



# THE ECONOMIC IMPACT OF INVESTMENTS IN EARLY CARE AND EDUCATION IN NORTH CAROLINA

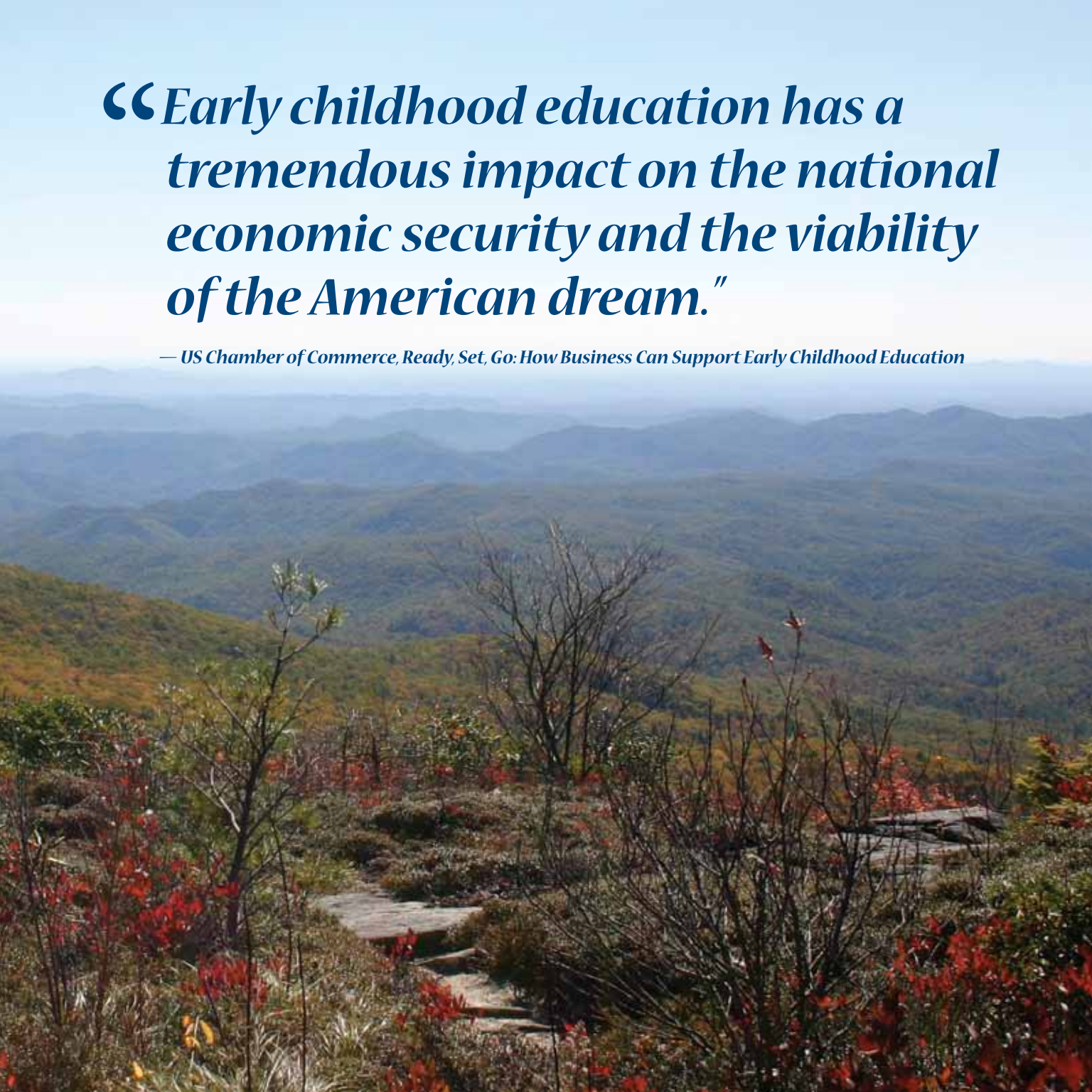
## EXECUTIVE SUMMARY





## **ABOUT THIS REPORT**

This report was produced by the Insight Center for Community Economic Development, a national research, consulting, and legal organization dedicated to building economic health and opportunity in vulnerable communities. It is the result of collaboration with The North Carolina Partnership for Children, Inc., which gathered and provided expertise around the data for this report.

