NC Early Childhood FOUNDATION
CONNECTING POLICY TO **IMPACT**

REPORT

Child Care and the North Carolina Economy

Why Early Education Is Essential for Growth and Opportunity

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EXECUTIVE SUMMARY

North Carolina's economy depends on reliable, affordable, and high-quality child care. Yet, thousands of families across the state cannot find or afford it. The lack of adequate child care is not only a personal issue for families—it is a major drag on North Carolina's entire economy.

According to a 2024 analysis by the North Carolina Chamber Foundation and the U.S. Chamber of Commerce Foundation, inadequate child care access now costs North Carolina $5.65 billion annually in lost economic activity. Of that total, $4.29 billion is borne by employers through absenteeism, turnover, and lost productivity, while $1.36 billion represents lost tax revenue to the state and local governments (NC Chamber, 2024).

These numbers show that child care is an economic infrastructure, just as essential as roads, energy, and broadband. Without it, parents can't work, businesses can't operate at full capacity, and the state loses tax revenue that supports schools, roads, and communities.

This report summarizes findings from the North Carolina Early Childhood Foundation from 2019 to 2025 and related economic studies. It explains the statewide impact of inadequate child care on families, businesses, and child care providers. It also offers clear, practical recommendations for policymakers and the business community to strengthen North Carolina's workforce and economy through investments in child care.

Child Care: The Backbone of North Carolina's Economy

Child care is not just a family concern; it's the foundation of a strong workforce and a thriving state economy.

When parents can find and afford reliable care, they can stay in their jobs, businesses can grow, and children can gain the early learning experiences that prepare them for school and lifelong success. Yet for too many families in North Carolina, this foundation is cracking under pressure.

Before the COVID-19 pandemic, expanding access to high-quality, affordable child care was projected to add more than $2.4 billion each year to the state's economy. The pandemic then revealed what parents and providers already knew: the child care system was fragile long before 2020. Temporary federal stabilization funding gave providers the resources to raise wages, stabilize staffing, and stay open. These dollars proved that investment works. But when that funding expired in June 2024, many centers—particularly in rural areas—were left on the brink of closure. Unlike other states, North Carolina has not yet identified a replacement funding source to keep programs stable.

The result is a system that is both essential and unsustainable. The cost of care continues to rise far faster than family incomes. Center-based infant care is $12,370 a year in 2025—higher than in-state college tuition. National experts recommend that families spend no more than 7% of their income on child care, yet for a single parent in North Carolina, it can consume 40% or more of what they earn (NCECF, 2023). Faced with these impossible tradeoffs, parents—especially mothers—are forced to reduce their hours, decline promotions, or leave the workforce altogether (NCECF, 2023). Every lost job or reduced schedule ripples across the economy, affecting productivity, household income, and tax revenue.

At the same time, early educators—the “workforce behind the workforce”—face their own crisis. They earn nearly 30% less than K–8 teachers and experience a 44% hardship rate, struggling to meet their basic needs while caring for the state’s youngest children. Low wages and limited benefits lead to burnout and high turnover, which undermines the stability and quality of child care that working parents depend on (NCECF, 2023). Expanding proven programs like WAGE$ and T.E.A.C.H. could make a significant difference by providing wage supplements and professional development opportunities that help educators stay in the field.

The path forward is clear. North Carolina must treat child care as public infrastructure—an investment in families, the economy, and the state’s future prosperity.

A publicly funded statewide child care and early learning system would help close the affordability gap, ensure rural access, and strengthen quality across all programs. Investing in higher teacher pay, better facilities, smaller class sizes, and wraparound supports such as transportation and meals would give families the reliability they need and providers the stability they deserve.

As the North Carolina Early Childhood Foundation and its Pathways to Grade-Level Reading partners have emphasized,

“Child care is the backbone of our economy, and it is time to invest in it as a public good that benefits children, working families, and business.”

If America truly wants every child to be ready for school, it must begin by improving the quality and accessibility of the child care experiences that shape their earliest years—and the strength of the state that depends on them.

National experts recommend that families spend no more than 7% of their income on child care, yet for a single parent in North Carolina, it can consume 40% or more of what they earn.

The Scope of the Problem in North Carolina

The Growing Cost of Inaction

North Carolina's child care crisis is no longer a quiet concern—it is a full-scale economic emergency. New research from the North Carolina Chamber Foundation and the U.S. Chamber of Commerce Foundation (2024) reveals that inadequate access to child care now costs our state an estimated $5.65 billion each year in lost economic activity (EdNC, 2024). This figure reflects the daily reality for families, employers, and entire communities struggling to function without a stable early care and learning system.

