁹

Working families are being turned away from child care subsidies.

- Due to state funding shortfalls, North Carolina began turning away eligible families away from child care subsidies in March 2006. As of November 2005, there were 37,000 children "waiting" for a child care subsidy. Without additional funding, these children lack access to the quality care they need to excel socially and academically.²⁰
- Without any additional funds, the child care waiting list will continue to grow and some of the 95,000 children who now receive a subsidy will become ineligible for subsidies.²¹
- Over 77 percent of the children waiting to receive child care subsidies represent 16 counties. In other words, 16 North Carolina counties are home to 77% percent of children waiting for subsidies.
- Governor Easley has proposed an additional \$20 million for child care subsidies and \$10 million for Smart Start. This is estimated to reduce the waiting list by 3,000 children.²²

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- ¹ Lawrence J. Schweinhart et. al., *Lifetime Effects: The High/Scope Perry Preschool Study Through Age 40*; High/Scope Press; Ypsilanti Michigan. 2005.
- ² Robert G. Lynch, *Exceptional Returns: Economic, Fiscal and Social Benefits of Investment in Early Childhood Development*, Economic Policy Institute, Washington, DC, 2004.
- ³ Rob Grunewald and Art Rolnick, Federal Reserve Bank of Minneapolis, *Early Childhood Development: Economic Development with a High Public Return* Available at <http://minneapolisfed.org/pubs/fedgaz/03-03/earlychild.cfm>
- ⁴ James Heckman, Committee for Economic Development *Investing in Disadvantaged Young Children is an Economically Efficient Policy* January 10, 2006 Available at http://www.ced.org/docs/report/report_2006heckman.pdf
- ⁵ Committee for Economic Development. *Why Child Care Matters: Preparing Young Children For A More Productive America*. 1993 Available at http://www.ced.org/docs/report/report_childcare.pdf
- ⁶ Center for Law and Social Policy. *Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment*. 2006. Available at http://www.clasp.org/publications/ccassistance_employment.pdf
- ⁷ Center for Law and Social Policy. *Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment*. 2006. Available at http://www.clasp.org/publications/ccassistance_employment.pdf
- ⁸ Committee for Economic Development. *Why Child Care Matters: Preparing Young Children For A More Productive America*. 1993. Available at http://www.ced.org/docs/report/report_childcare.pdf
- ⁹ National Child Care Information Center. *Employer Supported Childcare*. Available at http://www.nccc.org/EO/nccc_employer.doc.pdf
- ¹⁰ Center for Law and Social Policy. *Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment*. 2006. Available at http://www.clasp.org/publications/ccassistance_employment.pdf
- ¹¹ Saskia Traill and Jen Whol, North Carolina Partnership for Children, Inc. and National Economic and Development Law Center, *Economic Impact Study on North Carolina Child Care Industry*. 2004. Available at <http://www.smartstart-nc.org/national/nceis04.html>
- ¹² Action for Children North Carolina, *Outcomes by Income: Low-income children fare worse on many indicators*. December 2005. Available at http://www.ncchild.org/images/stories/December_2005_Outcomes_by_Income_Report.pdf
- ¹³ Saskia Traill and Jen Whol, North Carolina Partnership for Children, Inc. and National Economic and Development Law Center, *Economic Impact Study on North Carolina Child Care Industry*. 2004. Available at <http://www.smartstart-nc.org/national/nceis04.html>
- ¹⁴ Saskia Traill and Jen Whol, North Carolina Partnership for Children, Inc. and National Economic and Development Law Center, *Economic Impact Study on North Carolina Child Care Industry*. 2004. Available at <http://www.smartstart-nc.org/national/nceis04.html>
- ¹⁵ Economic Opportunity Institute. *How does high quality childcare benefit business and the local economy?* Available at <http://www.eoionline.org/ELC/Proposals/ECEChildcareEconomyBenefits.htm>
- ¹⁶ Annie E. Casey Foundation. *Kids Count Data Book 2005* Available at www.kidscount.org
- ¹⁷ North Carolina Department of Health and Human Services. *Child Care Subsidy Services Chapter 1: Child Care Services. Why Subsidized Child Care Services Are Important*. Available at http://info.dhhs.state.nc.us/olm/manuals/dcd/ccs/man/CCSc1-01.htm#P14_372
- ¹⁸ Child Care Partnership Project. *It's Good Business to Invest in Child Care* Available at <http://nccc.org/ccpartnerships/toolkit/section1.htm>
- ¹⁹ Child Care Partnership Project *It's Good Business to Invest in Child Care* Available at <http://nccc.org/ccpartnerships/toolkit/section1.htm>
- ²⁰ Action for Children North Carolina. *2006 Children's Index*. 2006. Available at <http://www.ncchild.org>
- ²¹ Action for Children North Carolina. *2006 Children's Index*. 2006. Available at <http://www.ncchild.org>
- ²² North Carolina Office of State Budget and Management. *2006-2007 Recommended Budget Adjustments*. 2006 Available at <http://www.osbm.state.nc.us/osbm/index.html>