A scenic view of a mountain range with a stone path leading through autumn foliage in the foreground. The path is made of flat stones and leads up a hillside covered in trees with vibrant red, orange, and yellow leaves. In the background, there are rolling hills and mountains under a clear blue sky.

**“Early childhood education has a tremendous impact on the national economic security and the viability of the American dream.”**

— US Chamber of Commerce, *Ready, Set, Go: How Business Can Support Early Childhood Education*

# INVESTMENTS IN EARLY CHILDHOOD:

## Vital to North Carolina's economy today & tomorrow

The early care and education industry educates and cares for children birth through age five, focusing on the developmental needs of children and their families through a variety of settings including child care centers, Head Start and family homes. Early care and education (ECE) programs in North Carolina:

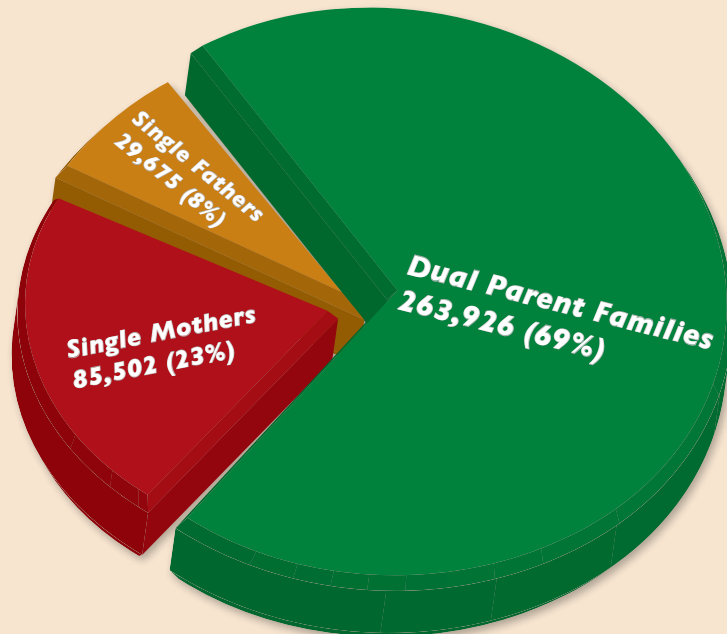
- **Generate \$1.7 billion** in revenue annually and provides more than 49,600 full-time equivalent jobs;
- Provide safe learning environments for some of the **445,000 young children** whose parents are all in the workforce. **59 percent of children ages five or younger have all parents working;**
- **Increase school readiness** and improve K-12 outcomes;
- **Benefit all industries throughout the state** by enabling parents of young children to work productively or attend school or training, which ensures a well-prepared workforce; and
- **Build a ready workforce for the future**, laying the groundwork for North Carolina's future economic success.

# EDUCATION INDUSTRY IS AN ECONOMIC DRIVER IN NORTH CAROLINA

## ECE enables parents to be part of North Carolina's workforce and upgrade their skills:

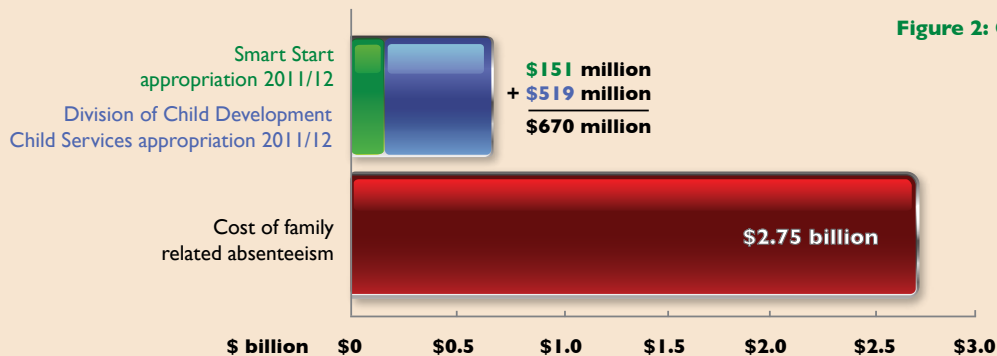
- There are **380,000 workers** in North Carolina who are parents of children between the ages of birth and five, and live in households where all parents work (see *Figure 1*). Together these parents **earn almost \$12.5 billion every year**. A strong early care and education system offers parents options for how they choose to balance the responsibilities of the workplace and raising their children.
- **Access to high-quality educational environments enable working parents to update their skills.** Research studies find that student parents who use on-campus child care programs remain in school longer, have higher grade point averages, and graduate faster with higher graduation rates than their campus counterparts. On-campus ECE programs are funded throughout the state by the North Carolina Community College Childcare Grant Program.