These losses are spread across every corner of the economy. Families and businesses together shoulder roughly $4.29 billion in costs through reduced work hours, missed shifts, employee turnover, and lost productivity. The state itself forfeits an additional $1.36 billion in tax revenue annually—funds that could otherwise support schools, infrastructure, and workforce development. The result is a cycle of economic strain: parents who can't find child care can't work, businesses lose reliable employees, and the state loses growth opportunities.

This is not a hypothetical problem. These are measurable, ongoing losses—nearly double the pre-pandemic estimate of $2.9 billion reported by the North Carolina Early Childhood Foundation in 2020. The increase underscores how years of underinvestment and the expiration of temporary COVID-era stabilization funding have deepened the instability of North Carolina's child care system.

Behind these numbers are hundreds of thousands of parents making impossible choices. Too many must leave the workforce, reduce hours, or delay returning to higher education because reliable, affordable care is out of reach. Businesses face growing recruitment and retention challenges as employees struggle to balance caregiving responsibilities. And child care providers, especially in rural areas, remain caught between rising costs and inadequate state funding.

College students who are parents of young children face additional challenges when trying to further their education, which can increase prospects for more employment opportunities. A student parent would need to work 52 hours per week, on average, to cover child care and tuition costs at a four-year public college or university in the U.S. (Williams, Brittani et al., 2022)

As the data show, this isn't just a family issue—it's an economic one. The ability of parents to work, employers to hire, and the economy to grow depends on accessible, high-quality child care.

The path forward requires recognizing what these figures make plain: North Carolina's prosperity depends on rebuilding child care as the essential infrastructure it is.

Access and Affordability

Access to child care in North Carolina remains deeply constrained—and the problem has worsened since the pandemic. As of 2024, the state faces a severe shortage, with more than five families competing for every licensed child care space (Keels & Upchurch, 2025). Only 36% of children under age six with a working parent are enrolled in licensed care, and just 19% of infants and toddlers can be served with existing capacity (NCECF, 2023). Rural areas are particularly affected, with many communities qualifying as infant and toddler "child care deserts," where providers have been forced to close classrooms due to staffing shortages and unsustainable operating costs.

Affordability remains an equally pressing barrier. The average cost of infant care in North Carolina is $12,370 per year, exceeding the price of in-state college tuition and consuming 30–40% of the household income for many working families—far above the federal affordability benchmark of 7% (NCECF, 2023). For single parents, the share can be even higher, reaching 40% or more of annual income. These costs effectively exclude thousands of parents, particularly mothers, from full participation in the workforce.

What Children Lose

The earliest years of a child's life shape the foundation for every aspect of future health, learning, and economic success. From birth to age three, more than one million new neural connections form every second. Connections that are strengthened or weakened by a child's daily experiences. Stable, nurturing relationships and positive environments during these formative years lay the groundwork for cognitive development, emotional resilience, and literacy skills that last a lifetime (NCECF, 2019).

High-quality early child care provides more than supervision; it provides the essential conditions that help babies and toddlers thrive. Supported families and caregivers foster responsive, secure relationships that promote healthy brain development and enable children to learn, communicate, explore, and connect with others.

The research is clear: when young children experience consistent, positive interactions—like talking, playing, eating meals, and reading with caregivers—they grow stronger emotionally, develop larger vocabularies, and learn to read more easily. These experiences protect against the damaging effects of "toxic stress," which can alter brain chemistry, undermine physical and mental health, and reduce resilience later in life. Conversely, children who grow up in supportive, predictable environments are better prepared to succeed academically and socially.

However, many North Carolina families lack access to the kinds of supports that make these relationships possible. The state faces persistent policy gaps that undermine family stability—such as the absence of paid family leave, refundable earned income and dependent care tax credits, and statewide coordination for home visiting and parenting education programs. Without these supports, parents face financial stress, limited time with their children, and fewer opportunities to build nurturing connections during the most critical years of development.

Strengthening access to early child care is one of the most effective ways to close these gaps. High-quality programs give working parents peace of mind and time to focus on employment, while children benefit from environments that promote safety, emotional security, and early learning. A coordinated, well-funded early care system—supported by equitable family policies and community partnerships—ensures that every child in North Carolina begins life with a strong foundation for success.

"Positive experiences, including parent and child interactions like talking, playing, eating meals, and reading together, help children grow stronger emotionally, develop larger vocabularies, and learn to read more easily."

Investing in early care and education is not only a moral imperative—it is a long-term economic strategy that builds the state's future workforce, strengthens communities, and enhances prosperity for all.

Impacts on Working Families

Child care challenges remain one of the most significant barriers to full workforce participation in North Carolina.

According to recent data, nearly 60% of working parents in the state report that child care issues have affected their ability to work (EducationNC, 2024). One in three parents has reduced work hours, moved to part-time, or turned down advancement opportunities due to a lack of reliable care. Another one in four has left a job entirely for the same reason.

These challenges disproportionately impact women and families with lower incomes. When mothers cannot find or afford care, many are forced to exit the workforce, leading to long-term earnings losses, reduced retirement savings, and slower career progression. Families who lack consistent access to care also struggle with financial instability and increased stress, which can affect children's early learning and development.

One in three parents has reduced work hours, moved to part-time, or turned down advancement opportunities due to a lack of reliable care. **Another one in four** has left a job entirely for the same reason.

"Stable, secure, nurturing relationships with competent, supported, caring adults is a key factor in ensuring the healthy development of babies and toddlers."

As the North Carolina Early Childhood Foundation and its partners note, "Working parents are in a 'double-bind': they cannot find jobs because they cannot access child care; and without jobs, they cannot build the skills and experience that will allow them to afford high quality child care" (Belfield, 2020).

Impacts on Businesses and the State Economy

The child care crisis is not just a family issue; it's an economic infrastructure issue that directly affects business productivity and state competitiveness. Inadequate child care access is costing billions in North Carolina.

Inadequate child care access is costing billions in North Carolina. This economic drain weakens North Carolina's long-term competitiveness and limits business growth. Employers report an increasing difficulty in hiring and retaining workers, particularly in industries that rely heavily on parents with young children. Without affordable and accessible child care, businesses face higher recruitment and training costs and lose out on skilled employees.

Although some employers are beginning to take action—through flexible scheduling, backup care options, or cost-sharing partnerships—fewer than half of North Carolina businesses currently offer any child care-related benefit (NCECF, 2023). Research shows that investing in family-friendly policies and affordable access to child care not only supports employees but also boosts productivity, retention, and morale.

As the North Carolina Chamber Foundation emphasized in its 2024 report, "Child care is the backbone of our economy." Strategic public and private investment in early childhood care would not only strengthen families but also generate measurable economic returns, adding billions in productivity and revenue to the state economy (EducationNC, 2024; NCECF, 2023).

Challenges Facing Child Care Providers

Child care providers form the backbone of the system, yet they face deep financial instability.

According to NCECF's In Search of a New Business Model for Infant and Toddler Child Care (2019), 99 of North Carolina's 100 counties qualify as "infant and toddler care deserts," with more than five children competing for every licensed space. Providers are often forced to close classrooms because they cannot cover costs.

The current subsidy system reimburses providers for only 87% of the true cost of care, leaving a $133 monthly gap per infant (NCECF, 2019). As a result, many providers operate at a loss or rely on underpaid staff to stay afloat. Early educators—the "workforce behind the workforce"—earn nearly 30% less than K–8 teachers and face a 44% hardship rate (NCECF, 2023). The expiration of federal stabilization funds in 2024 has worsened this crisis, putting rural and small centers at risk of closure.

Without sustainable funding and fair pay, the child care industry cannot retain skilled teachers or provide the quality care that families and employers need.

The challenges of affordability, access, and quality fall most heavily on families of color and those living in rural communities.

Disproportionate Impact on Families of Color and Rural Communities

Child care shortages affect all families, but the burden is not evenly shared.

Recent data show that families of color continue to face lower access to affordable, high-quality child care and fewer employer-based supports (EducationNC, 2024). Many were hit hardest by pandemic-related provider closures and job losses, leaving lasting disruptions to family stability. As a result, families of color are more likely to rely on informal or unlicensed care and to experience greater financial strain from child care costs that consume up to 40% of household income (NCECF, 2023).

Rural communities face similar but distinct barriers. According to NCECF's 2025 Child Care Availability: A Key Driver of Economic Health brief, more than five families now compete for each licensed child care space statewide, and rural areas are the hardest hit (Keels & Upchurch, 2025). In some counties, there are fewer than two licensed child care slots for every ten infants and toddlers. Many rural providers have closed their classrooms or shut down entirely due to staffing shortages and unsustainable operating costs, leaving parents with no viable options.