**Figure 1: Total adults living in households with children 0-5 where all parents are working**



## ECE supports employee productivity across North Carolina's industries:

- **Reduces costs due to employee turnover.** Without safe, affordable options to care for their young children, parents may leave their jobs, which costs businesses in recruitment, retraining and the loss of skilled workers. Even in low wage positions, **turnover costs can be significant** - averaging over \$9,000 for employees earning \$8 per hour, which increases to over 150 percent of salaried employees' incomes once productivity losses are factored in.
- **Reduces absenteeism costs.** Nationally, more than one fifth of all unscheduled absences from work are due to family issues, costing businesses money and productivity. Absences due to family issues cost the North Carolina economy about \$2.75 billion annually (*see figure 2*). Ways to reduce unscheduled absences include onsite ECE and emergency back-up child care.
- **ECE benefits everyone.** Employees with young children report that their work environment would improve if their employer offered ECE benefits. Access to convenient and reliable ECE also is an attractive benefit for employees without young children because they do not need to cover for their colleagues during unscheduled absences.
- **Smaller and medium size businesses across the state can profit** from providing effective child care benefits, such as flexible work hours, pre-tax spending plans, telecommuting, and paid parental leave.



**Figure 2: Cost of absenteeism to NC employers due to family issues, 2010**

# THE EARLY CARE AND EDUCATION INDUSTRY ENABLES FUTURE ECONOMIC SUCCESS IN NORTH CAROLINA

## **ECE provides the foundation of a ready workforce:**

- **Attending high-quality early care and education programs boosts success in grades K-12.** Duke University researchers found that North Carolina third-graders have higher standardized reading and math scores and lower special education placement rates in those counties that received more funding for Smart Start and More at Four when those children were younger. “These findings provide the most rigorous evidence yet that investments in these early childhood initiatives generate substantial benefits for all the children in the counties that receive these funds, even children who were never enrolled in the early childhood programs,” said Helen Ladd, the Edgar T. Thompson Distinguished Professor of Public Policy at Duke.
- **Other longitudinal studies show that high-quality early childhood education** programs provide significant long-term positive benefits for children, such as greater school achievement and less grade retention, and a decreased need for special education.
- **The quality and accessibility of ECE programs hinge on two key factors:** qualified and nurturing caregivers, and a safe and healthy environment that is designed to help children learn effectively.



## ECE provides a positive rate of return on investments:

- **Saves taxpayer dollars.** Longitudinal studies show that high-quality programs can save taxpayer dollars by decreasing the need for special education and lowering rates of juvenile delinquency, adult incarceration, and welfare participation.
- **Delivers high rate of return on investment.** The Federal Reserve Bank in Minneapolis analyzed rates of return from investing in a model early childhood program for low-income children. They found a 16 percent rate of return on investment—considerably higher than the long term return from U.S. stocks of 7 percent.

## The Results of a Duke University Study show that investments in Early Childhood Education WORK!

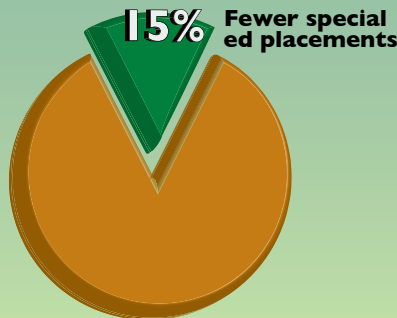
**Duke**  
UNIVERSITY

"We have analyzed data on educational outcomes for third graders over the past 12 years and find that children who were born into a county at a time that it received financial support for these programs perform better in third grade than children born into that county at a time when it received less funding for these programs."

"Perform better" means higher average third-grade standardized test scores in reading and mathematics and fewer placements into special education for problem performance. How much better? About a half year of schooling and 15 percent fewer special education placements.

Children in counties with more  
Smart Start and More at Four funding = better third grade performance

**1/2 a year**  
of schooling better



August	September	February	March
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
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12	12	12	12
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30	30	30	30
31	31	31	31

“At the Fuqua business school, we teach students to invest in what yields good returns. Young children at risk for school failure who participate in early childhood programs are less likely to repeat grades or to require special education services, which cost society much more than the earlier investment. Therefore, the total cost to society is less and the potential contribution from the child is much greater. Society is the beneficiary of this wise investment in young children.”