"Child care providers are forced to close infant and toddler classrooms when they cannot meet the costs. Ninety-nine of North Carolina's 100 counties qualify as infant and toddler child care deserts."

These gaps have ripple effects across generations. Limited access to child care in communities of color and rural areas reduces parents' ability to work, restricts local economic growth, and limits children's readiness for school. Addressing these inequities requires policies that fund the true cost of care, increase subsidy reimbursement rates in rural counties, and support community-based and culturally responsive early learning programs that meet the needs of all North Carolina families.

Households of color often face lower-quality options, fewer employer supports, and greater affordability barriers. During the pandemic, families of color were more likely to lose access to care due to provider closures or job loss (Belfield, 2020).

Why Investment Pays Off

Research consistently demonstrates that investments in early education yield powerful, long-term returns—not only for children and their families, but also for the entire economy.

These disparities contribute to long-term inequities in economic opportunity, educational readiness, and community stability. Addressing these issues requires policies that fund the true costs of care in all counties, expand rural access, and support culturally competent child care programs.

Quality early learning programs strengthen the foundation for a skilled and stable workforce, reduce public costs in education and social services, and increase lifetime earnings and tax contributions.

In North Carolina, decades of evidence confirm these benefits. The Smart Start and NC Pre-K programs have produced measurable academic, social, and economic gains. Children who participate in these programs enter kindergarten better prepared, perform better in reading and math through elementary school, and are less likely to require costly special education services (Belfield, 2020). Over time, these students are also more likely to graduate from high school, attend college, and earn higher wages as adults—returns that ripple through families, communities, and the state economy.

Investing in early education is not a cost—it's one of the smartest economic strategies a state can make. According to The Pathways to Grade-Level Reading Policy & Practice Actions Toolkit (NCECF, 2023), expanding affordable, high-quality early care could add billions in annual productivity gains to North Carolina's economy by enabling parents to work, improving child outcomes, and strengthening the labor pipeline.

Other states are already demonstrating the value of such investments. The 2025 *NCECF brief, Child Care Availability: A Key Driver of Economic Health*, highlights:

IN VIRGINIA

Virginia's $309 million expansion of early care and education, which produced a $364 million economic return in a single fiscal year, including $30 million in new state tax revenue (Keels & Upchurch, 2025).

IN MICHIGAN

Michigan's Tri-Share initiative, which splits the cost of child care evenly among parents, employers, and the state, has improved employee retention. 82% of participating employees report that the program makes them more likely to stay in their jobs, while 63% of employers attribute it to improved retention.

IN COLORADO

Colorado state's universal pre-kindergarten program—funded through a voter-approved nicotine tax—has already improved kindergarten readiness and freed parents to rejoin the workforce.

These examples underscore the clear economic value of child care investment: when parents can work, businesses thrive, children learn, and state revenues grow. A comprehensive, publicly funded early learning system would ensure that North Carolina reaps similar benefits, closing the gap between current underinvestment and the future-ready economy our state needs.

As the North Carolina Early Childhood Foundation and its partners have stated, "Investing in early childhood education isn't a cost—it's an investment in our children, our families, our workforce, and our future" (Keels & Upchurch, 2025).

Investing in early childhood education isn't a cost—it's an investment in our children, our families, our workforce, and our future.

RECOMMENDATIONS

Increase Child Care Subsidy Rates

Adopt the North Carolina Early Education Coalition's proposed reimbursement structure to reflect actual costs and ensure equitable funding across all counties.

Support the Early Education Workforce

Expand programs such as WAGE$ and T.E.A.C.H. to improve pay and professional development opportunities for child care teachers. Competitive wages will reduce turnover and strengthen program quality.

Expand Employer Engagement and Incentives

Businesses can play a powerful role in supporting the workforce behind the workforce. Employers can offer flexible scheduling, dependent care accounts, and partnerships with local child care providers to help working parents stay on the job and thrive. Tax incentives can also encourage companies to invest in proven strategies to strengthen North Carolina's workforce (Belfield, 2020). The *Family Forward NC® Guide to Family-Friendly Workplaces* includes specific guidance on child care partnerships and other practices that benefit both employees and employers.

Establish a Publicly Funded Child Care and Early Learning System

Create a state-level funding system that treats child care as essential infrastructure, similar to K–12 education. A publicly funded model should:

- Cover the true cost of quality care.
- Provide predictable revenue streams for providers.
- Ensure equitable access across counties, including rural areas.

Coordinate Systems and Data

North Carolina currently lacks unified data systems, shared standards, and coordinated intake for family support services. Creating a statewide framework would ensure accountability and help measure progress.

Prioritize Infant and Toddler Care

Infant and toddler care faces the deepest shortages and highest costs. Increasing funding for these age groups, expanding family child care homes, and supporting paid family leave policies will help stabilize the system.

Conclusion: Building North Carolina's Future through Child Care Investment

North Carolina stands at a crossroads. The evidence is clear: inadequate child care drains billions from the economy each year, weakens families' financial security, and limits the state's future growth.

Child care is the backbone of the economy. Without it, parents can't work, businesses lose productivity, and children lose critical opportunities for development.

Investing in child care is an investment in economic resilience. It strengthens families, supports employers, and ensures every child begins life on solid ground. The research from Belfield (2020) and the North Carolina Early Childhood Foundation (2019–2025) points to a simple truth:

"Investing in early childhood education isn't a cost, it's an investment — an investment in our children, our families, our workforce, and our future." — Invest Early NC

To secure a prosperous future, North Carolina's leaders must act now—treating child care not as a private burden, but as the public good it truly is.

Dig into the Data

Early Education in the Time of COVID-19: An Economic Analysis for North Carolina

Belfield, C. R. (2020, December 15). *Early education in the time of COVID-19: An economic analysis for North Carolina.* North Carolina Early Childhood Foundation.

Top 5 Takeaways

1. **Inadequate child care is a major drag on North Carolina's economy**. Each year, working parents lose $1.5 billion in income, businesses lose $507 million in productivity and recruitment costs, and taxpayers lose $414 million in tax revenue due to inadequate child care. These losses represent a 0.3% reduction in state GDP and nearly 1% of the state budget in forgone revenue. The report concludes that child care is not just a family issue—it's a workforce and economic infrastructure issue.

2. **The pandemic severely worsened existing child care shortages.** Before COVID-19, only half of North Carolina's parents of children under 6 had access to any formal or center-based care. Six months into the pandemic, that number dropped to one in three. Nearly three-quarters of pre-school centers closed temporarily, and many providers still face higher operating costs. As a result, families—especially those with lower incomes—have been forced out of the formal child care system entirely.

3. **Families of color and rural families face the steepest barriers.** Households of color report lower-quality care, fewer employer supports, and greater affordability issues, compounded by pandemic-related job and income losses. Rural families have seen ECE enrollment drop by more than 50%, with just 15% of rural families accessing formal care by mid-pandemic. The pandemic widened existing inequities in access and quality across regions.

4. **Child care problems deeply undermine workforce participation and advancement.** One in four parents in North Carolina quit a job because of child care problems. One-third reduced hours or moved to part-time work, and almost one-fifth turned down promotions or dropped out of training. During the pandemic, nearly half of all parents reported missing full workdays, leaving early, or being distracted on the job due to child care challenges—clear evidence that access to reliable care is tied to productivity and career progression.

5. **Investments in early childhood education have long-term payoffs.** The report reinforces decades of research showing that high-quality early education improves academic outcomes, health, and future earnings. North Carolina's Smart Start and NC Pre-K programs have produced measurable academic gains and cost savings. Expanding access to affordable, high-quality care would strengthen the state's workforce and economy both immediately and over generations.

NOTABLE QUOTES

"Working parents are in a 'double-bind': they cannot find jobs because they cannot access child care; and without jobs, they cannot build the skills and experience that will allow them to afford high-quality child care."

"If these parents had access to affordable, high-quality, and flexible child care, the North Carolina economy would be stronger."

Without Adequate Child Care, North Carolina Families, Businesses & Our State Lose $2.4 Billion Each Year

North Carolina Early Childhood Foundation. (2020, December). *Without adequate child care, North Carolina families, businesses, and our state lose $2.4 billion each year: What that means for NC and how we can rebuild together.*