— Thomas F. Keller, Dean Emeritus, Duke University, Fuqua School of Business



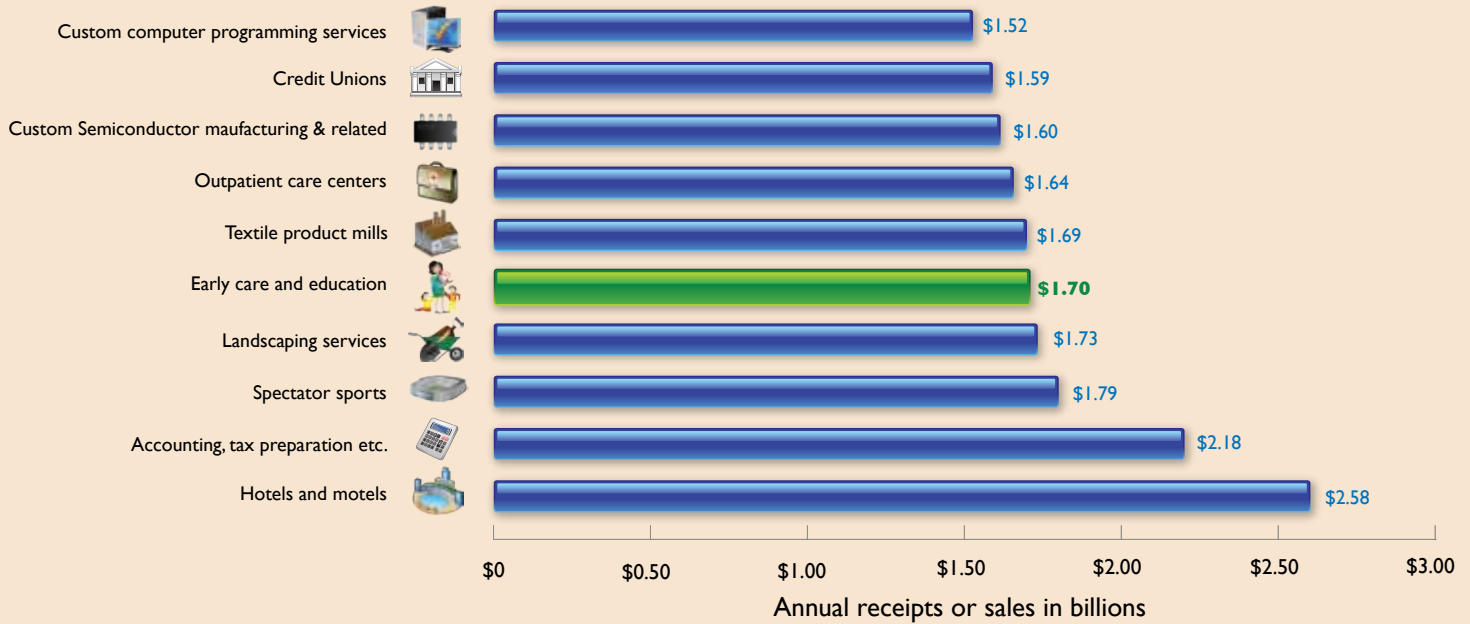
# EARLY CARE AND EDUCATION IS A VITAL PART OF NORTH CAROLINA'S EDUCATION SYSTEM

ECE includes a diverse array of programs in North Carolina that offer care and education to children between birth and age five, outside traditional public school (K-12) education. Some significant statistics at a glance:

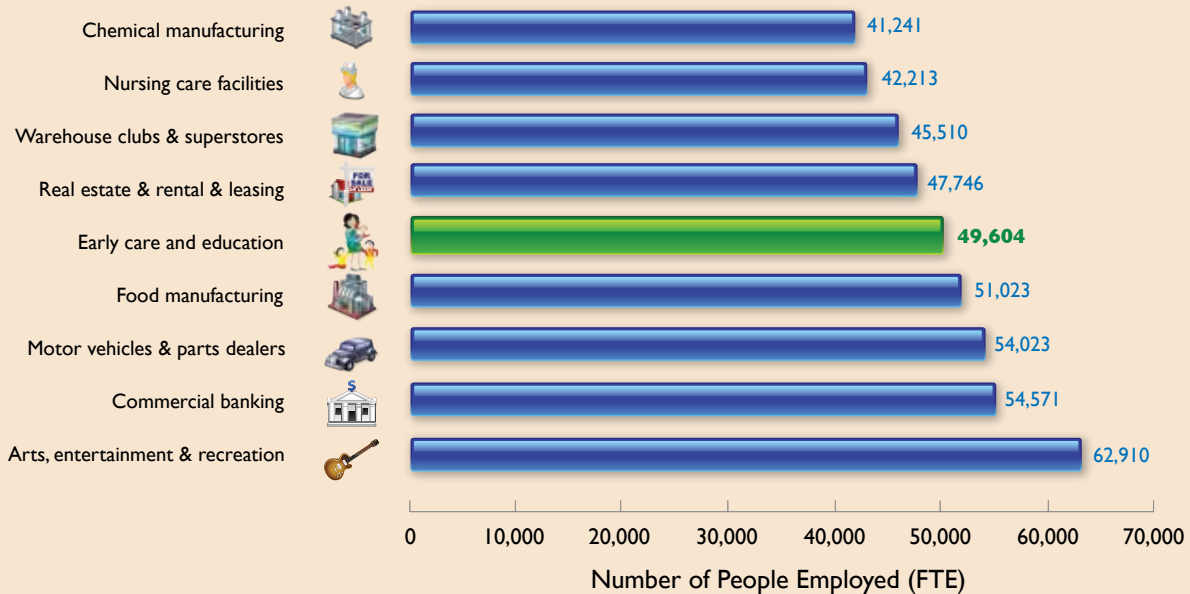
- **748,000**: the number of children between birth and age five.
- **445,000**: the number of children between birth and age five, **(59 percent of all children in this age group)** who live in families in which every parent is in the workforce.
- **185,000**: the number of children between birth and five years who attend licensed child care programs. Of these, only **112,000** were in high quality programs.

These statistics show that only 42 percent of children between birth to five years with working parents attend licensed ECE programs. Other families choose to find assistance from family, friends, or neighbors, or adjust their work schedules to care for their children.

**Figure 4: Gross Receipts or Sales by Industry**



**Figure 5: Gross Receipts or Sales by Industry**



# EARLY CARE AND EDUCATION IS A SIGNIFICANT INDUSTRY IN NORTH CAROLINA

The ECE industry generates **\$1.7 billion annually in gross receipts** — the total amount of dollars flowing into the sector in the form of payments for care, including both parent fees and private and public investments (see *Figure 4*). In North Carolina, ECE generates a higher amount of receipts than custom computer programming services, outpatient care centers, and textile product mills, among others.

Early care and education directly supports almost **50,000 full-time equivalent jobs**, employing more people than chemical manufacturing, nursing care facilities, or warehouse clubs and superstores (see *Figure 5*).

**Multiplier effects of ECE on the local economy.** The effects of early care and education ripple through the economy, **creating an additional 12,580 jobs and \$1.43 billion in economic activity**, generated by early care and education businesses and workers making local purchases, thus further boosting North Carolina's economy.

“*Smart Start clearly provides a return on investment. When children perform at grade level, everybody wins. The children thrive in school and the state saves millions a year on special education and remediation. They say it takes a village to raise a child, and now, when it counts the most, we, the village, must speak up for children.*”

— Todd Hildebran, Kiwanis District Governor of the Carolinas



## CONCLUSION

North Carolina's economy benefits when children participate in high-quality early care and education. Children in high-quality programs are better prepared for kindergarten and more likely to become life-long learners who are ready to meet the demands of the future economy. Children participating in high-quality programs also have a reduced likelihood of negative outcomes, which saves the government money and increases the quality of life for all North Carolina's residents.

The ECE industry in North Carolina plays an important role in economic development, enabling parents to work and update their professional skills. High-quality ECE also increases on-the-job productivity and reduces absenteeism. It generates more than \$1.7 billion in gross receipts annually and provides more than 49,600 full-time equivalent jobs. This puts it on par with other significant North Carolina industries.

“Today’s youngest children will be the workforce of tomorrow. It won’t be enough for these future graduates to compete for jobs with others living in North Carolina or the Southeast. Instead, our future economy will be determined by their ability to compete for jobs with students living in countries such as China and India.”

— Dave Clark, Vice President Business Banking, Wachovia - a Wells Fargo Company



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EXECUTIVE SUMMARY



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