Top 5 Takeaways

1. **The price tag jumped to $2.9B a year—and is still rising.** North Carolina's annual losses from inadequate child care grew from $2.4B pre-pandemic to $2.9B mid-pandemic, reflecting continuing disruptions to families' work and care.
2. **Costs are untenable for families.** Child care in NC costs ~41% more than rent, is more than in-state college tuition, and a family with an infant and a 4-year-old spends ~33% of income on care.
3. **Access cratered during COVID.** Formal/center-based care use fell from 51% pre-pandemic to 32% mid-pandemic. 44% of families already lived in child care deserts before COVID, and >70% struggled to find satisfactory care mid-pandemic (~10% couldn't find any). Fewer than half of employers offered even one child care benefit.
4. **The burden isn't evenly shared.** Rural families: formal care access plunged to 15% mid-pandemic (from 44%). Women of color: fewer employer supports pre-COVID; mid-pandemic, they more often faced closed providers, no alternatives, and affordability barriers.
5. **Underinvestment hurts children, parents, businesses, and taxpayers—and investment pays off.** Annual losses break down to $1.5B in parental income, $507M in business revenue, and $414M in tax revenue. High-quality, affordable child care improves child outcomes and reverses these losses—strengthening the workforce and state economy.

NOTABLE QUOTES

"Now [North Carolina's annual losses are] $2.9 billion, and it's likely still growing due to the ongoing impact of COVID-19."

"To drive a strong economy through COVID and beyond, parents need access to affordable and high-quality child care."

Supporting Strong Families and Communities for North Carolina Babies and Toddlers

North Carolina Early Childhood Foundation. (2019, April). *Supporting strong families and communities for North Carolina babies and toddlers* [Issue brief]. North Carolina Early Childhood Foundation.

Top 5 Takeaways

1. **Stable, nurturing relationships build the brain—and early literacy.** Supported families and communities create secure, responsive caregiver–child relationships that drive healthy brain development and make it easier for children to learn to read.
2. **Toxic stress harms development; positive daily interactions protect it.** Adverse early experiences can alter brain circuitry and chemistry, increasing health risks and lowering resilience, while talking, playing, eating meals, and reading together strengthen language and literacy.
3. **Family and community supports are essential—and measurable.** Pathways to Grade-Level Reading highlights research-based measures tied to early literacy: formal and informal family supports, safe environments, positive caregiver–child interactions, reading at home, and parent knowledge of child development.
4. **North Carolina has major policy gaps that affect babies and toddlers.** NC lacks a higher state minimum wage, refundable EITC, and dependent care credits, and several TANF enhancements; paid family leave is not statewide (though some local governments offer it). These gaps limit family economic security and caregiver capacity.
5. **Systems to support parents need coordination and standards.** NC has no statewide coordinated intake for home visiting/parenting education, no core competencies, no common outcomes tracking, and no early childhood mental health consultation across programs—clear opportunities to build a comprehensive support system. Child welfare policies also lack infant–toddler–specific safeguards (e.g., more frequent visits/reviews), although NC plans to introduce the Safe Babies Court Team model to the state.

NOTABLE QUOTES

"Stable, secure, nurturing relationships with competent, supported, caring adults is a key factor in ensuring the healthy development of babies and toddlers."

"Positive experiences, including parent and child interactions like talking, playing, eating meals, and reading together, help children grow stronger emotionally, develop larger vocabularies, and learn to read more easily."

Taking a Stand for Early Care and Education: North Carolina's Fight for Access, Equity and Fairness—Child Care Availability: A Key Driver of Economic Health

Keels, M., & Upchurch, P. (2025, February 10). *Child care availability: A key driver of economic health* [Issue brief]. North Carolina Early Childhood Foundation.

Top 5 Takeaways

1. **North Carolina's child care shortage is severe and statewide.** More than five families compete for every licensed child care space, leaving many unable to work or complete their education. Only 36% of children under six with a working parent are enrolled in licensed care, and just 19% of infants and toddlers can be served with the existing supply.
2. **Limited child care constrains the workforce and economic growth.** When families can't find or afford child care, parents—especially mothers—must leave jobs or delay reentering the workforce, reinforcing cycles of poverty and slowing state productivity. In April–May 2024, 29% of NC parents ages 25–39 reported their child couldn't attend care due to closures, cost, or safety concerns.
3. **Underinvestment in subsidies leaves most eligible children unserved.** At current funding levels, North Carolina's subsidy program supports only 51,000 children—less than 15% of those eligible. This underfunding leaves families waiting months or years for care and forces providers to turn families away due to staffing shortages.

NOTABLE QUOTE

"A new child care subsidy reimbursement rate structure would provide child care programs in every county with rates that incorporate the true cost of care and create greater equity in funding across the state for both child care centers and family child care homes, particularly in rural communities."

4. **Other states demonstrate that investment pays off.** Programs like Michigan's Tri-Share, North Dakota's $66 million allocation, and Colorado's tax-funded universal pre-K effort show how strategic investments boost family stability, workforce participation, and state revenue. Virginia's $309 million expansion generated a $364 million return, including $30 million in new tax revenue.

5. **North Carolina coalitions and business leaders are united in calling for change.** The Care and Learning Coalition (CandL), private philanthropic foundations, and chambers of commerce across the state advocate for modernized subsidy rates and robust public funding. These leaders agree: without statewide investment, child care losses will undermine economic competitiveness and workforce participation.

NOTABLE QUOTE

"Investing in early childhood education isn't a cost, it's an investment — an investment in our children, our families, our workforce, and our future.

Pathways to Grade-Level Reading Policy and Practice Action Toolkit, five-part series: Part 3, Increasing Child Care Quality and Availability by Investing in a Publicly-Funded Statewide Child Care and Early Learning System

North Carolina Early Childhood Foundation. (2023, December). *Pathways to Grade-Level Reading Policy & Practice Actions Toolkit, Part Three: Increasing child care quality and availability by investing in a publicly funded statewide child care and early learning system* [Toolkit].

Top 5 Takeaways

1. **Child care is the foundation of a strong workforce and economy.** Families can't fully participate in the workforce without reliable child care. High-quality care supports early brain development, enables parents to work, and contributes billions to North Carolina's economy. Before the pandemic, expanding access was projected to add $2.4 billion annually to the state's economy.

2. **Federal stabilization funding proved how investment works—but it's ending.** COVID-era funding allowed providers to raise wages and stabilize staffing, but those dollars expired in June 2024. Unlike other states, North Carolina has not identified state-level replacement funding, leaving child care programs—especially in rural communities—at risk of collapse.

3. **Quality care is unaffordable for most families.** Infant care in North Carolina costs $11,833 a year on average, more than in-state college tuition. Affordable care should cost no more than 7% of income, yet for a single parent, infant care can consume 40% or more. This pushes parents, especially mothers, out of the workforce and undermines family stability.

4. **A publicly funded statewide system is the sustainable solution.** NCECF and the Pathways partners call for state investments that subsidize the true cost of quality, including higher teacher pay, lower ratios, and better facilities. Raising subsidy rates, funding wraparound supports like transportation and meals, and ensuring rural access are key to a stronger, equitable system.

5. **Supporting the child care workforce is essential to quality.** Early educators—called "the workforce behind the workforce"—earn nearly 30% less than K–8 teachers and experience a 44% hardship rate. Expanding wage supplements like WAGE$ and professional development programs like T.E.A.C.H. would reduce turnover, improve care quality, and strengthen the profession.

NOTABLE QUOTES

"Child care is the backbone of our economy, and it is time to invest in it as a public good that benefits children, working families, and business."

"If America wants all its children to be ready for school, it must improve the quality of child care experiences available in this country."

ISSUE BRIEF: In Search of a New Business Model for Infant and Toddler Child Care

North Carolina Early Childhood Foundation. (2019, March). *In search of a new business model for infant and toddler child care* [Issue brief]. North Carolina Early Childhood Foundation.

Top 5 Takeaways

1. **The early years shape lifelong outcomes—but the system is unsustainable.** The first years of life build the foundation for all future health and learning. Yet the business model for infant and toddler care doesn't work: families can't afford high-quality programs, and providers can't sustain them on parent fees alone.

2. **Child care costs far exceed what families can pay.** Infant and toddler care in North Carolina consumes 11–17% of the median family income, far above the federal affordability benchmark of 7%. For low-income families, care can consume 30–50% of household income, forcing impossible tradeoffs between work, housing, and basic needs.

3. **Subsidies fall short and reach too few families.** More than 31,000 children are on the state's subsidy waitlist. Even when subsidies are awarded, they don't cover the full cost of care—providers are reimbursed for only 87% of the cost per child, leaving a $133 monthly gap for infant care that discourages participation.

4. **Infant and toddler child care deserts are the norm.** Ninety-nine of North Carolina's 100 counties qualify as infant and toddler care deserts, with 5.3 children competing for each available slot. Only 19% of infants and toddlers statewide have access to a licensed child care space, despite 67% of parents of young children being in the workforce.

5. **Policy reform and investment can close the gap.** Solutions include increasing public investment to reflect the true cost of care, managing subsidy waitlists to prioritize infants and toddlers, expanding paid family and medical leave, and investing in early childhood infrastructure. Strengthening wages and qualifications for teachers would also stabilize the system and improve quality.

NOTABLE QUOTES

"Child care providers are forced to close infant and toddler classrooms when they cannot meet the costs. Ninety-nine of North Carolina's 100 counties qualify as infant and toddler child care deserts."

"Investing in high-quality early education for the youngest children is critical for their development and also supports parents when they are most vulnerable financially."

PARTNERS IN PROGRESS

Building a strong child care system in North Carolina requires more than funding; it takes collaboration across every sector of our state. No single organization can solve the challenge alone. Businesses, policymakers, educators, and community leaders each play a role in creating a future where every family can access affordable, high-quality care.

The North Carolina Early Childhood Foundation (NCECF) leads many of these efforts by connecting data, policy, and partnerships to advance statewide solutions. Through its Pathways to Grade-Level Reading Initiative, Family Forward NC certification program, and coalition projects such as Care & Learning (CandL) and EarlyWell, NCECF helps translate research into action and empowers leaders to invest in the early years.

Policy and Advocacy Partners

- **Care and Learning Coalition (CandL)** advocates for a stable, equitable, and high-quality early childhood system including a fully funded WAGE$ program, a statewide child care subsidy floor reflecting the actual cost of quality care, and support for family-friend-and-neighbor care.
- **Invest Early NC** brings together business and policy leaders who agree that child care is essential to workforce participation and economic growth.
- **Pathways to Grade-Level Reading** (an initiative of NCECF) links early learning outcomes to literacy and school readiness, providing policy tools and measurable indicators for progress.
- **Smart Start and the NC Partnership for Children** coordinate local efforts in all 100 counties to strengthen early education and family supports.
- **Early Years** manages key workforce programs like WAGE$ and T.E.A.C.H., which improve teacher pay and retention.

Business and Economic Partners

Business leaders are increasingly recognizing child care as critical infrastructure for economic stability.

- **The NC Chamber Foundation** and local chambers of commerce in Raleigh, Durham, Greensboro, and across the state have joined early childhood advocates in calling for investment in accessible care.
- Employers certified through Family Forward NC®—like **Cone Health, Capital Broadcasting Corporation,** and **Elon University**—demonstrate how family-friendly workplace policies that include child care supports can attract and retain talented employees and boost productivity.
- **The Economic Development Partnership of North Carolina (EDPNC)** and **NC Business Committee for Education** are key allies in positioning child care as a workforce strategy for statewide competitiveness.

Government and Legislative Partners

Public leadership is essential to lasting change.

- The **NC General Assembly's Early Childhood Caucus** continues to elevate bipartisan policy solutions for families and businesses.
- State agencies such as the **Department of Health and Human Services (Division of Child Development and Early Education)** and the **Department of Commerce** are central to aligning child care policy with workforce goals.
- The **North Carolina Task Force on Child Care and Early Education** delivers guidance to state leaders on opportunities to improve access to affordable, high-quality child care and early education.

Child care is not a single-sector issue—it's a shared responsibility and one of the smartest investments our state can make for economic success and community well-being.

Philanthropic and Research Partners

Private and philanthropic investment helps fill gaps and fuel innovation.

- Foundations such as the **Duke Endowment, Blue Cross and Blue Shield of North Carolina Foundation, Z. Smith Reynolds Foundation, ChildTrust Foundation,** and **Kate B. Reynolds Charitable Trust** have provided crucial support for early childhood research and implementation.
- University partners—including **UNC-Chapel Hill's FPG Child Development Institute, Duke University's Center for Child and Family Policy**, and **NC State University's Institute for Emerging Issues**—supply data, evaluation, and policy analysis to guide decision-making

Community and Family Support Partners

Strong local networks turn policy into action.

- **Local Smart Start partnerships** deliver early literacy programs, home visiting, and parent education.
- **Home visiting and parenting education models** such as **Nurse-Family Partnership**, **Parents as Teachers**, and the **Safe Babies Court Team** promote healthy development and reduce family stress.
- **Early educators and family child care homes** form the frontline of North Carolina's child care system—the "workforce behind the workforce." Supporting their stability and well-being strengthens the foundation for every other sector of the economy.

Together, these partners form a united front for North Carolina's families, businesses, and children. Their collaboration proves that child care is not a single-sector issue—it's a shared responsibility and one of the smartest investments our state can make for economic success and community well-being.

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